



TYSiC

廣東天域半導體股份有限公司

GUANGDONG TIANYU SEMICONDUCTOR CO., LTD.

(於中華人民共和國註冊成立的股份有限公司)

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

股份代號 Stock code : 2658

2025

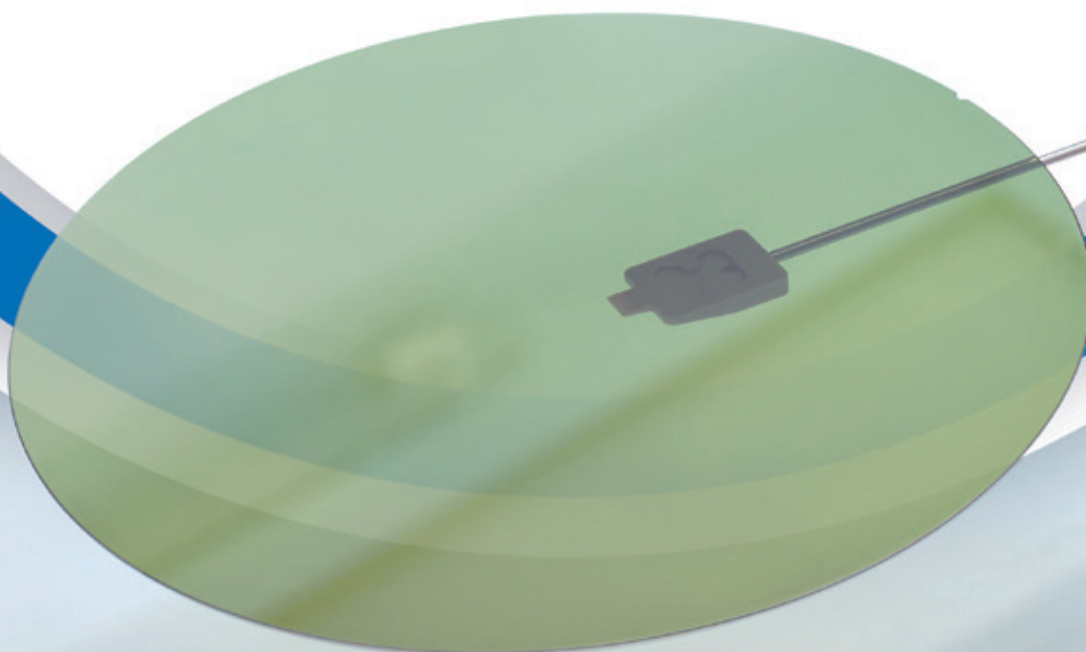
年報

Annual Report



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I. CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Mr. Li Xiguang (*Chairman of the Board; General Manager*)

Non-executive Directors

Mr. Au Yeung Chung

Mr. Jiang Dacai

Independent non-executive Directors

Mr. He Zhengsheng

Ms. Li Min

Mr. Vincent Chin

BOARD COMMITTEE

Audit Committee

Ms. Li Min (*Chairlady*)

Mr. He Zhengsheng

Mr. Jiang Dacai

Remuneration Committee

Mr. He Zhengsheng (*Chairman*)

Mr. Au Yeung Chung

Ms. Li Min

Nomination Committee

Mr. He Zhengsheng (*Chairman*)

Mr. Li Xiguang

Ms. Li Min

Strategic and ESG Committee

Mr. Li Xiguang (*Chairman*)

Mr. Au Yeung Chung

Mr. He Zhengsheng

SUPERVISORY COMMITTEE

Mr. Zhuang Shuguang (*Chairman*)

Mr. Yuan Yi

Ms. Yin Xuefang

JOINT COMPANY SECRETARIES

Mr. Li Zhuoxing

Mr. Chan Pak Lun

AUTHORIZED REPRESENTATIVES

Mr. Li Xiguang

Mr. Chan Pak Lun

AUDITOR

KPMG

Certified Public Accountants

Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

8th Floor, Prince's Building,

10 Chater Road, Central,

Hong Kong

LEGAL ADVISERS

As to Hong Kong Law

DeHeng Law Offices (Hong Kong) LLP

28/F, Henley Building

5 Queen's Road Central

Central

Hong Kong

Room 1111, 11/F

New World Tower 1

No. 16-18 Queen's Road Central

Central

Hong Kong

Room 3507, 35/F

Edinburgh Tower

The Landmark

15 Queen's Road Central

Central

Hong Kong

As to PRC Law

DeHeng Law Offices (Shenzhen)

Storey 11, Section B Anlian Plaza

No. 4018, Jintian Road

Shenzhen, Guangdong Province

PRC

COMPLIANCE ADVISERS

Caitong International Capital Company Limited

(a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)

Unit 2401-05, 24/F

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

I. CORPORATE INFORMATION

PRINCIPAL BANKS

China Construction Bank Co., Ltd. Dongguan Branch
 Jiansheng Building
 No. 5 Tiyu Road
 Nancheng District
 Dongguan
 Guangdong Province
 PRC

Dongguan Bank Co., Ltd. Dongguan Branch
 Rooms 101, 3801, 3901, 4001
 Guomao Center Building 1
 Dongcheng Street, No. 1 Hongfu East Road
 Dongguan
 Guangdong Province
 PRC

China CITIC Bank Co., Ltd. Dongguan Branch
 1/F and 13/F-16/F, Nanfeng Center Building
 No. 106 Hongfu Road
 Nancheng District
 Dongguan
 Guangdong Province
 PRC

REGISTERED OFFICE

No. 5 Industrial North First Road
 Songshan Lake Zone
 Dongguan
 Guangdong Province
 PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 5 Industrial North First Road
 Songshan Lake Zone
 Dongguan
 Guangdong Province
 PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28/F, Henley Building
 5 Queen's Road Central
 Central
 Hong Kong

H SHARE REGISTRAR

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

INVESTOR RELATIONS

Email: tydb@sicity.com

COMPANY'S WEBSITE

<https://www.sicity.com>

STOCK CODE OF STOCK EXCHANGE

02658

II. DEFINITIONS

In this annual report, the following expressions have the meanings set out below unless the context otherwise requires:

“AGM”	the forthcoming annual general meeting of the Company to be held on May 19, 2026
“Articles” or “Articles of Association”	the articles of association of our Company adopted on December 4, 2025, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Auditor”	KPMG, the external auditor of the Company
“Board” or “Board of Directors”	board of Directors of the Company
“CG Code”	the Corporate Governance Code as set out in of Appendix C1 to the Listing Rules
“Chairman”	chairman of the Board
“China” or “PRC”	the People’s Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan of China herein
“Company” or “our Company” or “the Company”	Guangdong Tianyu Semiconductor Co., Ltd. (廣東天域半導體股份有限公司) (formerly known as Dongguan Tianyu Semiconductor Technology Co., Ltd.* (東莞市天域半導體科技有限公司) and Dongguan Tianyu Silicon Carbide Technology Co., Ltd.* (東莞市天域碳化硅科技有限公司), a limited liability company established in the PRC on January 7, 2009 and subsequently converted into a joint stock company with limited liability on November 8, 2022, whose H Shares are listed on the Stock Exchange on December 5, 2025 (Stock code: 2658)
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, collectively refers to Mr. Li Xiguang (李錫光), Mr. Au Yeung Chung (歐陽忠), Ms. Su Qin (蘇琴), Dongguan Tianyu Gongchuang Investment Consulting Co., Ltd.* (東莞市天域共創投資諮詢有限公司), Dongguan Dinghong Investment Consulting Center (Limited Partnership)* (東莞市鼎弘投資諮詢中心(有限合夥)), Dongguan Runsheng Investment Consulting Center (Limited Partnership)* (東莞市潤生投資諮詢中心(有限合夥)) and Dongguan Wanghe Investment Consulting Center (Limited Partnership)* (東莞市旺和投資諮詢中心(有限合夥)), as further detailed in the section headed “Relationship with Our Controlling Shareholders” in the Prospectus

II. DEFINITIONS

"Dinghong Investment"	Dongguan Dinghong Investment Consulting Center (Limited Partnership)* (東莞市鼎弘投資諮詢中心(有限合夥)), a limited partnership established in the PRC on August 6, 2020, which is held by 45 partners, with Tianyu Gongchuang as the executive partner and general partner holding 1% of partnership interest, and 44 limited partners holding 99% of partnership interest in aggregate, including eight individuals who are Directors, Supervisors or members of senior management of our Company holding approximately 75.33% of partnership interest in aggregate and 36 current employees or ex-employees of our Group who are independent third parties holding approximately 23.67% of partnership interest in aggregate. Dinghong Investment is one of our ESOP Platforms and one of our Controlling Shareholders
"Director(s)"	director(s) of the Company
"ESOP Platforms"	Dinghong Investment, Runsheng Investment and Wanghe Investment
"Global Offering"	has the meaning ascribed to it in the Prospectus
"Group", "our Group", "the Group", "we", "us", or "our"	our Company and our subsidiaries
"H Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK\$" or "HK cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Latest Practicable Date"	April 23, 2026, being the latest practicable date prior to the publication of this annual report for ascertaining certain information contained herein
"Listing"	listing of the H Shares on the Main Board of the Stock Exchange
"Listing Date"	December 5, 2025, the date on which the H Shares of the Company were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Prospectus"	the prospectus of the Company dated November 27, 2025

II. DEFINITIONS

“Reporting Period”	the financial year ended December 31, 2025
“RMB”	Renminbi, the lawful currency of the PRC
“Runsheng Investment”	Dongguan Runsheng Investment Consulting Center (Limited Partnership)* (東莞市潤生投資諮詢中心(有限合夥)), a limited partnership established in the PRC on August 5, 2020, which is held by 43 partners, with Tianyu Gongchuang as the executive partner and general partner holding 1% of partnership interest, and 42 limited partners holding 99% of partnership interest in aggregate, including four individuals who are Directors or Supervisors holding approximately 75.10% of partnership interest in aggregate and 36 current employees or ex-employees of our Group who are independent third parties holding approximately 23.90% of partnership interest in aggregate. Runsheng Investment is one of our ESOP Platforms and one of our Controlling Shareholders
“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Shares
“Southern Semiconductor”	Dongguan Southern Semiconductor Technology Co., Ltd.* (東莞南方半導體科技有限公 司), a limited liability company established in the PRC on November 23, 2016, which is a direct non-wholly owned subsidiary of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	member(s) of the Supervisory Committee of the Company
“Supervisory Committee”	the supervisory committee of our Company
“Tianyu Gongchuang”	Dongguan Tianyu Gongchuang Investment Consulting Co., Ltd.* (東莞市天域共創投資諮詢有限公司), a limited liability company established in the PRC on July 9, 2020, which is owned as to 99% by Mr. Li Xiguang and 1% by Ms. Su Qin, the spouse of Mr. Li Xiguang. Tianyu Gongchuang is one of our Controlling Shareholders
“Unlisted Share(s)”	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which is/are not listed or traded on any stock exchange

II. DEFINITIONS

“Wanghe Investment”	Dongguan Wanghe Investment Consulting Center (Limited Partnership)* (東莞市旺和投資諮詢中心(有限合夥)), a limited partnership established in the PRC on August 5, 2020, which is held by 25 partners, with Tianyu Gongchuang as the executive partner and general partner holding 1% of partnership interest, and 24 limited partners holding 99% of partnership interest in aggregate, including five individuals who are Directors or Supervisors of our Company holding approximately 83.77% of partnership interest in aggregate and 19 current employees or ex-employees of our Group who are independent third parties holding approximately 15.23% of partnership interest in aggregate. Wanghe Investment is one of our ESOP Platforms and one of our Controlling Shareholders
“%”	per cent

III. FINANCIAL SUMMARY AND FOUR-YEAR FINANCIAL SUMMARY

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended December 31,	
	2025	2024
Revenue (RMB in thousand)	709,228	519,622
Gross profit/(loss) (RMB in thousand)	133,424	(374,360)
Gross profit/(loss) margin	18.8%	-72.0%
Loss for the year (RMB in thousand)	(62,209)	(500,252)
Net loss margin	-8.8%	-96.3%
Loss for the year attributable to equity shareholders of the Company (RMB in thousand)	(55,605)	(492,455)
Basic and diluted loss per share (RMB)	(0.15)	(1.36)
Proposed final dividend per share (RMB)	Nil	Nil

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,	
	2025 (RMB in thousands)	2024 (RMB in thousands)
Total assets	5,443,126	3,479,553
Cash and cash equivalents	1,166,275	114,577
Total equity	2,713,046	1,219,609

III. FINANCIAL SUMMARY AND FOUR-YEAR FINANCIAL SUMMARY

RECENT FOUR-YEAR FINANCIAL SUMMARY

	For the year ended December 31,			
	2022	2023	2024	2025
	(RMB in thousands)			
Revenue	436,855	1,171,214	519,622	709,228
Cost of sales	(349,369)	(954,596)	(893,982)	(575,804)
Gross profit/(loss)	87,486	216,618	(374,360)	133,424
Net profit/(loss) for the year	2,814	95,882	(500,252)	(62,209)
Profit/(loss) attributable to:				
Equity shareholders of the Company	6,951	101,436	(492,455)	(55,605)
Non-controlling interests	(4,137)	(5,554)	(7,797)	(6,604)
Earnings/(loss) per share, basis and diluted (RMB)	0.02	0.28	(1.36)	(0.15)
	As of December 31,			
	2022	2023	2024	2025
	(RMB in thousands)			
Assets				
Non-current assets	763,513	1,995,931	2,877,244	3,250,176
Current assets	995,034	1,047,092	602,309	2,192,950
Total assets	1,758,547	3,043,023	3,479,553	5,443,126
Equity and liabilities	1,575,367	1,696,695	1,219,609	2,713,046
Total equity				
Non-current liabilities	39,921	559,895	1,134,678	1,602,422
Current liabilities	143,259	786,433	1,125,266	1,127,658
Total liabilities	183,180	1,346,328	2,259,944	2,730,080
Total equity and liabilities	1,758,547	3,043,023	3,479,553	5,443,126

IV. CHAIRMAN'S STATEMENT

Dear shareholders,

2025 was a milestone year of significance in the development of Tianyu Semiconductor. We successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited, signifying that the Company has officially entered a new stage of capitalization and internationalization development. On behalf of the Board, I would like to extend my heartfelt gratitude to our management and all employees for their dedication, to our shareholders and investors for their unwavering support, and to our partners for joining hands and moving forward together!

Looking back at 2025, the global macroeconomic environment remained complex and volatile, while the industrial landscape continued to undergo turbulent and profound transformations. Driven by the dual forces of energy revolution and wave of intelligentization, the third-generation semiconductor industry, represented by silicon carbide (SiC), entered a golden stage of development at an unprecedented pace. As a core power material for new energy vehicles, photovoltaic energy storage, rail transit, data centers, and smart grids, SiC power devices have witnessed sustained high growth in terminal demand. Faced with both industry opportunities and market challenges, the Company remained steadfast in its principal business of SiC epitaxial wafers. By anchoring ourselves in technology, centering on customers, and focusing on efficiency, we achieved significant breakthrough in operating results, **with operating revenue reaching RMB709.2 million, representing a year-on-year increase of 36.5%**. At the same time, the Company regards R&D as the core engine of its development. By optimizing R&D resources deployment, we achieved key technical breakthroughs in thick epitaxial growth and the preparation of large-size epitaxial wafers. We have successfully attained stable mass production of high-quality thick epitaxial layers and established a large-size epitaxial process platform, providing solid material support for cutting-edge application scenarios, including the 20kV-class ultra-high voltage power devices, ultra-high voltage power transmission, and rail transit. Moving forward, we aim to translate these core R&D achievements into positive business results, injecting a continuous stream of innovative vitality into the Company's sustainable development.

OUTLOOK AND PROSPECTS

Looking ahead, the Company will adhere to its strategic direction of technology leadership, quality orientation, customer-centricity, and value creation, with an emphasis on advancing the following three key initiatives:

Firstly, solidifying our advantage in production capacity scale and consolidating our leading position in the SiC epitaxial wafer industry.

We will continue to advance the construction of industrial base at the Ecological Park site in Dongguan and ensure the orderly introduction of production capacity, thereby steadily reinforcing our strengths in large-scale manufacturing. We will deepen the long-term strategic partnerships with top-tier domestic and international customers and core industry partners. By strengthening joint technology development, supply chain synergy, and deeper business integration, we aim to execute strategic cooperation agreements at higher levels and across a broader scope. Furthermore, we will continuously expand our high-quality customers base, optimize customer and order mix, and enhance order quality, delivery stability, and business sustainability, ultimately seeking to build a robust competitive barrier through full-chain ecosystem synergy.

IV. CHAIRMAN'S STATEMENT

Secondly, making every effort to improve product yield, establishing a core advantage in both cost and quality.

Leveraging process refinement, equipment intelligence, and process digitalization as key drivers, we will comprehensively optimize the management and control system of the entire epitaxial growth process. Through iterative process refinement, precise refining and control of key parameters, equipment automation upgrades, and real-time data monitoring, we will continuously reduce crystal defect density and improve the thickness uniformity, doping uniformity, and overall material performance of the epitaxial layers, ultimately achieving a steady rise in product yield and continuously optimizing unit production costs. Relying on more stable product quality and more efficient production operations, we will provide solid support for large-scale mass production and delivery, continuously enhancing our profitability and market competitiveness.

Thirdly, steadily expanding into new businesses and application scenarios to unlock the second growth curve.

Building on our mature production capacity and established market advantages in 6-inch and 8-inch SiC epitaxial wafers, we will proactively advance R&D for high-specification, high-performance epitaxial products, including the 12-inch epitaxial wafers, to continuously refine our portfolio of large-size, high-quality offerings. Simultaneously, we will actively explore and apply artificial intelligence technologies to enhance our R&D function, supporting faster and more efficient development of high-specification products. We will fully leverage our competitive edge in thick epitaxial technology, centered on core competitiveness such as 200 μ m-class ultra-thick epitaxial layers, ultra-low defect density, and long minority carrier lifetime, to focus on high-end applications such as ultra-high-voltage power devices and high-power power electronics equipment, thereby creating a forward-looking, differentiated product portfolio. Targeting application scenarios in power devices and modules for new energy vehicles, photovoltaic energy storage, and industrial power supplies, we will actively expand into high-end markets and emerging segments while extending our presence into high value-added business segments to enrich our product matrix and service ecosystem, thereby comprehensively upgrading our integrated service capabilities from material supply to providing comprehensive solutions to fully capture the market opportunities from the rapid growth of the new energy and power semiconductor industries and carve out new potentials for sustained growth.

To all shareholders, as an SiC epitaxial wafer enterprise listed on the Hong Kong Stock Exchange, we always prioritize long-term shareholder value, adhere to compliant operations, steady development, and continuous innovation. The Board will continue to fulfill its duties with diligence and responsibility. Working alongside the management, we will lead the Company to delve deeper into the frontiers of industry technology. Guided by market demand, we are committed to constantly enhancing brand authority and influence within the industry, with our pledge to deliver more solid performance to reward all our shareholders.

Li Xiguang

Chairman and Executive Director

March 30, 2026

V. MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Market Overview

In 2025, the global third-generation semiconductor industry continued to develop amidst a complex and evolving landscape. As a critical material for power semiconductor devices, Silicon Carbide (“SiC”) remains at the forefront of the global transition towards green and low-carbon energy. The robust demand from downstream industries, particularly new energy vehicles (“xEVs”), photovoltaics, energy storage systems, and charging infrastructure, continued to drive the expansion of the SiC power device market. In particular, with the stringent requirements for high-voltage, high-temperature, and high-frequency performance in these applications, SiC epitaxial wafers have become increasingly indispensable compared to traditional silicon-based materials.

In the PRC market, the semiconductor industry continued to benefit from favorable government policies and the strategic push for self-reliance in science and technology. Driven by the rapid development of the domestic new energy vehicle industry and the deepening demand for import substitution, the localization rate of the SiC supply chain has continued to increase. The market environment in China has fostered a high degree of specialization and division of labor, promoting the rapid penetration of domestic SiC epitaxial wafers in downstream applications.

However, the industry also faced challenges during the Reporting Period. Following the temporary industry oversupply and inventory adjustments experienced in 2024, the market price of SiC epitaxial wafers and substrates showed signs of stabilization in 2025. The industry continued to undergo a period of technological iteration, characterized by the structural shift from 4-inch and 6-inch wafers to 8-inch wafers. The transition to 8-inch SiC epitaxial wafers, which are more cost-effective, has become a key trend for future industry development. Furthermore, global trade tensions and geopolitical uncertainties continued to present complexities for the global supply chain layout.

Despite these challenges, the long-term growth logic of the SiC industry remains unchanged. The Company continued to focus on the research and development and manufacturing of high-quality SiC epitaxial wafers, meeting the industry’s evolving needs for larger size and higher performance materials. By virtue of its leading market position as one of the largest manufacturers of self-manufactured SiC epitaxial wafers in the PRC market, the Company maintained its resilience during the Reporting Period.

Business Overview

During the Reporting Period, the Company remained committed to independent research and development and the innovation of fabrication technologies. Leveraging our comprehensive knowledge of technical specifications and applications, we continued to optimize our production processes to meet the evolving demands of downstream customers in industries such as electric vehicles, power supply, and rail transportation.

In response to the industry trend shifting towards larger and more cost-effective semiconductor materials, the Company focused on increasing the penetration of its 8-inch SiC epitaxial wafers. By virtue of our established mass production capability and yield improvement, the sales volume of our 6-inch and 8-inch SiC epitaxial wafers maintained growth during the Reporting Period. The Company effectively implemented a volume-driven sales strategy to counter the impact of market price fluctuations, deepening relationships with key customers while actively expanding our customer base domestically and internationally.

V. MANAGEMENT DISCUSSION AND ANALYSIS

To improve operational efficiency and profitability, the Company actively optimized its supply chain management during the Reporting Period. We increased the proportion of raw material procurement from domestic suppliers, particularly for SiC substrates, which effectively reduced production costs and mitigated supply chain risks. Furthermore, we strengthened our inventory management and quality control measures, resulting in an improvement in inventory turnover days and the write-off of previous inventory write-downs during the year.

In terms of capacity expansion, the Company progressed with the construction of its new production base at the Ecological Park site in Dongguan. As of the end of 2025, the construction was completed and the facility was put into use, enhancing our production capacity to meet the potential market demand for 8-inch SiC epitaxial wafers.

Based on the foregoing, for the year ended December 31, 2025, the Company recorded a revenue of RMB709.2 million, representing a year-on-year increase of 36.5%. The Company achieved a significant reduction in net loss, recording a net loss of RMB62.2 million (2024: net loss of RMB500.3 million). This substantial narrowing of the loss was primarily attributable to: (i) the increase in revenue; and (ii) improved inventory management efficiency, which resulted in the substantial write-off of the large inventory write-down provision made in 2024.

PRINCIPAL BUSINESS AND PRODUCTS

The Company is one of the leading SiC epitaxial wafer manufacturers in China, focusing primarily on self-manufactured SiC epitaxial wafers. An epitaxial wafer is the key raw material for the production of power semiconductor devices. Through the epitaxial process, a specific single-crystal thin film is grown on a silicon carbide substrate, thereby producing individual epitaxial wafers with specific crystal planes and appropriate electrical, optical and mechanical properties. Through the cutting, grinding and polishing of silicon carbide epitaxial wafers, followed by further packaging and design, power semiconductor devices can then be produced.

The Company's product offerings primarily include 4-inch, 6-inch and 8-inch SiC epitaxial wafers. SiC, as a third-generation semiconductor material, offers significant performance advantages compared to traditional materials like silicon, making it highly suitable for high-voltage, high-temperature, and high-frequency environments. The Company's products are widely applied in downstream sectors such as electric vehicles, power supply, rail transportation, photovoltaics, energy storage and smart grids.

In addition to the sales of self-manufactured SiC epitaxial wafers, leveraging its capability and expertise in R&D and mass production, the Company provides value-added SiC epitaxial wafer related services, including SiC epitaxial foundry service, epitaxial wafer cleaning service, and SiC related inspection service.

For the year ended December 31, 2025, in terms of core technologies, the Company continued to focus on the industrialization of SiC epitaxial wafers, utilizing 4H-SiC thick-film rapid epitaxial growth technology. To meet the evolving customer demands for larger and more cost-effective materials, the Company focused on improving the stability and yield of 8-inch SiC epitaxial wafers, and is committed to their large-scale production. Compared to smaller wafers, 8-inch wafers provide a larger chip cutting area than 6-inch wafers, a lower proportion of edge loss, and a higher effective area utilization rate per wafer. In terms of production capacity, the Company's new production base at the Ecological Park site in Dongguan was put into use, positioning the Company as one of the major players in China equipped with significant production capacity for both 6-inch and 8-inch epitaxial wafers.

V. MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue by Product Line

During the Reporting Period, the Company generated revenue primarily from (i) sales of self-manufactured SiC epitaxial wafers; and (ii) other sales and services. The following table sets forth a breakdown of the Company's revenue by business line, in absolute amounts and as a percentage of the total revenue, for the periods indicated:

	Year ended December 31,			
	2025		2024	
	RMB'000	% of revenue	RMB'000	% of revenue
Sales of self-manufactured SiC epitaxial wafers	522,528	73.7	484,423	93.2
— 4-inch	2,672	0.4	7,615	1.5
— 6-inch	321,408	45.3	455,849	87.7
— 8-inch	198,448	28.0	20,959	4.0
Other sales and services	186,700	26.3	35,199	6.8
Total	709,228	100.0	519,622	100.0

Revenue by Geographical Location

The following table sets forth a breakdown of the Company's revenue by geographical location based on the location at which the services were provided or the goods were delivered, in absolute amounts and as a percentage of the total revenue, for the periods indicated:

	Year ended December 31,			
	2025		2024	
	RMB'000	% of revenue	RMB'000	% of revenue
Chinese Mainland	705,436	99.4	474,857	91.4
South Korea	1,107	0.2	39,305	7.6
Others (Note)	2,685	0.4	5,460	1.0
Total	709,228	100.0	519,622	100.0

Note: Others primarily includes Hong Kong, Japan, Taiwan, Singapore, Europe and Australia.

V. MANAGEMENT DISCUSSION AND ANALYSIS

The Company's revenue increased by 36.5% from RMB519.6 million for the year ended December 31, 2024 to RMB709.2 million for the year ended December 31, 2025.

Below are details of changes in our revenue by business line and revenue by geographical location:

The Company's revenue from sales of self-manufactured SiC epitaxial wafers increased by 7.9% from RMB484.4 million for the year ended December 31, 2024 to RMB522.5 million for the year ended December 31, 2025. The increase was primarily driven by a significant growth in sales volume, particularly for 6-inch and 8-inch SiC epitaxial wafers, driven by the Company's volume-driven sales strategy. The revenue growth was partially offset by a decrease in the average selling price of SiC epitaxial wafers, as the Company flexibly adjusted prices in response to market conditions to maintain its industry position and gain market share.

The Company's revenue from other sales and services increased by 430.4% from RMB35.2 million for the year ended December 31, 2024 to RMB186.7 million for the year ended December 31, 2025. This was primarily due to an increase in revenue generated from, among others, the provision of foundry services.

The Company's revenue generated from the Chinese Mainland increased by 48.6% from RMB474.9 million for the year ended December 31, 2024 to RMB705.4 million for the year ended December 31, 2025. Despite a significant increase in sales volume driven by growing domestic market demand, the revenue growth was partially offset by the decrease in the average selling price of SiC epitaxial wafers.

The Company's revenue generated from countries and regions outside the Chinese Mainland decreased by 91.5% from RMB44.8 million for the year ended December 31, 2024 to RMB3.8 million for the year ended December 31, 2025. This decrease was primarily driven by a strategic reallocation of our sales focus towards the domestic market to mitigate the potential impacts of geopolitical uncertainties, which resulted in a lower overseas sales volume. Nevertheless, despite this strategic adjustment, the Company remains committed to its long-term global strategy and is actively laying the groundwork to expand its overseas business presence in markets such as Malaysia and Japan.

Cost of Sales

The Company's cost of sales decreased by 35.6% from RMB894.0 million for the year ended December 31, 2024 to RMB575.8 million for the year ended December 31, 2025. This change was primarily attributable to: (i) a substantial decrease in the provision for write-down of inventories to RMB13.1 million in 2025 compared to RMB315.1 million in the previous year; (ii) the write-off of previous inventory write-downs resulting from strengthened inventory management, the utilization of previously provisioned inventories, and the return of certain non-conforming inventories to a supplier; (iii) a decrease in material costs and manufacturing costs per unit resulting from economies of scale driven by the increased sales volume of 6-inch and 8-inch SiC epitaxial wafers; and (iv) decreased purchase costs due to the Company's strategic shift towards domestic substitution of raw materials. However, the decrease in cost of sales was partially offset by the unallocated fixed costs of manufacturing overheads being directly expensed to the cost of sales, which resulted from a temporary underutilization of the Group's production facilities due to the reschedule of delivery timetables by certain customers towards the end of 2025. Please refer to the section headed "Management Discussion and Analysis — Financial Review — Gross Profit and Gross Profit Margin" in this section for further details.

V. MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Company recorded a gross profit of RMB133.4 million for the year ended December 31, 2025, as compared to a gross loss of RMB374.4 million for the year ended December 31, 2024. The gross profit margin was 18.8% for the year ended December 31, 2025 (2024: gross loss margin of 72.0%).

The turnaround from gross loss to gross profit and the improvement in gross profit margin were mainly attributable to: (i) a significant reduction in the write-down of inventories recognized during the Reporting Period; (ii) a write-off of previous inventory write-downs; (iii) the increase in sales volume, particularly of 8-inch and 6-inch SiC epitaxial wafers, which led to economies of scale and diluted fixed costs; and (iv) decreased purchase costs of raw materials resulting from domestic substitution.

Below are breakdowns of gross profit and gross profit margin by business line:

- **Sales of self-manufactured SiC epitaxial wafers:** The gross profit from this segment amounted to RMB130.5 million with a gross profit margin of 25.0% (2024: gross loss of RMB350.3 million and gross loss margin of 72.3%). The improvement was driven by the optimized product mix with a higher contribution from 8-inch wafers and improved production efficiency.
- **Other sales and services:** The gross profit from this segment amounted to RMB3.6 million with a gross profit margin of 1.9% (2024: gross loss of RMB22.7 million and gross loss margin of 64.5%). The improvement was primarily due to the increase in the provision of foundry services as a result of the increased volume of SiC epitaxial wafers processed, which reduced the fixed cost allocated to such services.

Despite the overall turnaround to a gross profit, the gross profit for the year was lower than initially expected. This was primarily due to the reschedule of delivery timetables by certain customers that materialized towards the end of 2025. Consequently, the relevant orders rescheduled did not translate into profit for the year. Furthermore, this reschedule led to a temporary underutilization of the Group's production facilities. The unallocated fixed costs of manufacturing overheads associated with this unutilized capacity were directly expensed to the cost of sales for the period, which adversely impacted the gross profit margin. Nevertheless, the aforementioned rescheduled orders have been successfully delivered as of the date of this report.

Other Net Income

The Company's other net income primarily consists of (i) government grants; (ii) net foreign exchange gain/(loss); (iii) interest income from bank deposits; and (iv) gain or loss on disposals of property, plant and equipment.

The Company's other net income increased by 107.1% from RMB13.4 million for the year ended December 31, 2024 to RMB27.7 million for the year ended December 31, 2025. This was primarily due to an increase in government grants mainly in relation to subsidies to SiC epitaxial wafer related R&D and development of the Company to increase its competitiveness, which was partially offset by a net foreign exchange loss of approximately RMB9.5 million recorded during the year, compared to a net foreign exchange gain in the previous year.

Selling and Distribution Expenses

The Company's selling and distribution expenses primarily consist of (i) sample fees; (ii) employee expenses; (iii) business entertainment expenses; (iv) share-based payment expenses; and (v) travel expenses.

V. MANAGEMENT DISCUSSION AND ANALYSIS

The Company's selling and distribution expenses increased by 0.6% from RMB19.0 million for the year ended December 31, 2024 to RMB19.1 million for the year ended December 31, 2025.

Administrative and Other Operating Expenses

The Company's administrative and other operating expenses primarily consist of (i) provision for impairment losses on financial assets; (ii) employee expenses; (iii) professional fees; (iv) listing expenses; and (v) share-based payment expenses.

The Company's administrative and other operating expenses decreased by 5.2% from RMB113.6 million for the year ended December 31, 2024 to RMB107.7 million for the year ended December 31, 2025. This was primarily due to a year-on-year decrease in the provision for impairment losses on financial assets from RMB45.0 million in 2024 to RMB17.1 million in 2025.

Although the overall provision expense for impairment losses decreased significantly compared to the previous year, the settlement cycles of certain customers took slightly longer than initially anticipated towards the end of the year ended December 31, 2025. Given that the aging of these outstanding accounts receivables exceeded the original expectations, the Group performed a year-end reassessment and recognized an impairment provision on trade receivables of approximately RMB16.9 million. Regarding subsequent collections, as of April 15, 2026, the Group had collected over RMB515 million subsequent to year-end, representing over 65% of the trade receivables outstanding as at December 31, 2025.

The overall decrease in administrative and other operating expenses was partially offset by the recognition of non-recurring listing expenses of approximately RMB15.1 million incurred in connection with the Company's successful listing on the Stock Exchange in December 2025, representing an increase of approximately RMB11.7 million as compared to approximately RMB3.4 million recorded for the year ended December 31, 2024.

R&D Expenses

The Company's research and development expenses primarily consist of (i) employee expenses; (ii) material costs used in R&D projects; (iii) depreciation and amortization; (iv) share-based payments; (v) fuel and power expenses; and (vi) testing and certification expenses.

The Company's research and development expenses decreased by 2.3% from RMB61.0 million for the year ended December 31, 2024 to RMB59.6 million for the year ended December 31, 2025. This was primarily due to a reduction in material costs used in R&D projects, which was driven by: (i) a general decrease in the procurement prices of raw materials; and (ii) the Company's optimized management of R&D materials, which effectively improved the utilization rate and recycling frequency of such materials, thereby reducing overall material consumption.

Finance Costs

The Company's finance costs primarily consist of (i) interest expenses on bank loans and other borrowings; and (ii) interest expenses on lease liabilities.

The Company's finance costs increased by 41.1% from RMB34.6 million for the year ended December 31, 2024 to RMB48.7 million for the year ended December 31, 2025. This was primarily due to an increase in interest expenses on bank loans and other borrowings as the Company drew down additional bank loans and other borrowings mainly for the construction of the Ecological Park production base and purchases of equipment. The Company recorded interest expenses capitalized into property, plant and equipment in relation to the construction of the Ecological Park production base, which partially offset the gross increase in interest expenses.

V. MANAGEMENT DISCUSSION AND ANALYSIS

Loss before Taxation

As a result of the foregoing, the Company recorded a loss before taxation of RMB74.1 million for the year ended December 31, 2025, as compared to a loss before taxation of RMB589.2 million for the year ended December 31, 2024.

Income Tax

The Company recorded an income tax credit of RMB11.9 million for the year ended December 31, 2025, as compared to an income tax credit of RMB89.0 million for the year ended December 31, 2024. This decrease in the income tax credit was primarily attributable to the significant reduction in the Company's loss before taxation during the year.

The Company and its subsidiary, Southern Semiconductor, were qualified as High and New Technology Enterprises and entitled to a preferential tax rate of 15%. Additionally, the Company was entitled to an additional 100% tax deduction on eligible R&D expenses during the Reporting Period.

Loss for the Year

As a result of the foregoing, the Company recorded a loss for the year of RMB62.2 million for the year ended December 31, 2025, as compared to a loss for the year of RMB500.3 million for the year ended December 31, 2024.

Market Risk

Market risk is the risk that profitability will be impaired or the ability to meet business objectives will be affected by changes in market prices, such as the selling prices of SiC epitaxial wafers and the purchase prices of raw materials (including SiC substrates). The semiconductor industry is cyclical and subject to rapid technological changes. During the Reporting Period, the Company faced challenges such as the fluctuation in market prices of SiC epitaxial wafers due to temporary industry oversupply. The management of the Company manages and monitors these risks to ensure that appropriate measures, such as flexible pricing strategies and inventory management, can be taken in a timely and effective manner.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or missing internal processes, personnel or systems, or from external events. The Company is exposed to various risks in its operations, including supply chain stability, production safety, and quality control. Responsibility for the management of operational risk rests primarily with the functional divisions and departments. The Company has established a risk management system with relevant policies and procedures, such as the "Emergency Preparedness and Response Control Procedures" and quality control standards (ISO9001 and IATF16949), to identify and assess key operational risks in order to take appropriate risk response measures.

Investment Risk

Investment risk is defined as the possibility that any particular investment will suffer a loss relative to its expected return. The Company operates in a capital-intensive industry and has made, and expects to continue to make significant capital expenditures for the expansion of production capacity (such as the Ecological Park production base) and R&D activities. The key consideration of the investment framework is to balance the risks and returns of various types of investments. The Company has an appropriate authorization system in place and will conduct a detailed analysis before approving an investment to ensure sufficient working capital is maintained.

V. MANAGEMENT DISCUSSION AND ANALYSIS

Risks to Manpower Supply and Retention

The Company may be exposed to the risk of not being able to attract and retain key personnel and talent with the appropriate and required skills, experience and aptitude, particularly R&D personnel and senior management who are critical to the Company's business success and technological innovation. The Company offers competitive salaries, performance-based bonuses, and other incentives (including share-based payment schemes) to attract and retain exceptional talent in the industry.

Financial Risk

The Company is exposed to financial risks such as credit risk, liquidity risk and interest rate risk.

- **Credit Risk:** The Company's credit risk is primarily attributable to trade receivables. The Company is exposed to concentration risk as a significant portion of trade receivables was due from its largest customers. The Company implements credit assessment and monitoring procedures to manage this risk.
- **Liquidity Risk:** The Company monitors current and expected liquidity requirements to ensure sufficient reserves of cash and adequate committed funding from financial institutions.
- **Interest Rate Risk:** The Company is exposed to interest rate risk primarily arising from bank loans and other borrowings issued at variable rates.

In response to the above risks, the Company has a number of risk management processes in place to minimize such risks and to manage, rather than eliminate, the risk of failure to achieve business objectives.

Foreign Exchange Risk

The Company's financial statements are presented in RMB. The Company is exposed to foreign currency risk primarily through sales and purchases which give rise to receivables, payables, and cash balances that are denominated in a foreign currency, i.e., a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily U.S. dollars, Euros and Japanese Yen. The Company currently does not have a foreign currency hedging policy. However, the Company's management will manage foreign currency risk through regular reviews and consider hedging significant foreign currency risk exposures when necessary.

Capital Management

The key objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company manages and optimizes its capital structure in response to changes in the economic environment and the risk characteristics of its underlying assets. To maintain or optimize the capital structure, taking into account the Company's current development stage, the Company will primarily focus on further adjusting its business plans to safeguard and enhance its profitability. In addition, the Company may optimize the composition of its long-term and short-term debt to reduce overall finance costs. Furthermore, the Company seeks to alleviate the cost pressures associated with long-term heavy-asset investments by further balancing its operational risks and returns. The capital structure of the Company primarily consists of equity attributable to equity shareholders of the Company, comprising issued share capital and various reserves.

V. MANAGEMENT DISCUSSION AND ANALYSIS

The Company monitors capital using a debt-to-equity ratio. The debt-to-equity ratio of the Company as of December 31, 2025 was 83.6% (as of December 31, 2024: 138.9%). The gearing ratio is calculated based on total loans and borrowings divided by total equity as of the end of the respective year and multiplied by 100%. The decrease in the debt-to-equity ratio was primarily due to a significant increase in the Company's total equity, which was mainly driven by the net proceeds raised from the Global Offering.

Liquidity and Financial Resources

During the Reporting Period, the Company financed its cash requirements primarily through cash generated from operating activities, bank loans and other borrowings, and the net proceeds from the Global Offering.

As of December 31, 2025, the Company's current assets amounted to RMB2,193.0 million (as of December 31, 2024: RMB602.3 million). The Company's cash and cash equivalents amounted to RMB1,166.3 million as of December 31, 2025 (as of December 31, 2024: RMB114.6 million). The Company's cash and cash equivalents are primarily denominated in RMB, United States Dollars, Hong Kong Dollars, Euro and Japanese Yen.

As of December 31, 2025, the Company had total bank loans and other borrowings of RMB2,267.0 million (as of December 31, 2024: RMB1,694.2 million). The increase was primarily due to the financing requirements for the construction of the Ecological Park production base and purchases of equipment.

As of December 31, 2025, the Company recorded net current assets of RMB1,065.3 million (as of December 31, 2024: net current liabilities of RMB523.0 million). This turnaround to a net current asset position was primarily attributable to the substantial increase in cash and cash equivalents resulting from the proceeds from the Global Offering, coupled with an increase in trade and bills receivables driven by the growth in sales volume during the year.

Capital Expenditures

The Company's capital expenditures during the Reporting Period primarily consist of payment for property, plant and equipment. The Company's capital expenditures amounted to RMB602.0 million for the year ended December 31, 2025 (for the year ended December 31, 2024: RMB843.9 million). The capital expenditures were primarily used for the construction of the Ecological Park production base and the purchase of machinery and equipment to expand production capacity.

The Company expects to fund future capital expenditures through cash generated from operations, bank borrowings and the net proceeds from the Global Offering.

Capital Commitments

The Company's capital commitments during the Reporting Period primarily relate to purchase for property, plant and equipment contracted but not provided for. As of December 31, 2025, the Company's capital commitments were RMB1,181.2 million (as of December 31, 2024: RMB1,198.0 million).

Pledge of Assets

As of December 31, 2025, certain of the Company's bank loans and other borrowings were secured by certain of the Group's assets, including property, plant and equipment and leasehold land. The total carrying value of such pledged assets (excluding restricted cash) amounted to RMB1,006.4 million (as of December 31, 2024: RMB946.7 million, comprising property, plant and equipment of RMB802.2 million and leasehold land of RMB144.5 million).

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In addition, as of December 31, 2025, the Company's bank deposits totaling RMB6.9 million were pledged as restricted cash (as of December 31, 2024: RMB37.8 million). As of December 31, 2025, these deposits primarily consisted of deposits pledged for letters of guarantee and deposits related to litigation, whereas in the previous year, they also included deposits for issuing bank acceptance bills and letters of credit.

Loans and Borrowings

The Company's total outstanding bank loans and other borrowings increased from RMB1,694.2 million as of December 31, 2024 to RMB2,267.0 million as of December 31, 2025. This increase was primarily due to the draw-down of new bank loans for the construction of the Ecological Park production base and the purchase of equipment to support the expansion of production capacity.

As of December 31, 2025, the Company had interest-bearing borrowings of RMB2,267.0 million, of which RMB1,347.9 million were secured by certain assets of the Group. The effective interest rates ranged from 2.50% to 3.95% per annum.

As of December 31, 2025, the Company had committed unutilized banking facilities of RMB4,634.1 million.

Contingent Liabilities

The Company did not have any material contingent liabilities as of December 31, 2025 (as at December 31, 2024: nil).

Future Plans for Material Investments and Capital Assets

The Company intends to make capital expenditures to expand its overall production capacity over the next five years, specifically for the construction and equipment of the new Ecological Park production base in Dongguan.

Except as disclosed above and in the "Future Plans and Use of Proceeds" section of the Prospectus, for the year ended December 31, 2025, the Company had no other plan for material investments and capital assets.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this report and the Prospectus, the Company had no other significant investments and/or material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Property, Plant and Equipment

The Company's property, plant and equipment primarily consist of (i) buildings and construction; (ii) machinery and equipment used in R&D and production of SiC epitaxial wafers; (iii) construction in progress; (iv) leasehold improvements; (v) office equipment and others; and (vi) vehicles.

The amount of the Company's property, plant and equipment as of December 31, 2025 was RMB2,761.1 million, representing an increase compared to the amount of RMB2,338.7 million as of December 31, 2024. This was primarily due to additions to construction in progress and the purchase of machinery and equipment to support capacity expansion. With the Ecological Park production base being put into use during the year, a substantial portion of construction in progress was transferred to buildings, leasehold improvements, and machinery. The overall increase in property, plant and equipment was partially offset by depreciation charged during the year.

Right-of-use Assets

The Company's right-of-use assets represent carrying amounts of (i) leasehold land, representing the land use rights on parcels of land in the PRC; and (ii) leased properties, representing premises used as offices, plant and R&D base.

V. MANAGEMENT DISCUSSION AND ANALYSIS

The Company's right-of-use assets decreased from RMB195.9 million as of December 31, 2024 to RMB185.8 million as of December 31, 2025, primarily due to the depreciation charged during the year.

Inventories

The Company's inventories primarily consist of (i) raw materials, mainly including SiC substrates; (ii) semi-finished products and work in progress; and (iii) finished goods.

The Company's inventories decreased from RMB183.4 million as of December 31, 2024 to RMB69.2 million as of December 31, 2025. This was primarily due to the Company's active measures to optimize inventory levels, including prioritizing the usage of existing raw materials and implementing a new strategic supply chain arrangement to reduce purchase lead times. Additionally, the decrease was further driven by the physical return and derecognition of certain non-conforming inventories to a supplier during the Reporting Period.

Trade and Bills Receivables

The Company's trade receivables during the Reporting Period primarily represent receivables from customers for sales of SiC epitaxial wafers. The credit period granted to customers was generally 15 days to 180 days from the date of billing. The Company's bills receivables primarily represent bank acceptance bills from customers.

The Company's trade and bills receivables increased from RMB147.5 million as of December 31, 2024 to RMB742.6 million as of December 31, 2025. This was primarily due to the increase in revenue and sales volume during the Reporting Period, particularly in the fourth quarter of 2025 compared to the same period in 2024. Nonetheless, the Group has maintained close communication with its customers and has achieved further collection progress subsequent to the year-end of 2025. Regarding subsequent collections, as of April 15, 2026, the Group had collected over RMB515 million subsequent to year-end, representing over 65% of the trade receivables outstanding as at December 31, 2025.

Prepayments, Deposits and Other Receivables

The Company's current prepayments, deposits and other receivables primarily consist of (i) prepayments for materials and expenses; (ii) value added tax recoverable; and (iii) other deposits and receivables.

The Company's current prepayments, deposits and other receivables increased from RMB119.0 million as of December 31, 2024 to RMB208.0 million as of December 31, 2025. This increase was primarily driven by: (i) an increase in prepayments for materials and expenses to secure raw material supplies; and (ii) the addition of other financial assets at amortized cost, representing short-term fixed-rate notes held by the Group.

In addition, the Company recorded non-current prepayments, deposits and other receivables of RMB180.3 million as of December 31, 2025 (as of December 31, 2024: RMB233.3 million), which primarily consisted of prepayments for the purchase of property, plant and equipment to support the Company's capacity expansion.

Trade and Bills Payables

The Company's trade and bills payables during the Reporting Period mainly include payments due to material suppliers.

The Company's trade and bills payables decreased from RMB158.8 million as of December 31, 2024 to RMB141.1 million as of December 31, 2025. This decrease was primarily attributable to the full settlement of bills payables during the year (which amounted to RMB24.5 million as of December 31, 2024), while trade payables remained relatively stable. The stable trade payables balance reflects the combined effect of a decrease in the procurement unit prices of raw materials, offset by the Company's ongoing procurement activities to support its production needs.

V. MANAGEMENT DISCUSSION AND ANALYSIS

Other Payables and Accruals

The Company's other payables and accruals mainly include (i) payables for constructions and equipment purchases; (ii) salaries, wages, bonus and benefits payable; (iii) amounts due to related parties; and (iv) other tax payable.

The Company's other payables and accruals decreased from RMB323.7 million as of December 31, 2024 to RMB210.1 million as of December 31, 2025. This was primarily due to the partial settlement of payables in connection with the construction and equipment purchases for the production bases during the Reporting Period.

Contract Liabilities

The Company's contract liabilities mainly arise from the advance payments made by customers before the Company provided the SiC epitaxial wafer products.

The Company's contract liabilities increased from RMB1.9 million as of December 31, 2024 to RMB4.3 million as of December 31, 2025. This was primarily due to the increase in advance payments received from customers for new orders.

OUTLOOK

In 2026, it is expected that the global and domestic demand for SiC power semiconductors will continue to grow rapidly, driven by downstream industries such as new energy vehicles, photovoltaics, energy storage, and smart grids. The industry trend of shifting from 6-inch and 8-inch SiC epitaxial wafers to 12-inch SiC epitaxial wafers is expected to accelerate, driven by the need for higher chip yields and lower unit costs. Domestic substitution in the PRC market will continue to deepen, providing opportunities for leading domestic manufacturers.

In 2026, we will continue to seek steady growth and break new ground. We will focus on the following strategies:

- **Expand production capacity to match market demand:** We will ramp up the production capacity at our new Ecological Park production base, with a strategic focus on 8-inch and future 12-inch SiC epitaxial wafers. We aim to optimize capacity utilization and efficiency to meet the rising orders from downstream customers and capture the market opportunities arising from the industry's transition to larger-size wafers.
- **Continue to invest in R&D to promote technological innovation:** We will continue to invest in R&D to enhance our product performance and break through technological barriers. We will focus on the research and development of 12-inch SiC epitaxial wafers, while also prioritizing the development of SiC epitaxial wafers with greater thickness for high-voltage applications, to provide stable material assurance for ultra-high-voltage power grid transmission, rail transit and other applications. Furthermore, we plan to extend our R&D to next-generation power semiconductor materials, such as gallium oxide and diamond, to sustain our technological edge.
- **Deepen customer relationships and expand cooperation ecosystem:** We will deepen our relationships with key domestic customers in the new energy vehicle and industrial sectors. Simultaneously, we will actively expand our global sales and marketing network. We plan to leverage our sales centers in Malaysia, Italy and Japan to secure local leading semiconductor companies and broaden our market access.

Looking forward, the Group will continue to leverage its technological leadership and mass production capabilities to solidify its position as a leading SiC epitaxial wafer manufacturer in China. We are committed to driving the development of the third-generation semiconductor industry and creating sustainable value for our Shareholders.

VI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Below are the brief profiles of our current Directors, Supervisors and senior management.

DIRECTORS

The Board currently comprises six Directors, including one executive Director, two non-executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Li Xiguang (李錫光), aged 59, is the chairman of the Board, our executive Director and general manager. Mr. Li is one of our Controlling Shareholders. He, together with Mr. Au Yeung, founded our Group in January 2009 and has served as the Chairman, Director, and general manager of our Company since then. Mr. Li has also been the chairman of the board of directors, director, and general manager of Southern Semiconductor since November 2016. He was re-designated as an executive Director on November 29, 2024. Mr. Li is primarily responsible for the overall strategic planning, business direction and management of our Group. Mr. Li is also the chairman of our Strategic and ESG Committee and a member of our Nomination Committee.

Mr. Li has over 26 years of experience in business management and over 16 years of experience in the semiconductor industry. Since November 1998, Mr. Li has been the executive director, mainly responsible for the overall management, of Dongguan Hongchang Cement Products Company Limited* (東莞市鴻昌水泥製品有限公司), which was principally engaged in sales of prefabricated cement parts, prefabricated pipe piles and strong water pipes and has no substantial operation currently. Since January 2004, Mr. Li has been the executive director, mainly responsible for the overall management, of Dongguan Yuebao Digital Disc Company Limited* (東莞市粵寶數碼光盤有限公司), which was principally engaged in production of audio and video disc and has no substantial operation currently. Since February 2018, Mr. Li has been the legal representative and executive director, mainly responsible for the overall management, of Guangdong Tianze Hengyi Technology Company Limited* (廣東天澤恒益科技有限公司), which has no actual business currently. Notwithstanding Mr. Li's directorships outside our Company, given that (i) Mr. Li has been Director since the establishment of our Company for over 16 years and is familiar with the operational needs of our Group, he is able to effectively and efficiently provide critical business decisions for our Company; (ii) Mr. Li is supported by the experienced management team of our Group, to which Mr. Li can delegate day-to-day operational tasks and responsibilities within our Company efficiently; and (iii) the other three companies do not have substantial operations, Mr. Li is able to devote sufficient time to the Board and attention to the daily operations of our Company and that Mr. Li's directorships outside our Company would not affect him in maintaining his current role in, and his functions and responsibilities for, our Company.

Mr. Li was a representative of Dongguan Municipal People's Congress (東莞市人民代表大會代表) from 2007 to 2012 for two consecutive terms. Mr. Li is currently a member of the 14th Committee of the Dongguan Municipal Committee of the Chinese People's Political Consultative Conference* (東莞市政協第十四屆委員會委員). He has been the vice chairman of the committee of World Dongguan Entrepreneurs Federation* (東莞世界莞商聯合會) since September 2021. Since September 2022, he has been the member of the executive committee of the 13th Guangdong Federation of Industry and Commerce* (廣東省工商聯第十三屆執委會執委). He was awarded the Guangdong Electronic Information Science and Technology Award* (廣東省電子信息科學技術獎). Mr. Li was awarded as Outstanding Private Entrepreneurs (優秀民營企業家) of Dongguan in 2024.

Mr. Li obtained his bachelor diploma's degree in executive management from Southwest Jiaotong University (西南交通大學) in Sichuan, the PRC in January 2011.

VI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Au Yeung Chung (歐陽忠), aged 62, is our non-executive Director. Mr. Au Yeung is one of our Controlling Shareholders. He together with Mr. Li, founded our Group in January 2009, and acted as a Supervisor since then. Mr. Au Yeung was appointed as a Director since October 2022 and re-designated as a non-executive Director on November 29, 2024. Mr. Au Yeung has also been the director of Southern Semiconductor since April 2020. Mr. Au Yeung is mainly responsible for providing strategic advice on the development of our Group. Mr. Au Yeung is also a member of each of our Remuneration Committee and Strategic and ESG Committee. Mr. Au Yeung has over 29 years of experience in business management and over 16 years of experience in the semiconductor industry. The following table summarises Mr. Au Yeung's main working experience:

Name of company)	Principal business activities	Last position held	Roles and responsibilities	Period of services
Dongguan Riverside Garden Commercial Residential Community Construction Company Limited* (東莞江濱花園商品住宅小區建造有限公司)	Construction of commercial residential community	Director	Overall management	Since October 1996
Dongguan Gaotian Real Estate Development Company Limited* (東莞市高田房地產開發有限公司)	Real estate development and sales	Executive director and general manager	Strategic planning, investment decision-making and overall management	Since June 1999
Dongguan Jintian Paper Company Limited* (東莞市金田紙業有限公司)	Production and sales of paper products	Executive director	Strategic planning, investment decision-making and overall management	Since August 2003
Guangdong Zhuoruiyuan Jingmi Manufacturing Company Limited* (廣東卓瑞源精密製造有限公司)	Manufacturing of instruments and meters, intelligent vehicle equipment, electronic components and other general instruments	Executive director	Strategic planning and investment decision-making	Since August 2019

Mr. Au Yeung has been the chairman of the committee of World Dongguan Entrepreneurs Federation* (東莞世界莞商聯合會) since June 2022.

VI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Jiang Dacai (姜達才), aged 58, is our non-executive Director. He was appointed as a Director in October 2022 and re-designated as a non-executive Director on November 29, 2024. Mr. Jiang is responsible for providing strategic advice on the development of our Group. Mr. Jiang is also a member of our Audit Committee.

Mr. Jiang has over 30 years of experience in the software technology and communications equipment industry. Mr. Jiang was a lawyer of Judicial Bureau of Yichun City, Jiangxi Province (江西省宜春市司法局) from September 1989 to February 1995. He joined Huawei Technologies Co., Ltd. (華為技術有限公司), a company principally engaged in provision of information and communications technology (ICT) infrastructure and smart devices, in March 1995. In Huawei Technologies Co., Ltd. (華為技術有限公司), Mr. Jiang acted as the financing manager of marketing and sales department from March 1995 to December 2000, the director of sales and financing department of Latin America Region from January 2001 to April 2005, the deputy director of contract and commercial department of global sales department from May 2005 to April 2010, the director of contract and commercial department of global procurement certification department from May 2010 to August 2015, and has been the director of software procurement department of global procurement certification department since September 2016. Mr. Jiang is a director of each of Suzhou Peifeng Tunan Semiconductor Company Limited* (蘇州培風圖南半導體有限公司), which is a service provider of multi-scale and multi-physics simulation software for the semiconductor industry, since February 2023, and Beijing TSD Semiconductor Company Limited* (北京特思迪半導體設備有限公司), which is principally engaged in R&D, production and sales of ultra-precision processing equipment in the semiconductor industry, since July 2023.

Mr. Jiang graduated from East China University of Political Science and Law (華東政法大學) with a bachelor's degree in law in Shanghai, the PRC in July 1989.

Independent Non-executive Directors

Mr. He Zhengsheng (賀正生), aged 45, is our independent non-executive Director. He was appointed as our independent Director in October 2022 and re-designated as an independent non-executive Director on November 29, 2024. Mr. He is primarily responsible for providing independent advice and judgment to our Board. Mr. He is also the chairman of each of our Remuneration Committee and Nomination Committee, and a member of each of our Audit Committee and Strategic and ESG Committee.

Mr. He has more than 23 years of experience in legal advice and legal consultation. He was a lawyer of Beijing Liwen Law Firm* (北京市李文律師事務所) from July 2002 and has been a partner of Beijing Hengji Law Firm* (北京市衡基律師事務所) since September 2006. From February 2018 to February 2024, Mr. He was an independent director of Shenzhen Guangyunda Optoelectronics Technology Company Limited* (深圳光韻達光電科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code:300227). From November 2018 to November 2024, Mr. He served as an independent director of Wetown Electric Group Company Limited* (威騰電氣集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange STAR market (stock code: 688226), and from November 2024 to August 2025, he served as chairman of its supervisory committee. Since March 2022, Mr. He has been an independent director of Ningbo Kangqiang Electronics Co., Ltd.* (寧波康強電子股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002119). Since July 2024, Mr. He has been served as an independent director of Chengdu Sino-Microelectronics Tech. Co., Ltd.* (成都華微電子科技股份有限公司) the shares of which are listed on the Shanghai Stock Exchange STAR market (stock code: 688709).

Mr. He obtained a bachelor's degree in international economic law from the China University of Political Science and Law (中國政法大學) in Beijing, the PRC in July 2002. He is currently a full-time practising lawyer in the PRC.

VI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Li Min (李旻), aged 54, is our independent non-executive Director. She was appointed as our independent Director in October 2022 and re-designated as an independent non-executive Director on November 29, 2024. Ms. Li is primarily responsible for providing independent advice and judgment to our Board. Ms. Li is also the chairman of our Audit Committee and a member of each of our Remuneration Committee and Nomination Committee.

Ms. Li has more than 28 years of experience in accounting, auditing and tax consultation. Since October 1997, she has been the manager and supervisor of Guangdong Tianjian Accounting Firm Limited* (廣東天健會計師事務所有限公司). Since February 2006, she has been an executive director of Dongguan Zhengliang Taxation Firm Ltd* (東莞市正量稅務師事務所有限公司). Since June 2011, she has been a supervisor of Dongguan Zhengliang Accounting Consulting Company Limited* (東莞市正量會計諮詢有限公司). Ms. Li was a director of Guangdong Certified Tax Agents Association (廣東省註冊稅務師協會) from March 2011 to March 2019 and has been a director of Dongguan Institute of Certified Public Accountants (東莞市註冊會計師協會) since October 2019.

Ms. Li is a Certified Public Accountant of China (中國註冊會計師), Certified Tax Agent of China (中國註冊稅務師), and qualified as a senior accountant (高級會計師) in the PRC. She finished part-time courses and obtained a bachelor's degree in accounting from Wuhan Polytechnic College* (武漢工業學院) in January 2010, in Hubei Province, the PRC.

Mr. Vincent Chin (錢榮澤), aged 55, was appointed as our independent non-executive Director on November 29, 2024. Mr. Chin is primarily responsible for providing independent advice and judgment to our Board.

Mr. Chin is founder of Consultants VC Limited, offering consulting services to corporate clients and the financial industry in Hong Kong.

Mr. Chin graduated at the University of Cambridge with bachelor of arts in June 1994 and master of arts in October 2001, Peking University with master of laws in June 2004, and Shanghai Jiao Tong University with China MBA in January 2018. Mr. Chin practised in Hong Kong as a barrister from September 2000 to August 2009 and as a solicitor from September 2009 to June 2022. He has taught law courses at the City University of Hong Kong, the University of Hong Kong, the Hong Kong Polytechnic University, and the Hong Kong University of Science and Technology.

The Hong Kong Government has appointed Mr. Chin to public positions in the Securities and Futures Appeals Tribunal from April 2011 to April 2019 and Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants from January 2015 to February 2022.

Mr. Chin has been a certified management accountant of the Institute of Certified Management Accountants of Australia since January 2020 and a member of the Institute of Public Accountants of Australia since March 2020. Mr. Chin presently serves as honorary legal advisor of the Hong Kong Securities and Futures Professional Association and an executive committee member of the New Zealand Chamber of Commerce in Hong Kong.

Confirmation of Independence from Independent Non-executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

VI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Our Supervisory Committee currently consists of three Supervisors, among which one of them is the chairman to the Supervisory Committee.

Mr. Zhuang Shuguang (莊樹廣), aged 70, is the chairman of our Supervisory Committee and a shareholder representative Supervisor. He joined our Group as a Director in June 2021, and was re-appointed as a Supervisor and the chairman of our Supervisory Committee in October 2022. He is mainly responsible for supervising our Board and senior management.

Mr. Zhuang has extensive experience in business management. The following table summarises Mr. Zhuang's main working experience:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Period of services
Dongguan Gaotian Property Management Company Limited* (東莞市高田物業管理有限公司)	Property management, parking lot operation and management, real estate agency services, property lease	Supervisor	Supervising the financial and business operations	Since October 1998
Dongguan Jintian Real Estate Company Limited* (東莞市金田置業有限公司)	Real estate agency and sales	Supervisor	Supervising the financial and business operations	Since July 2006
Dongguan Gaotian Real Estate Development Company Limited* (東莞市高田房地產開發有限公司)	Real estate development and sales	Supervisor	Supervising the financial and business operations	Since September 2008

VI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Yuan Yi (袁毅), aged 67, is a shareholder representative Supervisor of our Company. He joined our Group as a Director in June 2021, and was re-appointed as a Supervisor in October 2022. He is mainly responsible for supervising our Board and senior management.

Mr. Yuan has extensive experience in business management. The following table summarises Mr. Yuan's main working experience:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Period of services
Dongguan Rivcrsids Garden Commercial Residential Community Construction Company Limited* (東莞江濱花園商品住宅小區建造有限公司)	Construction of commercial residential community	Director and deputy general manager	Strategic planing, investment decision-making and overall management	Since October 1996
Dongguan Gaotian Property Management Company Limited* (東莞市高田物業管理有限公司)	Property management, parking lot operation and management, real estate agency services, property lease	Executive director and general manager	Strategic planning, investment decision-making and overall management	Since October 1998
Dongguan Gaotian Real Estate Development Company Limited* (東莞市高田房地產開發有限公司)	Real estate development and sales	Deputy general manager	Overall management	June 1999 to September 2008
Dongguan Jintian Paper Company Limited* (東莞市金田紙業有限公司)	Production and sales of paper products	General manager	Overall management	Since August 2003
Dongguan Jintian Property Management Co., Ltd* (東莞市金田置業有限公司)	Real estate agency and sales	Executive director and general manager	Strategic planning, investment decision-making and overall management	Since July 2006

VI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Yin Xuefang (尹雪芳), aged 49, is an employee representative Supervisor of our Company. She joined our Group as a director of internal audit department of our Company in August 2022, and was re-appointed as a Supervisor in October 2022. She is mainly responsible for supervising our Board and senior management.

Ms. Yin has extensive experience in accounting and auditing. She worked as the accountant in Dongguan Weiya Optoelectronics Company Limited* (東莞市威雅光電有限公司) in 2006 and 2007. Prior to joining our Company, Ms. Yin worked in Jiangsu Hengtong Optic-electronic Technology Company Limited* (江蘇亨通光電科技有限公司), a company principally engaged in manufacture of optical communications and power transmission products, responsible for financial management from May 2019. Ms. Yin obtained a bachelor's degree in accounting from Zhongnan University of Economics and Law (中南財經政法大學) in Hubei, the PRC in July 2015. Ms. Yin has obtained the intermediate audit professional qualification (中級審計專業技術資格), and has been qualified as a senior accountant (高級會計師) in the PRC.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operations of our Group.

Mr. Li Xiguang (李錫光), is the Chairman, executive Director and general manager of our Company. For the biographical details of Mr. Li Xiguang, please see the paragraph headed “Directors — Executive Directors” in this section.

Mr. Peng Guanghui (彭光輝), aged 55, is chief financial officer of our Company. He joined our Group in March 2015 and has served as chief operational officer and chief financial officer of our Company from March 2015 to June 2019 and remains as chief financial officer of our Company since July 2019. He is primarily responsible for the overall financial operation of our Group.

Mr. Peng has extensive experience in accounting and financial management. Prior to joining our Company, he worked as the financial manager in Nokia Telecommunications Ltd. Dongguan Branch (諾基亞通信有限公司東莞分公司) from January 2005. Mr. Peng is qualified as a certified tax agent and an intermediate accountant in the PRC. Mr. Peng graduated with major in English from Guangdong University of Foreign Studies (廣東外語外貿大學) in Guangdong, the PRC in January 2010.

Ms. Li Yongmei (李詠梅), aged 46, is deputy general manager of our Company. She joined our Group in April 2021 and served as general manager of supply chain department of Southern Semiconductor from April 2021 to October 2021. Ms. Li has been promoted as deputy general manager of our Company since October 2022. She is primarily responsible for overseeing the supply chain and sales of our Group.

Ms. Li has extensive experience in sales and supply chain management. From February 2006 to August 2009, she worked as the deputy general manager at Nanjing Jacoll Intelligent Technology Co., Ltd of Ningshun Group* (寧順集團南京嘉科智能技術有限公司), mainly responsible for sales and marketing. From December 2009 to April 2021, she was the legal representative, executive director and manager of Dongguan Hongying Semiconductor Co., Ltd* (東莞宏盈半導體有限公司), which was principally engaged in sale of electronic components.

Ms. Li finished part-time courses and obtained her bachelor's degree in business administration from Jiangsu University* (江蘇大學) in Jiangsu Province, the PRC in July 2022. In November 2025, Ms. Li completed the Executive Master of Business Administration (EMBA) program and obtained the EMBA degree from Cheung Kong Graduate School of Business in the PRC.

VI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Han Jingrui (韓景瑞), aged 38, is deputy general manager and the head of R&D department of our Company. Mr. Han was promoted as deputy director of R&D department of our Company in May 2018 and further promoted as deputy general manager and director of R&D department of our Company since October 2022. Mr. Han has been engaged in the R&D of silicon carbide epitaxial wafers in our Group. He is primarily responsible for overseeing the R&D of our Group.

Mr. Han has over 14 years of experience in R&D of SiC epitaxial technology. He led the R&D of a number of key industrial technology achievements, such as optimal control of Pits defects in multi-layer thick epitaxial materials, optimisation of epitaxial material layer error defects, improvement of minority carrier lifetime in thick epitaxial materials, and improvement of particle defects on 6-inch epitaxial surface. He published three academic papers, participated in eight science and technology projects in national, provincial and municipal levels, applied for 20 patents and 18 utility model patents, and participated in the formulation of one national standard. He was awarded the first prize of the Science and Technology Award of Guangdong High-tech Enterprises Association in 2022 (ranked 2nd), the second prize of the Dongguan Innovation Science and Technology Progress Award in 2022 (ranked 2nd), the first prize of the Guangdong Provincial Science and Technology Award for Electronic Information in 2023 (ranked 2nd) and other awards.

Mr. Han obtained his bachelor's degree in electronic science and technology from the School of Physics of Guangdong University of Technology* (廣東工業大學物理學院) in Guangdong, the PRC in September 2010.

Mr. Li Zhuoxing (李焯星), aged 27, is our Board secretary and a joint company secretary. He joined our Group in September 2021 and served as specialist of securities affairs of our Company and has been appointed as the Board secretary of our Company since December 2022. He is primarily responsible for overseeing the securities affairs and investments of our Group.

Mr. Li Zhuoxing obtained his bachelor's degree in commerce from The Australian National University in July 2021.

JOINT COMPANY SECRETARIES

Mr. Li Zhuoxing (李焯星) was appointed as our joint company secretary on November 28, 2024. Mr. Li Zhuoxing is also the Board secretary and a member of senior management of our Company. For details of his biography, see the paragraphs headed "Senior Management" in this section.

Mr. Chan Pak Lun (陳柏麟) was appointed as our joint company secretary of our Company on November 12, 2024. Mr. Chan is currently a partner at the law firm of DeHeng Law Offices (Hong Kong) LLP in Hong Kong, specializing in corporate finance work including initial public offerings, mergers and acquisitions and restructuring. Mr. Chan is a practising solicitor in the field of commercial and corporate finance and was admitted as a solicitor in Hong Kong in December 2018. He completed the Bachelor of Laws degree programme at The University of Hong Kong in December 2015. Mr. Chan is also serving as the company secretary of Plateau Treasures Limited (stock code: 8402) and Glory Flame Holdings Limited (stock code: 8059), whose shares are listed on the GEM Board of the Stock Exchange, and has served as the company secretary of Kidztech Holdings Limited (stock code: 6918), whose shares are listed on the Main Board of the Stock Exchange, from February 2023 to February 2025.

VII. CORPORATE GOVERNANCE REPORT

The Board hereby presents this corporate governance report for the year ended December 31, 2025.

CORPORATE GOVERNANCE STRUCTURE

The Board is committed to maintaining high standards of corporate governance and believes that good corporate governance is essential to the Company's sustainable development and healthy business growth. We safeguard the interests of the Shareholders and enhance corporate value through robust corporate governance.

The Company's general meeting, the Supervisory Committee, the Board, and each special committee under the Board have established a clear governance structure under the relevant laws, the Articles of Association, and their respective working rules. The Board and the four special committees under the Board perform their respective duties and work in collaboration and under adequate supervision to continuously improve the Company's corporate governance and form an excellent corporate governance structure. The Company ensures the regular operation under the Listing Rules through this governance structure.

The Company has adopted the principles and code provisions of the CG Code as set out in Appendix C1 to the Listing Rules as its own corporate governance code. During the period from the Listing Date to December 31, 2025, the Company has complied with all applicable code provisions of the CG Code, except for the deviation from code provision C.2.1 as described below.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li Xiguang ("Mr. Li") currently serves as both the Chairman of the Board and the general manager of the Company. In view of Mr. Li's extensive industry experience, personal profile and critical role in the Group's historical development, the Board believes that vesting the roles of both Chairman and general manager in Mr. Li provides the Group with strong and consistent leadership, allowing for more effective planning and management of the Group.

The Board considers that the balance of power and authority is ensured by the operation of the Board and the senior management, which comprises experienced and diverse individuals. The Board currently comprises one executive Director, two non-executive Directors and three independent non-executive Directors. Therefore, the Board possesses a strong independence element in its composition. The Board will continue to review and monitor the corporate governance structure of the Company to ensure that the Company's corporate governance practices remain at a high standard.

The Directors will review the corporate governance policies and compliance with the CG Code and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company each financial year and apply the "comply or explain" principle in the corporate governance report which is included in this annual report.

CORPORATE CULTURE AND STRATEGIES

Adhering to its business purpose of "promoting the development of the third-generation semiconductor industry, becoming one of the world's important manufacturers of silicon carbide epitaxial wafers, and providing customers with excellent products and services through advanced silicon carbide epitaxial wafer technology", the Company actively advocates a corporate culture centered on the core values of "Pioneering, Integrity, Excellence, and Win-Win." The Company strives to build a community of shared interests for mutual development with its employees, continuously cultivates and enhances its core expertise, maintains its core competitiveness, and ultimately achieves sustainable development.

VII. CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as a code of conduct for securities transactions by the Directors and Supervisors of the Company.

The Company has made specific enquiries to all Directors and Supervisors and they have confirmed that they had complied with the Model Code for the year ended December 31, 2025.

BOARD OF DIRECTORS**Board Composition**

The Board currently comprises six Directors, with one executive Director, two non-executive Directors, and three independent non-executive Directors. During the year ended December 31, 2025 and up to the date of this report, the details of the composition of the Board are as follows:

Executive Director

Mr. Li Xiguang (*Chairman of the Board*)

Non-executive Directors

Mr. Au Yeung Chung

Mr. Jiang Dacai

Independent Non-executive Directors

Mr. Mr. He Zhengsheng

Ms. Li Min

Mr. Vincent Chin

Personal particulars of Directors are set out in the section headed “V. Directors, Supervisors and Senior Management” of this annual report. Mr. Li Xiguang is the uncle of Mr. Li Zhuoxing. Save as disclosed, no relationship (including financial, business, family or other material/relevant relationship(s)) exists between any member of the Board and other Directors, Supervisors, and senior management of the Company.

CHAIRMAN AND GENERAL MANAGER

Our Group considers that appointing Mr. Li Xiguang as both the Chairman and the general manager of our Company will provide us with strong and consistent leadership, resulting in more effective planning and management of our Group. Pursuant to C.2.1 of Appendix C1 to the Listing Rules, the roles of chairperson and chief executive should be separate and should not be performed by the same individual. However, in view of Mr. Li Xiguang’s extensive industry experience, personal profile and critical role in our Group’s historical development, we believe that it would be beneficial for our Group’s business prospects if Mr. Li Xiguang acts as both the Chairman and the general manager of our Company. The balance of power and authority is ensured by the operation of our Board and our senior management, each of which comprises experienced and diverse individuals. Our Board currently comprises one executive Director, two non-executive Directors and three independent non-executive Directors. Therefore, our Board possesses a strong independence element in its composition.

Save as disclosed above, we are in compliance with all applicable code provisions as set out in the CG Code as contained in Appendix C1 to the Listing Rules.

VII. CORPORATE GOVERNANCE REPORT

THE ROLE OF THE BOARD OF DIRECTORS

The Board of Directors is accountable to the Company's general meeting and is responsible for overseeing the Group's governance, setting its business and management strategies and direction, and monitoring operational and financial performance to maximize long-term Shareholder value. The duties of Board of Directors include, among others, (i) convening general meeting(s) and reporting its work in such meeting, (ii) implementing the resolutions of a general meeting, (iii) deciding on the operation plans and investment schemes of the Company, (iv) preparing the annual financial budget plan and final account plan of the Company; (v) preparing the profit distribution plan and the loss recovery plan of the Company; (vi) deciding on the establishment of the internal organizations of the Company; (vii) establishing a basic management system of the Company; (viii) appointing or remove the senior management and decide on their remunerations; (ix) listen to the work report of the general manager and examine such work; and (x) exercising other duties and powers specified in relevant laws, regulations, and Articles of Association. Matters relating to the daily operations and management of the Group shall be delegated to the management authorized by the Board. The Board delineates the scope of authority of the management team, sets out the scope of work it should report, and regularly reviews the authorization arrangements to ensure that they are suitable for the needs of the Company.

BOARD AUTHORIZATION

The management consisting of executive Director and senior management is authorized to implement the strategies and guidelines approved by the Board from time to time and is responsible for the day-to-day management and operations of the Group, including but not limited to executing business plans and budgets, managing financial resources and supervising the performance of business segments. The executive Director and senior management meet regularly to review the performance of the Company's overall business, coordinate overall resources, and make financial and operating decisions.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company is committed to establishing an effective Board with members who have the appropriate competencies for the scale, complexity and strategic positioning of our business. In view of this, the independent non-executive Directors play an essential role in the Board through their independent professional judgment, and their views play an important role in the decisions of the Board.

Independent non-executive Directors have extensive experience in diverse fields and possess the requisite upright character, integrity and business insight for the proper discharge of their duties as independent non-executive Directors. In pursuit of the Group's objectives and business endeavors, by offering independent and constructive advice, they provide valuable contributions and insights to the Board and instill integrity into every aspect of the Group's business which is also aligned to our values. Their wealth of knowledge, experience, skills and expertise are crucial to the Board's decisions. They have given the Board and the special committees under the Board on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through active participation.

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

VII. CORPORATE GOVERNANCE REPORT

INDEPENDENCE OF THE BOARD OF DIRECTORS

The Company believes that the independence of the Board is essential to good corporate governance and the effectiveness of the Board. The Board has established mechanisms to ensure that the independent views of any Director can be communicated to the Board to enhance the objectivity and effectiveness of decision-making.

The Board has a strong element of independence, providing independent and objective oversight on strategic and performance issues. The Board currently consists of independent non-executive Directors that account for one-third of the Board, and the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company are all chaired by independent non-executive Directors.

The Company has received annual written confirmation from each independent non-executive Director in respect of his independence pursuant to Rule 3.13 of the Listing Rules. The Board and the Nomination Committee have assessed the independence of all the independent non-executive Directors and considered them to be independent persons as defined in the Listing Rules. In addition, up to the date of this annual report, the Board is not aware of any event that would impair the independence of any independent non-executive Director.

The Directors are required to declare their direct or indirect interests, if any, in proposals or transactions considered at the Board meetings and abstain from voting, if applicable. All Directors, including independent non-executive Directors, may obtain external independent professional advice if deemed necessary. Independent non-executive Directors have demonstrated professional competence and commitment and have devoted sufficient time to the perform their duties in the Board. The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views publicly and, if required, confidentially.

The Company has reviewed the implementation of the mechanism relating to the independence of the Board and considers it to be effective during the Reporting Period.

THE APPOINTMENT OF DIRECTORS

The code provision B.2 of the CG Code provides that all directors shall be subject to re-election at regular intervals; code provision B.2.2 of the CG Code provides that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The term of office of each Director (including non-executive Director and independent non-executive Directors) shall be three years or until the expiration of the term of the first session of the Board of Directors. A Director shall continue to perform his duties in accordance with the laws, administrative regulations, departmental rules, and Articles of Association until a duly re-elected Director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office. Their re-election shall be subject to the provisions of the Articles of Association.

VII. CORPORATE GOVERNANCE REPORT

NOMINATION POLICY

The Nomination Committee adopts a variety of methods to identify and review suitably qualified candidates for Directors (including independent non-executive Directors) and senior management. In particular, the Nomination Committee may extensively seek for candidates internally within the Company and its holding (shareholding) enterprises as well as from the external job market and, where necessary, engage headhunting firms to assist in the search. In evaluating proposed candidates, the Nomination Committee will collect and review relevant information (including occupation, educational background, job title, detailed work experience and concurrent appointments) and will obtain the nominee's written consent to the nomination. The Nomination Committee will then convene meetings to review the candidates' qualifications having regard to the relevant position requirements and applicable requirements under the Articles of Association and the Listing Rules, and will submit its recommendations and supporting materials to the Board within a reasonable period of time prior to the election of new Directors and senior management. The Board will consider and approve the Nomination Committee's recommendations. Where the recommendation relates to the nomination of Director candidates, such nomination, upon approval by the Board, will be submitted to the Shareholders' general meeting for consideration and approval prior to implementation. In particular:

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process, as described in the Procedures for the Nomination Committee to Nominate to the Board a Person as Director (the "Director Nomination Policy"):

- (i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other members of the management and external recruitment agents.
- (ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on the appointment of a new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out below to determine whether such candidate is qualified for directorship.
- (iii) The Nomination Committee should then recommend the Board to appoint the appropriate candidate for directorship, as applicable.
- (iv) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out below to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendations to shareholders in respect of the proposed election of a Director at the general meeting of the Company.

The Nomination Committee will consider the following criteria in evaluating and selecting candidates for directorships:

- (i) characters including integrity, honesty and fairness;
- (ii) backgrounds and qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business operations and corporate strategies;
- (iii) commitment to understanding the Company and its industry, willingness to devote adequate time to discharge duties as a Board member and abilities to assist the Board in fulfilling its responsibilities;

VII. CORPORATE GOVERNANCE REPORT

- (iv) requirement for the Board to have a sufficient number of independent non-executive Directors in accordance with the Listing Rules and assessment of the independence of the candidates;
- (v) the Board Diversity Policy of the Company and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and
- (vi) such other factors relating to the Company's business model and specific needs from time to time, and the contribution that the selected candidates will bring to the Board.

BOARD DIVERSITY POLICY

The Company has adopted the Board Diversity Policy (the “**Board Diversity Policy**”). The Board Diversity Policy provides that the Company should endeavor to ensure that the Board members have the appropriate balance from the perspectives of skills, experience and diversity to enhance the quality of their performance. Pursuant to the Board Diversity Policy, the Company has designed the composition of the Board in such a way that the diversity of Board members has been considered from various perspectives, including but not limited to gender, age, cultural background and educational background, professional experience, skills, knowledge, length of service, time to be devoted and any other factors that the Board may consider relevant and applicable from time to time. High emphasis is placed on ensuring a balanced composition of skills and experience at the Board level in order to provide a range of perspectives, insights and experience to enable the Board to effectively discharge its responsibilities, support good decision-making on the Group's core business and strategy and succession planning and development of the Board. For achieving an optimal Board, measurable objectives and specific diversity targets are set and reviewed from time to time to ensure their appropriateness. All Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

The selection of Director candidates will be made in accordance with the Director Nomination Policy, taking into account the Board Diversity Policy. The final decision will be based on the strengths of the candidates and contributions they can make to the Board, having due regard to the benefits of diversity on the Board and the needs of the Board without focusing on a single dimension of diversity.

The Board will take the opportunity to gradually increase the proportion of female directors during the identification and election of suitable directors. The Board will ensure that appropriate balance of gender diversity of Board members, taking into account stakeholder expectations and international and local recommended best practices, with the ultimate goal of moving the Board towards gender parity. The Board also expects an appropriate proportion of Directors with direct experience in the Group's core markets that reflect the Group's strategy.

As of December 31, 2025, the Board comprised six Directors, including one female Director (representing approximately 16.67% of the Board). The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract talents and to retain and motivate employees.

The Board considers that the current gender diversity of the Board is appropriate but remains committed to further enhancement. The Board has set a numerical target to maintain at least the current level of female representation (i.e., at least one female Director) in the short term, and will take opportunities to increase the proportion of female members of our Board when selecting and recommending suitable candidates for Board appointments.

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To develop a pipeline of potential successors to the Board to achieve gender diversity, the Group has taken and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels. Specifically, the Group intends to promote gender diversity when recruiting staff at the mid to senior level and will provide comprehensive training and career development opportunities to female employees. By doing so, our Company will cultivate a robust pipeline of female senior management who can serve as potential successors to our Board in the future.

BOARD COMMITTEES

The Company has established four special committees under the Board, namely the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”), the nomination committee (the “**Nomination Committee**”), and the strategic and ESG committee (the “**Strategic and ESG Committee**”). The special committees of the Board of Directors clearly stipulate their functions and powers in specific written terms. The working rules of each of the special committees of the Board have been published on the website of the Company (<https://www.sicity.com>) and the website of the Stock Exchange (www.hkexnews.hk). The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company’s expenses.

Audit Committee

The Audit Committee currently comprises three members, namely Ms. Li Min (independent non-executive Director), Mr. Jiang Dacai (non-executive Director) and Mr. He Zhengsheng (independent non-executive Director). Ms. Li Min serves as the chairlady of the Audit Committee. She has appropriate accounting and related financial management expertise, which complies with Rule 3.21 of the Listing Rules.

The primary duties of the Audit Committee include but not limited to:

- (i) to review annually the performance of the external audit firm, make recommendation to the Board in respect of the appointment, re-appointment and dismissal of the external audit firm, as well as the remuneration for auditing service and terms of engagement, and deal with any matters related to the resignation or dismissal of the external audit firm;
- (ii) to review and monitor the independence and objectivity of the external audit firm and the effectiveness of the audit procedures in accordance with applicable standards, and to develop and implement policies on the external audit firm to supply non-audit services to ensure that such services will not compromise its independence or objectivity;
- (iii) to review the Company’s accounting policies, financial condition, financial reporting procedures and financial control, and to examine the financial policies, internal audit systems, internal control systems and risk management systems of the Company and provide opinions and recommendations for improvements;
- (iv) to review the completeness, accuracy and fairness of the financial statements, the quarterly (if any), interim and annual reports and the accounts of the Company and review significant financial reporting opinions contained therein, as well as the disclosure of the Company’s financial information;
- (v) to discuss questions and doubts raised by the external audit firm upon its completion of reviewing the interim accounts and auditing the annual accounts of the Company and any other matters that the external audit firm may wish to discuss;
- (vi) to supervise the work of the internal audit department of the Company and provide opinions and recommendations on the appraisal and change of persons in charge of the internal audit department of the Company;

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- (vii) to ensure co-ordination between the internal audit department and the external audit firm, and to ensure that there is adequately resourced to operate the internal control mechanisms and audit procedures;
- (viii) to review and monitor the training and continuous professional development of the directors and senior management, and to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (ix) to establish relevant procedures to receive and deal with known complaints on accounting, internal control or audit of the Company, and to receive and handle the complaints or anonymous whistle-blowing by employees concerning the irregularities in the Company's accounting, auditing, internal control or any possible improprieties in other aspects; and
- (x) to perform other duties imposed by applicable laws, administrative regulations, departmental rules, normative documents, regulatory bodies including the Stock Exchange and the Securities and Futures Commission of Hong Kong, as well as the Articles of Association and the rules of procedures of the Board.

The Audit Committee has access to and maintains an independent communication with the external auditor and the management to ensure effective information exchange on all relevant financial accounting matters. None of the members of the Audit Committee is a partner of the former or existing auditors of the Company. The Audit Committee has adopted the principles set out in the CG Code. For the year ended December 31, 2025, the Audit Committee held 1 meeting in total.

Summary of work performed by the Audit Committee during the year

During the period from the Listing Date to December 31, 2025, the Audit Committee duly performed its duties and responsibilities in accordance with its terms of reference and the Corporate Governance Code. A summary of the major work performed by the Audit Committee during the year is set out below:

- **Review of Financial Results:** The Audit Committee reviewed the Group's audited consolidated financial statements and annual results announcement for the year ended December 31, 2025. This review included discussions with the management and the external auditor regarding the accounting principles and practices adopted by the Group, significant accounting judgements and estimates, and financial reporting matters, before recommending them to the Board for approval.
- **Review of Risk Management and Internal Control Systems:** The Audit Committee reviewed the adequacy and effectiveness of the Group's risk management and internal control systems. This included reviewing the management's self-evaluation report on internal control, discussing the identification and mitigation of major risks, and ensuring that the systems in place are robust and operate effectively to safeguard the Group's assets and the Shareholders' interests.
- **Review of Internal Audit Function:** The Audit Committee reviewed and monitored the effectiveness of the Group's internal audit function. It reviewed the internal audit department's work plans, resource allocation, and audit findings during the year, ensuring that the internal audit function is adequately resourced, operates independently, and has appropriate standing within the Company.
- **Oversight of External Auditor:** The Audit Committee reviewed the independence, objectivity, and audit process of the external auditor, KPMG. It discussed the scope of the audit and the audit fees, and made recommendations to the Board regarding the re-appointment of KPMG as the external auditor for the ensuing year.

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Compliance with Rule 3.21 of the Listing Rules

During the period from the Listing Date to December 31, 2025, the Company has fully complied with the requirements of Rule 3.21 of the Listing Rules. The Audit Committee comprises three non-executive directors (a majority of whom are independent non-executive directors), and the chairlady of the Audit Committee, Ms. Li Min, possesses the appropriate professional qualifications and accounting and related financial management expertise as required. There were no incidents of non-compliance regarding the establishment and composition of the Audit Committee.

Remuneration Committee

The Remuneration Committee currently comprises three Directors, namely, Mr. He Zhengsheng (independent non-executive Director), Mr. Au Yeung Chung (non-executive Director) and Ms. Li Min (independent non-executive Director). Mr. He Zhengsheng serves as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include but not limited to:

- (i) to formulate remuneration policy, make recommendations to the Board and oversee the implementation in respect of the overall remuneration policy and structure of the Directors, Supervisors and senior management of the Company (including but not limited to the performance appraisal criteria, procedures and key appraisal system, and major incentive and penalty plans and systems, etc.), based on the major scope, responsibility and importance of the respective positions and the remuneration of the same position paid by comparable companies, time commitment and duties and the employment conditions of other positions in the Group;
- (ii) to examine the performance of duties by the Directors and senior management of the Company, conduct annual performance appraisals of them, and formulate annual incentives schemes which shall be submitted to the Board for approval and implementation;
- (iii) to make recommendations to the Board on the determination of the remuneration packages of individual executive Directors, Supervisors and senior management, including benefits in kind, pension rights and compensation amounts (including year-end bonus and compensation payable for loss or termination of office or appointment);
- (iv) to make recommendations to the Board on the remuneration of non-executive Directors;
- (v) to review and approve the management's remuneration proposals with reference to the Board's corporate policies and objectives;
- (vi) to consider the remuneration of the same position paid by comparable companies, the major scope, responsibility and importance of the respective positions, time commitment and duties, and the employment conditions of other positions in the Group;
- (vii) to review and approve the compensation payable to executive Directors, Supervisors and senior management for any loss or termination of office or appointment, so as to ensure that such compensation is consistent with the contractual terms and is otherwise fair, reasonable and not excessive;
- (viii) to review and approve compensation arrangements relating to the dismissal or removal of directors for misconduct, so as to ensure that such arrangements are consistent with the contractual terms or are otherwise reasonable and appropriate;
- (ix) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and

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- (x) other matters authorised by the Board or required by relevant applicable laws, administrative regulations, departmental rules, normative documents, the Listing Rules and the Articles of Association.

For the year ended December 31, 2025, the Remuneration Committee held 1 meeting.

Nomination Committee

The Nomination Committee currently comprises three Directors, namely, Mr. He Zhengsheng (independent non-executive Director), Mr. Li Xiguang (executive Director) and Ms. Li Min (independent non-executive Director). Mr. He Zhengsheng serves as the chairman of the Nomination Committee.

The primarily duties of the Nomination Committee include but not limited to:

- (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board of Directors at least annually, assist the board in maintaining a board skills matrix, and make recommendations on any proposed changes to the Board to complement the Company's strategies; to assess the structure of the committees under the Board, recommend members to the relevant committees from among the Directors, and submit to the Board for approval;
- (ii) to consider and draw up the criteria and procedures for selecting Directors and senior management and make recommendations thereon to the Board. Factors to be considered include but are not limited to cultural and educational background and work experience;
- (iii) to identify candidates suitably qualified to become Directors and make nominations to the Board, to review and make recommendations on candidates for Directors of the Company (in particular the chairman of the Board); to identify candidates suitably qualified to become senior management, to review and make recommendations on candidates for senior management of the Company (in particular the general manager);
- (iv) to review and make recommendations to the Board on candidates for Directors and senior management, and to establish reserve plans for Directors and senior management, and to update and supplement the plans at any time;
- (v) to receive and organize proposals regarding the nomination of Directors and senior management, including the procedures for identifying, evaluating and nominating candidates, and to put forward opinions or suggestions on the replacement, reappointment or succession of Directors (including the chairman and CEO) based on the evaluation results; and
- (vi) other matters prescribed by relevant applicable laws, administrative regulations, departmental rules, normative documents, the Listing Rules and the Articles of Association and authorised by the Board.

For the year ended December 31, 2025, the Nomination Committee had 1 meeting.

The Nomination Committee also reviewed the structure, size and composition of the Board, reviewed the Director Nomination Policy and assessed the independence of independent non-executive Directors, Board Diversity Policy, etc.

Strategic and ESG Committee

The Strategic and ESG Committee currently comprises three Directors, namely, Mr. Li Xiguang (executive Director), Mr. Au Yeung Chung (non-executive Director) and Mr. He Zhengsheng (independent non-executive Director). Mr. Li Xiguang serves as the chairman of the Strategic and ESG Committee.

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The primarily duties of the Strategic and ESG Committee include but not limited to:

- (i) to study and make recommendations on the long-term development strategic planning of the Company;
- (ii) to study and make recommendations on major investment and financing schemes which require the approval of the Board as required by the Articles of Association;
- (iii) to study and make suggestions on major capital operations and asset operation projects that need to be approved by the Board of Directors as stipulated in the Articles of Association;
- (iv) to evaluate the ESG and climate change vision, strategic planning, development objects, operating plans, implementation processes and organisational structure of the Company;
- (v) to focus on the development trend, risks and opportunities in the field of ESG and climate change, to study and make suggestions on the Company's ESG and climate change policies;
- (vi) to be responsible for the consideration of the Company's ESG and climate change related reports, ensuring that the Company's reports issued to the public are in line with the disclosure requirements, and reporting to the Board of Directors;
- (vii) to study and make suggestions on other major matters that may affect the development of the Company;
- (viii) to check the implementation of the above matters; and
- (ix) other matters authorised by the Board.

For the year ended December 31, 2025, the Strategic and ESG Committee held 2 meetings.

GENERAL MEETINGS, BOARD AND DIRECTORS AND THE BOARD COMMITTEES' MEETINGS

The general meeting is the highest authority of the Company. It provides an opportunity for direct communication and the establishment of a sound relationship between the Shareholders and the Board and senior management of the Company. The Company attaches great importance to the general meeting. For the year ended December 31, 2025, the Company held a total of 3 general meetings, including 1 annual general meeting and 2 extraordinary general meetings, namely the 2025 AGM of the Company held on July 30, 2025, the 2025 extraordinary general meetings of the Company held on February 28, 2025 and October 10, 2025, respectively. The convening, holding and voting procedures for each general meeting were legal and valid, and all the resolutions submitted at the general meetings were passed.

Board meetings shall be held at least four times a year and convened by the Chairman of the Board with a notice in writing given to all Directors and Supervisors 14 days (excluding the day on which the meeting is convened) before the meeting. Extraordinary meetings of the Board may be held in the form of teleconferences or by means of other communication equipment. So long as the participating Directors can hear and communicate with other Directors, all participating Directors shall be deemed to have attended the meeting in person. For meetings of the special committees under the Board, a notice in writing shall be given 3 days prior to the meeting.

Code provision C.5.8 of the CG Code stipulates that for regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or other agreed period).

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For the year ended December 31, 2025, the Board convened 3 meetings during the year and considered and approved a total of 18 resolutions.

The Chairman of the Board meets with independent non-executive Directors annually without the presence of other Directors.

The following table sets out the attendance of each of the Directors at the meetings of the Board, the special committees under the Board and general meetings for the year ended December 31, 2025:

Name of Director	Number of attendance/Number of meetings held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategic and ESG Committee	General Meeting
Mr. Li Xiguang	3	/	/	1	2	3
Mr. Au Yeung Chung	3	/	1	/	2	3
Mr. Jiang Dacai	3	1	/	/	/	3
Mr. He Zhengsheng	3	1	1	1	2	3
Ms. Li Min	3	1	1	1	/	3
Mr. Vincent Chin	3	/	/	/	/	3

Besides attending formal meetings to learn more about the business of the Company, the Directors of the Company could stay informed about the affairs of the Company through other channels, including listening to the debriefing of the Company's management, reviewing the operating information regularly provided by the Company and paying on-site visits to the Company's business, to gain a full understanding to the Company's business and perform their duties effectively. After careful review, the Board is of the view that the Directors of the Company have dedicated sufficient time and effort to perform their duties during the year.

DIRECTORS' TRAINING

Directors should participate in appropriate continuing professional development to develop and refresh their knowledge and skills. The Directors have been informed of the requirement under code provision C.1.4 of the CG Code regarding continuous professional development. The Company has arranged training for its Directors and provided them with reading material on relevant topics. Every newly appointed Director shall receive a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company. All Directors have received formal and comprehensive training regarding their responsibilities and obligations under the Listing Rules and relevant laws. All Directors have been trained in respect of the duties and responsibilities of Directors, the relevant laws and regulations applicable to Directors and the duty of disclosure of interests, and have read materials relevant to the Company's business or the Directors' functions and powers.

Prior to the Listing, the Company organized training sessions conducted by the qualified professionals for all Directors. The training sessions covered a wide range of relevant topics including Directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

THE REMUNERATION OF SENIOR MANAGEMENT

Details of the remuneration of the Directors and Supervisors and the respective remuneration of the 5 highest paid individuals for the year ended December 31, 2025 are set out in notes 8 and 9 to the consolidated financial statements.

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The remuneration level of the Company's senior management (excluding Directors) for the year ended December 31, 2025 is set out below:

Remuneration Level (RMB)	Number of persons
2,000,001–2,500,000	2
2,500,001–3,000,000	1
3,000,001–3,500,000	0
3,500,001–4,000,000	1

CORPORATE GOVERNANCE FUNCTION

The Group is committed to maintaining high level of corporate governance. The Board is responsible for the implementation of corporate governance, including: (a) developing and reviewing the corporate governance policies and practices of the Company; (b) reviewing and supervising the training and continuous professional development of the Directors and senior management; (c) reviewing and supervising the policies and practices for the compliance of laws and regulatory requirements by the Company; (d) developing, reviewing and supervising the code of conduct and compliance manual, if any, for employees and the Directors; and (e) reviewing the compliance of the Corporate Governance Code by the Company and the disclosure in the corporate governance report. During the reporting period, actions and measures were taken by the Board to improve the corporate governance gradually and further strengthen the development of the Company's corporate governance system. The Board believes that an effective corporate governance system can safeguard the best interests of the Shareholders and promote the value and accountability of the Company.

For the year ended December 31, 2025 and up to the date of this report, the Board has performed the functions set out in code provision A.2.1 of the CG Code, and has developed and reviewed the issuer's policies and practices on corporate governance; reviewed and monitored the training and continuing professional development of Directors and senior management and the issuer's policies and practices in relation to compliance with legal and regulatory requirements; developed, reviewed and monitored the code of conduct and compliance manual to employees and Directors; and reviewed the issuer's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Company has formulated and adopted the whistleblowing policies in accordance with code provision D.2.6 of the CG Code, and also formulated and adopted the policies that support anti-bribery and anti-graft practices in accordance with code provision D.2.7 of the CG Code.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has maintained Directors and senior management's liability insurance to protect them from any loss to which the Directors and senior management of the Company might be liable arising from their actual or alleged misconduct.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is of the view that effective risk management and internal control are integral and indispensable to the Group's achievement of long-term business growth and sustainable development. The purpose of establishing the risk management and internal control framework is to manage and reduce the Group's exposure to business risks to the extent acceptable, rather than to eliminate the risk of failure to achieve business objectives, and to be able to only provide reasonable but not absolute assurance against material misrepresentation or loss.

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Risk Management and Internal Control Arrangements

We have established risk management and internal control systems consisting of policies and procedures that are designed to identify, assess and manage risks arising from our operations and monitor our overall compliance. Details on risk categories identified by our management, internal and external reporting mechanisms, remedial measures and contingency management have been codified in our policies. We have formulated the Comprehensive Risk Management System (《全面風險管理制度》), which stipulates the identification, assessment, monitoring and control activities of risks in the operation and management process.

In particular, we have adopted, among other things, the following risk management measures:

- establishing an Audit Committee under the Board to monitor the integrity of our financial statements and review financial reporting judgments contained in our annual and interim reports. Our Audit Committee consists of three Directors, namely Ms. Li Min, Mr. He Zhengsheng and Mr. Jiang Dacai. Ms. Li Min is the chairlady of the Audit Committee and the independent non-executive Director with appropriate professional qualifications. For details of the qualifications and experiences of these members, please refer to the section headed “Directors, Supervisors and Senior Management” in this annual report;
- adopting a comprehensive risk management organization structure with clear delineation of responsibilities. The Board is responsible for determining our overall risk management objectives and risk tolerance. The management oversees the daily operation of the risk management system. The Audit Committee, with the support of the internal audit department, independently monitors and evaluates the effectiveness of the risk management and internal control systems. Furthermore, each functional and business department acts as the first line of defense, responsible for executing risk management processes within their respective areas, including identifying risks, formulating response plans, and reporting on their implementation;
- implementing a robust risk assessment process where all departments are required to regularly analyze their internal and external environment to identify and evaluate key risks, such as strategic, market, financial, operational, and legal and compliance risks. A risk response owner is designated to develop and implement specific solutions for managing these risks, ensuring that risk management strategies are aligned with our corporate objectives;
- establishing a dynamic risk monitoring and warning mechanism. We have developed key risk indicators for significant risks such as financial, investment, and safety risks. Our departments continuously monitor these indicators and report any major deviations or new risks promptly. A special reporting procedure is in place for major risk events, requiring written notification within 12 hours and immediate reporting for particularly urgent matters to facilitate timely and effective response and mitigation

Risk Management Procedure

Our risk management procedures include defining procedures for identifying, assessing, responding to, and overseeing risks and their changes. Our management regularly communicates and discusses with each business department, collects the risks identified by each department at the daily operational level, and strengthens their understanding of risk management at the strategic level to promote two-way communication. By gathering risk perspectives from different angles, the management formulates risk coverage to ensure comprehensive identification of risks relevant to us. Risk identification is a continuous and interactive process that facilitates communication of key risks between operational and strategic levels.

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Major Risks, Risk Management and Internal Control of the Company for the Year

The Board believes that, during the year ended December 31, 2025, our risk management and internal control system were effective and the overall risk level was within its acceptable level. The Board confirms that it is responsible for our risk management and internal control systems and regularly reviews the effectiveness of such systems. After risk assessment, the Company's major risks in 2025 mainly involve business risks, financial risks, and compliance risks. According to the actual situation, the Group has formulated practical and feasible response plans to effectively manage risks:

- **Business risks:** The business risks the Group mainly faces include macro-environmental risks, competition risks, and sustainability risks. In addition, the Group constantly faces the challenge of responding promptly to market changes within the industry sectors it operates in. Any failure to interpret market trends properly and adapt its strategy to such changes accordingly, as well as termination or non-renewal of our services contracts could have a adverse effect on the Group's business, financial position and results of operations. The Board regularly reviews and identifies potential risks of the Group, and adjusts strategies and policies in a timely manner, to ensure that the business risks are controlled and managed.
- **Financial risks:** The Group has formulated financial risk management methods to control the Group's financial risk exposure, such as credit risks, liquidity risks, interest rate and currency risks. Also, the Board monitors the financial results and key operating statistics with the assistance of the Group's internal finance department on a regular basis. The financial risk management of the Group is set out in note 29 to the consolidated financial statements.
- **Compliance risks:** The Group has formulated internal procedures to monitor the Group's compliance risks to ensure that the Group has complied with the laws and regulations of the regions where the Group conducts business. In addition, the Group engages professional advisers from time to time to keep the Group updated with the latest development in the regulatory environments.

The Board acknowledges that such risk management and internal control systems are designed to manage the risks associated with the achievement of business objectives but not to eliminate the risk of failure to achieve them. In addition, it can only make reasonable rather than absolute assurance that no material misstatement or loss will result.

Review of Risk Management and Internal Control

The Board is responsible for the Group's risk management and internal control systems, and through the Audit Committee and relevant reporting arrangements, oversees and evaluates their effectiveness and to resolve material internal control defects. Through the summary and evaluation of the results of various internal control work of the Company, it is confirmed that the management has effectively and orderly implemented the various risk management and internal control systems of the Company.

The Board has reviewed the risk management and internal control systems for the year ended December 31, 2025 to ensure their effectiveness and adequacy. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The Board is of the view that our risk management and internal control systems for the year ended December 31, 2025 were effective and adequate and had sufficient resources, staff qualifications and experience, staff training programmes and relevant budgets in terms of accounting, internal audit and financial reporting functions, as well as those relating to the ESG performance and reporting.

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PROCEDURES FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company maintains a policy on disclosure of inside information with reference to the Guidelines on Disclosure of Inside Information issued by the Hong Kong Securities and Futures Commission. The policy sets out procedures and internal controls for handling and disseminating inside information in an appropriate and timely manner, such as taking steps to determine sufficient details, conducting internal assessment of the matter and its possible impact on the Company, seeking professional advice when required and verifying the facts. Anyone in possession of the information must ensure such information is kept in strict confidentiality and is not allowed to buy or sell any securities of the Company until the information is fully disclosed to the public.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RELATION TO FINANCIAL STATEMENTS

The Directors understand their responsibility for preparing the financial statements of the Company for the year ended December 31, 2025, which give a true and fair view of the condition of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Directors were not aware of any material uncertainties which may cast significant doubt upon the Group's ability to continue as an ongoing concern.

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

AUDITOR'S REMUNERATION

For the year ended December 31, 2025, the emolument paid/payable by the Company to its external auditor, KPMG for the audit services provided, is as follows:

Type of services provided by external auditor	Amount of fees RMB'000
Audit services	2,200
Other services	—
Total	<u>2,200</u>

JOINT COMPANY SECRETARIES

Our joint company secretaries consist of Mr. Li Zhuoxing and Mr. Chan Pak Lun. The biographies of Mr. Li Zhuoxing and Mr. Chan Pak Lun are set out in the section headed "V. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT" in this report. Mr. Li Zhuoxing is a full-time employee of the Company and is familiar with the day-to-day affairs of the Company. He reports to the Chairman.

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Mr. Li Zhuoxing and Mr. Chan Pak Lun have confirmed that they have received relevant professional training of not less than 15 hours in accordance with Rule 3.29 of the Listing Rules during the year ended December 31, 2025. Since Mr. Chan Pak Lun is an external service provider, Mr. Li Zhuoxing, one of our senior management, would be the person at the Company whom Mr. Chan Pak Lun can contact according to code provision C.6.1 of the CG Code.

SHAREHOLDERS' RIGHTS

In order to safeguard the interests and rights of Shareholders, the Company proposes separate resolutions on significant events (including the election of individual Director) at general meetings. All resolutions proposed at general meetings will be voted by poll pursuant to the Listing Rules, and the poll results will be published on the websites of the Company and the Stock Exchange upon the conclusion of each general meeting.

Convening of an Extraordinary General Meeting

Pursuant to Article 50 of the Articles of Association, Shareholder(s) individually or collectively holding more than 10% of the Company's Shares have the right to request the Board to convene an extraordinary general meeting and add proposals to the meeting agenda. The aforementioned requests must be submitted to the Board in writing. The Board shall provide written feedback on whether it agrees or disagrees to convene an extraordinary general meeting within ten days after receiving the request in accordance with the provisions of laws, administrative regulations and these Articles of Association.

If the Board agrees to convene an extraordinary general meeting, it shall issue a notice to convene the general meeting within five days after the making of the resolution of the Board. Consent of the relevant Shareholders must be obtained for any changes to the original request in the notice.

If the Board does not agree to convene an extraordinary general meeting, or fails to provide feedback within ten days after receiving the request, Shareholders individually or collectively holding more than 10% of the Company's Shares have the right to propose to the Supervisory Committee to convene an extraordinary general meeting, and the request shall be made in writing to the Supervisory Committee.

If the Supervisory Committee agrees to convene an extraordinary general meeting, it shall issue a notice to convene the general meeting within five days of receiving the request. Any changes to the original request in the notice must be approved by the relevant Shareholders.

If the Supervisory Committee fails to issue a notice of the general meeting within the prescribed time limit, it shall be deemed that the Supervisory Committee has not convened and presided over the general meeting. Shareholders who individually or collectively hold more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over the meeting on their own.

Proposing Resolutions at a General Meeting

Pursuant to Article 55 of the Articles of Association, Shareholders who individually or collectively hold more than 1% of the Company's Shares may put forward interim proposals and submit in writing to the convener ten days before the general meeting. Within 2 days upon receipt the proposal, the convener shall issue a supplementary notice of the general meeting and announce the contents of the interim proposal in accordance with the requirements of the listing regulatory rules of the place where the Company's Shares are listed.

VII. CORPORATE GOVERNANCE REPORT

Enquiries to the Board

The Company maintains a website at www.sicity.com, where information on the Company's businesses and projects, key corporate governance policies and announcements, financial reports and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company by the following ways:

Address: No. 5 Industrial North First Road, Songshan Lake Zone, Dongguan, Guangdong Province, PRC

Email: Tydb@sicity.com

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that effective communication with Shareholders is essential to enhance investor relations and to keep investors informed of the Group's business performance and strategies. The Company has formulated the Shareholders Communication Policy and has reviewed its implementation and effectiveness at least once a year.

The Company has established various and a wide range of communication channels with Shareholders, including general meeting, annual results and interim results, annual and interim reports, announcements and circulars and performance conference. To facilitate the communication between the Company and investors, the Company holds meetings, briefings and roadshows with investors and analysts from time to time. Apart from that, the Company invites investors and business stakeholders to visit our management site every now and then, giving them the opportunities to meet with the local management and visit our facilities. During their visits, the Company collects feedback from visitors on our performance and learns about their expectations.

Under the Shareholders Communication Policy, Shareholders may at any time make enquiries about the Company or their shareholdings. Shareholders can direct their enquiries to the Company or to the Company's H share registrar, Tricor Investor Services Limited. Upon receipt of written enquiries, the Company endeavors to provide responses as soon as possible. The Company also maintains a dedicated "Investor Relations" section on its corporate website, which is updated on a regular basis to provide Shareholders with corporate information, financial highlights, corporate governance practices, and the latest developments of the Company. The Company endeavors to maintain an ongoing dialogue with Shareholders. At the general meeting, the Directors (or their delegates as appropriate) are available to meet with the Shareholders and answer their enquiries.

For the year ended December 31, 2025, the Board reviewed the implementation and effectiveness of the Shareholders Communication Policy. After taking into account the aforementioned communication channels of investors and the measures taken and the events held by the Company, the Company is of the view that the Shareholders Communication Policy were effectively implemented in 2025.

DIVIDEND POLICY

The Company adopts a continuous and stable dividend policy. The declaration and payment of dividends by the Company shall be determined by the Board and subject to the Articles of Association and all applicable laws and regulations, including the Company Law of the PRC. Such declaration and payment shall depend on a number of factors, including but not limited to the Company's profitability and financial position, operational needs, capital requirements, and any other conditions that the Directors may consider relevant. As of the date of this report, there is no arrangement under which a Shareholder has waived or agreed to waive any dividend (including future dividends).

For details of the dividend distribution for the year ended December 31, 2025, see final dividend in the "VIII. Report of the Board".

VII. CORPORATE GOVERNANCE REPORT

EMPLOYEE DIVERSITY

The Group insists on the principle of fairness and voluntariness in recruitment, and does not impose any restrictive requirements on gender, ethnicity, nationality and region. In order to avoid child labor and forced labor, we, in strict compliance with the provision of Article 15 of the Labor Law of the People's Republic of China, ban the employer from recruiting juveniles under the age of 16, and strictly check whether the actual age of the candidates meets the employment criteria by checking their identity card, etc.

The following table sets out the gender ratio of the Group's employees (including the Board) as of December 31, 2025:

	Female	Male
The Board	16.67%	83.33%
Employees	18.23%	81.77%

As of December 31, 2025, the Group had a total of 960 employees, of which 175 were female employees (including senior management), representing approximately 18.23%. The Group considers the overall diversity (including gender diversity) of the Group to be balanced as a whole and intends to maintain a similar level of gender diversity of the overall staff. The Group is committed to maintain gender diversity by continue to engage in fair employment practices and adhere to the principle of fairness and voluntariness in recruitment, notably by hiring based on merits such as experience, qualifications, skills and knowledge.

We consider our staff to be crucial to the caliber of our services and the satisfaction of our clients. We provide our employees with opportunities for career growth and training in the technical skills essential to our business as part of our ongoing efforts to keep and inspire talent.

ARTICLES OF ASSOCIATION

Since the Listing Date and up to the date of this annual report, no amendments are made to the Articles of Association. The latest version of the Articles of Association is available on the Company's website (<https://www.sicity.com>) and the website of the Stock Exchange (www.hkexnews.hk).

VIII. REPORT OF THE BOARD

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

GENERAL INFORMATION AND INITIAL PUBLIC OFFERING

The Company was established in the PRC on January 7, 2009 and is now a joint stock company with limited liability. 30,070,500 H Shares of the Company with a nominal value of RMB1.0 per H Share were listed on the Main Board of the Stock Exchange on December 5, 2025 by way of Global Offering of H Shares of the Company, at a price of HK\$58.0 per H Share.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacture and sale of 4-inch, 6-inch, and 8-inch silicon carbide (SiC) epitaxial wafers used in power semiconductor devices. The Group also provides related value-added services, including SiC epitaxial foundry, wafer cleaning, and inspection services.

BUSINESS REVIEW

The business review of the Group for 2025 and the future business development of the Group are set out in the sections headed "IV. Chairman's Statement" and "V. Management Discussion and Analysis" of this annual report.

"V. Management Discussion and Analysis" of this annual report contains part of the analysis on the Group's annual performance using key financial performance indicators. For explanations on the major relations between the Company and its employees, customers and suppliers, please refer to the relevant parts of this section.

These discussions form part of the Report of the Board.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated statement of financial position of the Group as of December 31, 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the year then ended are set out on the consolidated financial statements on pages 111 to 115 of this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of the final dividend for the year ended December 31, 2025 (for the year ended December 31, 2024: nil).

2025 AGM

The 2025 AGM will be held on Tuesday, May 19, 2026. The notice of the 2025 AGM will be published on the Company's website (<https://www.sicity.com>) and the website of the Stock Exchange (www.hkexnews.hk) and dispatched to the Shareholders in the manner prescribed under the Listing Rules in due course as and when necessary.

VIII. REPORT OF THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' entitlement to attend and vote at the 2025 AGM, the register of members of the Company will be closed from Thursday, May 14, 2026 to Tuesday, May 19, 2026, both days inclusive, during which period no transfer of shares will be registered. In order to qualify the Shareholders to attend and vote at the 2025 AGM, all the completed share transfer forms accompanied by the relevant share certificates must be lodged with the Tricor Investor Services Limited (the Company's H share registrar), at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for holders of H Shares) or the Office of the Board of Directors of the Company at No. 5 Industrial North First Road, Songshan Lake Zone, Dongguan Guangdong Province, the PRC (for holders of Unlisted Shares) not later than 4: 30 p. m. on Wednesday, May 13, 2026, for registration. Shareholders whose names appear on the register of members of the Company on Tuesday, May 19, 2026 are entitled to attend and vote at the 2025 AGM.

SHARE CAPITAL

The Company issued 30,070,500 H Shares at a price of HK\$58.0 per H Share on December 5, 2025.

For the year ended December 31, 2025, details of the changes in share capital of the Company are set out in note 28 to the consolidated financial statements.

DEBENTURES

The Company did not issue any debentures for the year ended December 31, 2025.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group for the year ended December 31, 2025 are set out in the "XIV. Consolidated Statement of Changes in Equity" of this annual report.

As of December 31, 2025, the Company did not have any reserves available for distribution.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group for the year ended December 31, 2025 are set out in note 11 to the consolidated financial statements.

INTANGIBLE ASSETS

Details of the movements in intangible assets of the Group for the year ended December 31, 2025 are set out in note 13 to the consolidated financial statements.

BORROWINGS

As of December 31, 2025, the Group did not have any outstanding borrowings or banking facilities.

VIII. REPORT OF THE BOARD

DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments and the five highest paid individuals' remuneration of the Company for the year ended December 31, 2025 are set out in notes 8 and 9 to the consolidated financial statements of the Group.

There was no arrangement under which a Director, Supervisor or senior management of the Company has waived or agreed to waive any remuneration for the year ended December 31, 2025. During the Reporting Period, there was no emolument paid by the Group to any of the Directors, Supervisors or any of the five highest paid individuals as an inducement to join, or upon joining the Group or as compensation for loss of office.

The emoluments of the Directors and senior management of the Company were subject to the confirmation by the Remuneration Committee of the Company. The Company strictly abided by the requirements under the relevant standards and policies of the Company with regard to the emoluments of the Directors and senior management. Directors' emoluments (including salaries and other benefits) were recommended by the Remuneration Committee of the Company to the Board for approval upon taking into account factors such as the Company's business results and Directors' performance and responsibilities.

RETIREMENT BENEFIT PLAN

Details of the retirement benefit scheme are set out in note 26 to the financial statements in this annual report.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past four financial years is set out in the section "III. Financial Summary and Four-Year Financial Summary" of this annual report.

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

The H Shares of the Company were listed on the Main Board of the Stock Exchange on December 5, 2025.

During the period from the Listing Date to December 31, 2025, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities. As at December 31, 2025, the Company did not hold any treasury shares.

TAX RELIEF AND EXEMPTION TO HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders of the Company due to their holding of the Company's securities.

EQUITY-LINKED AGREEMENTS

For the year ended December 31, 2025, no equity-linked agreement was entered into by the Group or still in effect.

DONATIONS

For the year ended December 31, 2025, the Company's charitable and other donations amounted to HK\$4 million.

VIII. REPORT OF THE BOARD

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On December 5, 2025, the Company completed a global offering of its H Shares. The net proceeds from the Global Offering amounted to approximately RMB1,509.92 million (after deducting the estimated underwriting commissions and other estimated offering expenses paid or payable by us). As at the date of this report, there was no change in the intended use of net proceeds as previously disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

The use of proceeds from the Global Offering as of December 31, 2025 was as follows:

Intended use of proceeds	Approximate percentage of total amount	Approximate distribution of actual net proceeds (RMB million)	Approximate utilization of proceeds from the Listing Date to December 31, 2025 (RMB million)	Approximate amount of net unutilized proceeds as at December 31, 2025 (RMB million)	Expected timing of utilization of unutilized proceeds
Expand production capacity — purchase of production equipment and machinery, construction of production bases, and recruitment of production personnel	62.50%	943.70	327.50	616.20	Before 31 December 2029
Enhance R&D capabilities — investment in R&D equipment, expansion of the R&D team, and other R&D-related expenses	15.10%	228.00	2.28	225.72	Before 31 December 2029
Strategic investments and/or acquisition ⁽¹⁾	10.80%	163.07	0.00	163.07	Before 31 December 2029
Expand global sales network	2.10%	31.71	0.00	31.71	Before 31 December 2029
Working capital and general corporate purposes	9.50%	143.44	131.34	12.10	Before 31 December 2029
Total	100.00%	1,509.92	461.12	1,048.80	

Note:

- (1) The implementation timeline for strategic investments and/or acquisition depends on investment and acquisition opportunities and the selection process based on the Company’s selection criteria.

DIRECTORS

For the year ended December 31, 2025 and up to the date of this annual report, the Directors of the Company include:

Name of Directors	Position
Mr. Li Xiguang (<i>Chairman of the Board</i>) (<i>appointed since January 7, 2009</i>)	Executive Director
Mr. Au Yeung Chung (<i>appointed since October 26, 2022</i>)	Non-executive Director
Mr. Jiang Dacai (<i>appointed since October 26, 2022</i>)	Non-executive Director
Mr. He Zhengsheng (<i>appointed since October 26, 2022</i>)	Independent non-executive Director
Ms. Li Min (<i>appointed since October 26, 2022</i>)	Independent non-executive Director
Mr. Vincent Chin (<i>appointed since November 29, 2024</i>)	Independent non-executive Director

VIII. REPORT OF THE BOARD

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation letter of independence from each of the independent non-executive Directors (namely, Mr. He Zhengsheng, Ms. Li Min and Mr. Vincent Chin) pursuant to Rule 3.13 of the Listing Rules, and the Company is of the view that all such Directors are independent persons for the year ended December 31, 2025.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company and the principal particulars of the service contracts of the Directors and Supervisors are: (a) each of the contracts is for a term of 3 years following their respective appointment dates; and (b) each of the contracts is subject to termination upon expiration of the respective term of office of each of the Directors and Supervisors. The service contracts may be renewed in accordance with the Articles of Association and applicable rules.

Save as disclosed above, none of our Directors or Supervisors has entered, or has proposed to enter, a service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

PERMITTED INDEMNITY PROVISION

The Company has maintained Directors and senior management's liability insurance to protect them from any loss to which the Directors and senior management of the Company a might be liable arising from their actual or alleged misconduct. Saved as disclosed above, at no time during the reporting period and up to the date of this report, there was or is any permitted indemnity provision being in force for the benefit of any Directors of the Company or its associated companies (whether made by the Company or otherwise).

MATERIAL INTERESTS OF DIRECTORS AND SUPERVISORS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

For the year ended December 31, 2025, none of the Director, Supervisor or any entity connected with the Directors, Supervisors of the Company is materially interested in, either directly or indirectly, any material transactions, arrangements or contracts relating to the business of the Company to which the Company or any of its subsidiaries is a party.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

For the year ended December 31, 2025, none of the Directors or any of their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete with the Company's business as required to be disclosed under Rule 8.10 of the Listing Rules.

VIII. REPORT OF THE BOARD

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at December 31, 2025, the interests and short positions in the Shares, underlying Shares and debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO) held by the following Directors, Supervisors and chief executive of the Company which shall be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which shall be recorded in the register required to be kept by our Company under Section 352 of the SFO, or which shall be required to be notified to our Company and the Stock Exchange pursuant to the Model Code are as follows:

Name of Director, Supervisor or chief executive of our Company	Position	Nature of Interest	Description of Shares	Number of Shares ⁽¹⁾	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate) ⁽²⁾	Approximate percentage of interest in our Company ⁽²⁾
Mr. Li Xiguang ^{(3)&(4)}	Chairman, executive Director and general manager	Beneficial Interest	Unlisted Shares	105,517,013 (L)	31.5656%	26.8308%
			H Shares	Nil	—	—
		Interest in controlled corporation ⁽³⁾	Unlisted Shares	40,310,259 (L)	12.0589%	10.2501%
			H Shares	Nil	—	—
	Interest of concert parties ⁽⁴⁾	Unlisted Shares	66,126,373 (L)	19.7818%	16.8146%	
			H Shares	Nil	—	—
Mr. Au Yeung Chung ⁽⁴⁾	Non-executive Director	Beneficial Interest	Unlisted Shares	66,126,373 (L)	19.7818%	16.8146%
			H Shares	Nil	—	—
		Interest of concert parties ⁽⁴⁾	Unlisted Shares	145,827,272 (L)	43.6245%	37.0808%
			H Shares	Nil	—	—
Mr. Zhuang Shuguang	Chairman of our Supervisory Committee, shareholder representative Supervisor	Beneficial Interest	Unlisted Shares	28,139,493 (L)	8.4180%	7.1553%
			H Shares	Nil	—	—
Mr. Yuan Yi	Shareholder representative Supervisor	Beneficial Interest	Unlisted Shares	14,057,580 (L)	4.2054%	3.5746%
			H Shares	Nil	—	—

VIII. REPORT OF THE BOARD

Notes:

1. The letter “L” denotes the entity/person’s long position (as defined under Part XV of the SFO) in such Shares.
2. The calculation is based on the total number of 334,278,085 Unlisted Shares and 58,990,426 H Shares in issue as at December 31, 2025.
3. As of the Latest Practicable Date, each of Dinghong Investment, Runsheng Investment and Wanghe Investment was interested in 20,274,440 Unlisted Shares, 11,585,291 Unlisted Shares and 8,450,528 Unlisted Shares, respectively. Each of Dinghong Investment, Runsheng Investment and Wanghe Investment, as ESOP Platforms, is managed by its executive partner, namely Tianyu Gongchuang, which is in turn owned as to 99% by Mr. Li Xiguang and as to 1% by Ms. Su Qin, the spouse of Mr. Li Xiguang. The limited partner of each of Dinghong Investment, Runsheng Investment and Wanghe Investment who contributed more than one third of the capital to the limited partnership is Mr. Li Xiguang, who held 34.75%, 39.94% and 42.62% of the partnership interest in Dinghong Investment, Runsheng Investment and Wanghe Investment, respectively. Accordingly, Mr. Li Xiguang is deemed to be interested in the Unlisted Shares held by Dinghong Investment, Runsheng Investment and Wanghe Investment under the SFO.
4. Pursuant to the Acting-in-concert Agreement, Mr. Li Xiguang and Mr. Au Yeung Chung acknowledged and confirmed that they shall act in concert by aligning their votes at the Board and/or Shareholders’ meetings of our Company in accordance with the consensus achieved between them, and in the event that they are unable to reach consensus on any matter presented, the parties shall vote in accordance with the direction of Mr. Li Xiguang. For details, see “History, Development and Corporate Structure — Corporate Development — Our Company — Concert Party Arrangement” in the Prospectus. As such, each of the concert parties (i.e. Mr. Li Xiguang and Mr. Au Yeung Chung) is deemed to be interested in the Shares each other is interested in.

Save as disclosed above, as at December 31, 2025, none of the Directors, Supervisors or chief executive of our Company had the interests and short positions in the Shares, underlying Shares and debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO) which shall be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which shall be recorded in the register required to be kept by our Company under Section 352 of the SFO, or which shall be required to be notified to our Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended December 31, 2025 were there any rights to acquire benefits by means of the purchase of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no subsisting arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

VIII. REPORT OF THE BOARD

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

As of December 31, 2025, to the best knowledge of the Directors, the following persons (other than Directors, Supervisors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Nature of Interest	Description of Shares	Number of Shares ⁽¹⁾	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate) ⁽²⁾	Approximate percentage of interest in our Company
Mr. Li Xiguang	Beneficial Interest	Unlisted Shares	105,517,013 (L)	31.5656%	26.8308%
		H Shares	Nil	—	—
	Interest in controlled corporation ⁽³⁾	Unlisted Shares	40,310,259 (L)	12.0589%	10.2501%
		H Shares	Nil	—	—
Interest of concert parties ⁽⁴⁾	Unlisted Shares	66,126,373 (L)	19.7818%	16.8146%	
	H Shares	Nil	—	—	
Ms. Su Qin	Interest of spouse ⁽⁵⁾	Unlisted Shares	211,953,645 (L)	63.4064%	53.8954%
		H Shares	Nil	—	—
Mr. Au Yeung Chung	Beneficial Interest	Unlisted Shares	66,126,373 (L)	19.7818%	16.8146%
		H Shares	Nil	—	—
	Interest of concert parties ⁽⁴⁾	Unlisted Shares	145,827,272 (L)	43.6245%	37.0808%
		H Shares	Nil	—	—
Ms. Tong Lai Kwan	Interest of spouse ⁽⁶⁾	Unlisted Shares	211,953,645 (L)	63.4064%	53.8954%
		H Shares	Nil	—	—
Tianyu Gongchuang	Interest in controlled corporation ⁽³⁾	Unlisted Shares	40,310,259 (L)	12.0589%	10.2501%
		H Shares	Nil	—	—
Mr. Lee Yuk Ming	Beneficial Interest	Unlisted Shares	22,349,321 (L)	6.6858%	5.6830%
		H Shares	10,000,000 (L)	16.9519%	2.5428%
Ms. Cheung Wai Ling	Interest of spouse ⁽⁷⁾	Unlisted Shares	22,349,321 (L)	6.6858%	5.6830%
		H Shares	10,000,000 (L)	16.9519%	2.5428%
Mr. Zhuang Shuguang	Beneficial Interest	Unlisted Shares	28,139,493 (L)	8.4180%	7.1553%
		H Shares	Nil	—	—
Ms. Zhang Rihuan	Interest of spouse ⁽⁸⁾	Unlisted Shares	28,139,493 (L)	8.4180%	7.1553%
		H Shares	Nil	—	—
Habo Technology	Beneficial Interest ⁽⁹⁾	Unlisted Shares	19,852,303 (L)	5.9389%	5.0480%
		H Shares	4,000,000 (L)	6.7808%	1.0171%
Habo Venture Capital	Interest in controlled corporation ⁽⁹⁾	Unlisted Shares	19,852,303 (L)	5.9389%	5.0480%
		H Shares	4,000,000 (L)	6.7808%	1.0171%
Huawei Investment	Interest in controlled corporation ⁽⁹⁾	Unlisted Shares	19,852,303 (L)	5.9389%	5.0480%
		H Shares	4,000,000 (L)	6.7808%	1.0171%

VIII. REPORT OF THE BOARD

Name of Shareholder	Nature of Interest	Description of Shares	Number of Shares ⁽¹⁾	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate) ⁽²⁾	Approximate percentage of interest in our Company
Huawei Investment Trade Union Committee	Interest in controlled corporation ⁽⁹⁾	Unlisted Shares	19,852,303 (L)	5.9389%	5.0480%
		H Shares	4,000,000 (L)	6.7808%	1.0171%
Huawei Technologies	Interest in controlled corporation ⁽⁹⁾	Unlisted Shares	19,852,303 (L)	5.9389%	5.0480%
		H Shares	4,000,000 (L)	6.7808%	1.0171%
Dinghong Investment	Beneficial Interest ⁽³⁾	Unlisted Shares	20,274,440 (L)	6.0651%	5.1554%
		H Shares	Nil	—	—

Notes:

- The letter “L” denotes the entity/person’s long position (as defined under Part XV of the SFO) in such Shares.
- The calculation is based on the total number of 334,278,085 Unlisted Shares and 58,990,426 H Shares in issue as at December 31, 2025.
- As of the Latest Practicable Date, each of Dinghong Investment, Runsheng Investment and Wanghe Investment was interested in 20,274,440 Unlisted Shares, 11,585,291 Unlisted Shares and 8,450,528 Unlisted Shares, respectively.

Each of Dinghong Investment, Runsheng Investment and Wanghe Investment, as ESOP Platforms, is managed by its executive partner, namely Tianyu Gongchuang, which is in turn owned as to 99% by Mr. Li Xiguang and as to 1% by Ms. Su Qin, the spouse of Mr. Li Xiguang.

The limited partner of each of Dinghong Investment, Runsheng Investment and Wanghe Investment who contributed more than one third of the capital to the limited partnership is Mr. Li Xiguang, who held 34.75%, 39.94% and 42.62% of the partnership interest in Dinghong Investment, Runsheng Investment and Wanghe Investment, respectively.

Accordingly, Mr. Li Xiguang is deemed to be interested in the Unlisted Shares held by Dinghong Investment, Runsheng Investment and Wanghe Investment under the SFO.

- Pursuant to the Acting-in-concert Agreement, Mr. Li Xiguang and Mr. Au Yeung Chung acknowledged and confirmed that they shall act in concert by aligning their votes at the Board and/or Shareholders’ meetings of our Company in accordance with the consensus achieved between them, and in the event that they are unable to reach consensus on any matter presented, the parties shall vote in accordance with the direction of Mr. Li Xiguang. For details, please see “History, Development and Corporate Structure — Corporate Development — Our Company — Concert Party Arrangement” in the Prospectus. As such, each of the concert parties are deemed to be interested in the Shares each other is interested in.
- Ms. Su Qin is the spouse of Mr. Li Xiguang. By virtue of the SFO, Ms. Su Qin is deemed to be interested in the equity interests held by Mr. Li Xiguang.
- Ms. Tong Lai Kwan is the spouse of Mr. Au Yeung. By virtue of the SFO, Ms. Tong Lai Kwan is deemed to be interested in the equity interests held by Mr. Au Yeung Chung.
- Ms. Cheung Wai Ling is the spouse of Mr. Lee Yuk Ming. By virtue of the SFO, Ms. Cheung Wai Ling is deemed to be interested in the equity interests held by Mr. Lee Yuk Ming.
- Ms. Zhang Rihuan is the spouse of Mr. Zhuang Shuguang. By virtue of the SFO, Ms. Zhang Rihuan is deemed to be interested in the equity interests held by Mr. Zhuang Shuguang.

VIII. REPORT OF THE BOARD

9. Shenzhen Habo Technology Investment Partnership (Limited Partnership)* (深圳哈勃科技投資合夥企業(有限合夥)) (“**Habo Technology**”) is a limited partnership established under the laws of the PRC. The general partner of Habo Technology is Habo Technology Venture Capital Co., Ltd* (哈勃科技創業投資有限公司) (“**Habo Venture Capital**”), which held 1% of the partnership interest in Habo Technology. The limited partner of Habo Technology who contributed more than one third of the capital to the limited partnership is Huawei Technologies Co., Ltd (華為技術有限公司) (“**Huawei Technologies**”), which held 69% of the partnership interest in Habo Technology.

Both Habo Venture Capital and Huawei Technologies are wholly owned by Huawei Investment & Holding Co., Ltd (華為投資控股有限公司) (“**Huawei Investment**”) and Huawei Investment is owned as to 99.42% by Huawei Investment & Holding Co., Ltd. Trade Union Committee* (華為投資控股有限公司工會委員會) (“**Huawei Investment Trade Union Committee**”).

As such, under the SFO, Habo Venture Capital, Huawei Technologies, Huawei Investment and Huawei Investment Trade Union Committee are deemed to be interested in the equity interests held by Habo Technology.

Save as disclosed above, as of December 31, 2025, the Company had not been notified of any other interests or short positions held by any other person in the shares or underlying shares of the Company which were required to be recorded or otherwise disclosed to the Company under the SFO.

EMPLOYEE INCENTIVE SCHEME

To incentivize talents to service long-term and work towards enhancing the value of our Company and cultivates a sense of long-term shared interests between our Shareholders and our management team, the Company adopted the employee incentive scheme by way of establishing ESOP Platforms, namely Dinghong Investment, Runsheng Investment and Wanghe Investment (the “**Employee Incentive Scheme**”).

The Employee Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of Shares or the grant of options by our Company to subscribe for the Shares after the Listing. Given the underlying Shares under the Employee Incentive Scheme have already been issued to Dinghong Investment, Runsheng Investment and Wanghe Investment as of the Latest Practicable Date, there will not be any dilution effect to the issued Shares upon the vesting of the awards under the Employee Incentive Scheme.

For further details, please refer to “Appendix VII Statutory and General Information — E. Employee Incentive Scheme” of the Prospectus of the Company dated November 27, 2025.

SHARE SCHEMES

During the period from the Listing Date up to December 31, 2025, save for the Employee Incentive Scheme, the Group had no share schemes.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended December 31, 2025.

VIII. REPORT OF THE BOARD

MAJOR CUSTOMERS AND SUPPLIERS**Major Customers**

During the year ended December 31, 2025, revenue from the Group's five largest customers contributed approximately 45.9% (FY2024: 70.7%) of the Group's total revenue while the largest customer contributed approximately 10.3% (FY2024: 26.7%) of the Group's total revenue during the year.

Major Suppliers

During the year ended December 31, 2025, purchases from our five largest suppliers accounted for approximately 60.2% (FY2024: 86.9%) of the Group's total purchases during the year, while purchases from the largest supplier accounted for approximately 29.1% (FY2024: 51.0%) of the Group's total purchases during the year.

None of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of the issued shares of the Company) was interested in the top five customers or suppliers of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights over shares of the Company under the Company's Articles of Association, or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

CONTROLLING SHAREHOLDERS' INTERESTS IN SIGNIFICANT CONTRACTS

Neither the Company nor any of its subsidiaries entered into any significant contracts with the Controlling Shareholders of the Company or any of its subsidiaries for the year ended December 31, 2025.

CONTINUING CONNECTED TRANSACTION

During the year ended 31 March 2025, the Directors are not aware of any transactions of the Group which constituted non-exempt connected transactions or non-exempt continuing connected transactions, which was required to be disclosed pursuant to Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions entered into by the Group during the year ended December 31, 2025 are set out in note 31 to the consolidated financial statements. Save as disclosed above, the related party transactions set out in the note above do not constitute non-exempt connected transactions or non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the above continuing connected transactions.

VIII. REPORT OF THE BOARD

EMPLOYEES

Employees

As of December 31, 2025, the Group had a total of 960 full-time employees, substantially all of whom were based in China. The following table sets forth the number of the Group's employees by function as of December 31, 2025:

Function	Number of employees
Production and quality control	605
R&D	113
Business operations	139
Sales and marketing	15
Financial, administrative and supporting	83
Senior management	5
Total	960

Remuneration Policy

The Group offers a comprehensive remuneration package to its employees, which is generally structured with reference to market terms and individual merits, and reviewed by the management on a regular basis. The Group recognizes the importance of talents for sustainable business growth and competitive advantages. The Group believes that its success depends on its ability to attract, retain and motivate qualified personnel. As part of its human resources strategy, the Group offers employees competitive salaries, performance-based bonuses, and other incentives. The Group typically enters into confidentiality agreements with all of its employees and non-competition agreements with key employees. The Group regularly reviews the performance of its employees on the basis of, among other criteria, their abilities to achieve stipulated performance targets. As a result, the Group has generally been able to attract and retain qualified employees and maintain a stable core business and operating team.

Training Plans

The Group has adopted a diversified recruitment approach to ensure a sufficient talent pool for key positions. The Group primarily recruits employees through on-campus recruitment, online recruitment channels and third-party employment websites. The Group provides on-board training for all of its employees as well as periodic training or seminars to ensure their self-development. The Group also prioritizes the internal training of R&D personnel, utilizing a variety of training resources, including both internal and external courses, to enhance employees' professional skills and provide diverse career development paths. The Group strives to create a multiple-incentive mechanism and a friendly working environment to fulfil its employees' full potential.

VIII. REPORT OF THE BOARD

HOUSING FUND AND PENSION SCHEME

According to the relevant PRC laws and regulations, the Group's subsidiaries operating in the PRC are required to participate in the housing fund and the contribution pension scheme operated by local governments. Under these schemes, the Group is required to pay to the contribution pension scheme based on a certain percentage of the remuneration of its employees. The only obligation of the Group with respect to the housing fund and pension scheme is to make the required contributions under the scheme. Contributions made under the housing fund and pension scheme are charged in the statements of profit or loss as incurred.

During the reporting period, no forfeited contributions had been used by the Group to reduce the existing level of contributions.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to December 31, 2025 and up to the date of this report, so far as the Directors are aware, there have been no events that have materially affected the Group.

AUDITOR

During the year ended December 31, 2025, the Company's reporting accountants and independent auditor is KPMG. The financial statements set out in this annual report have been audited by KPMG. There has been no change in auditor of the Company since the Listing Date.

ACCOUNTS REVIEW

The Audit Committee of the Company has reviewed the Group's audited consolidated financial statements for the year ended December 31, 2025, and discussed with the management and auditors of the Company the accounting principles and practices adopted by the Group, as well as risk management, internal control and financial reporting related matters.

MATERIAL LITIGATION

During the year ended December 31, 2025, the Group was not engaged in any material litigation or arbitration which could have a material effect on its financial condition or results of operations. So far as the Directors are aware, no such litigation or arbitration of material importance is pending or threatened against the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Group has allocated abundant resources to ensure ongoing compliance with applicable laws and regulations and to maintain healthy relationships with regulators through effective communications.

The Group strictly complies with the laws and regulations of the PRC, mainly including laws and regulations on environmental protection, production safety, product quality, intellectual property and labor. The Group has established a comprehensive set of quality control and assurance procedures to monitor its operations to ensure compliance with relevant regulatory requirements.

To the best knowledge of the Board and management, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the Group's business and operations. For the year ended December 31, 2025, the Group had no material violations of or non-compliance with applicable laws and regulations.

VIII. REPORT OF THE BOARD

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long-term sustainability of the environment and community in which it operates. The Group operates its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable PRC laws and regulations. Further details of the Group's environmental policy and performance will be disclosed in the Environmental, Social and Governance Report of the Group for the year ended December 31, 2025, which will be published in due course in accordance with the Listing Rules.

PUBLIC FLOAT

In compliance with Rule 19A.28B(1) of the Listing Rules, for a PRC issuer with no other listed shares, its portion of H shares listed on the Stock Exchange and held by the public must, at all times: (a) represent at least 25% of the PRC issuer's total number of issued shares in the class to which H shares belong (excluding treasury shares), or any lower minimum percentage of public float prescribed at the time of listing under Rule 19A.13A(1) (the "Initial Prescribed Threshold"); or (b) alternatively: (i) have a market value of at least HK\$1,000,000,000; and (ii) represent at least 10% of the PRC issuer's total number of issued shares in the class to which H shares belong (excluding treasury shares). As disclosed in the Prospectus of the Company dated November 27, 2025, the Initial Prescribed Threshold applicable to the Company is 15%.

Based on the information that is publicly available to the Company and to the best knowledge of the Board, as of the date of this annual report, the Company has maintained the prescribed minimum public float required by the Listing Rules during the Reporting Period and as of the date of this annual report.

RELATIONSHIPS WITH STAKEHOLDERS

The Company deeply believes that our employees, customers and business partners are key to our sustainable development. The Company strives to achieve corporate sustainability through engaging our employees, providing customers with quality services, collaborating with business partners and supporting public welfare.

The Company places significant emphasis on human resources. The Company provides a fair workplace to employees and embraces inclusiveness and multi-cultural backgrounds. Employees are also provided with competitive remuneration packages and a wide range of opportunities for career advancement based on their performance. The Company administers its health and safety management system for employees and ensures the implementation of the principles adopted by the Company. Regular training is provided to employees to keep them abreast of the latest development in the market and industry, in the form of both internal training and training courses provided by external professional organizations.

The Company values the feedback from customers which is obtained through daily communication and other surveys. Moreover, the Company has also established a mechanism for customer service and support. The Company sees rendering services to customers as a valuable opportunity to improve its relationship with customers and will respond promptly.

The Company understands that the role of suppliers is equally important for providing quality services, therefore it has actively cooperated with business partners to provide premium and sustainable services.

VIII. REPORT OF THE BOARD

ENVIRONMENTAL POLICY AND PERFORMANCE

The Company has been actively promoting sustainable development and environmental protection. It has been proactive in facilitating and achieving effective use of resources during its operation and has strictly complied with laws and regulations in connection with environmental protection and health. At the same time, various types of environmental and public welfare activities were held in the course of its operation to promote the concept of environmental protection to every sector of the society in order to build a green and wonderful future together.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company believes that promoting sustainable development is as important as achieving long-term business growth. It has therefore made continuous efforts to maintain a high degree of sustainable development in its operations. The Company is committed to strengthening its management's efforts to promote a sustainable development plan through good corporate governance, environmental protection, community investment and workplace practices.

To demonstrate the Group's commitment to transparency and accountability to its stakeholders, the Company will issue separately an Environmental, Social and Governance Report under the Environmental, Social and Governance Reporting Guide as specified in Appendix C2 to the Listing Rules. The report will present the Company's commitment to sustainable development during the year under review, and it will cover the significant economic, environmental and social achievements and impacts arising from the activities of the Company and its joint ventures.

By order of the Board
Guangdong Tianyu Semiconductor Co., Ltd.
Li Xiguang
Chairman and Executive Director

Hong Kong, March 30, 2026

IX. REPORT OF THE SUPERVISORY COMMITTEE

MEMBERS OF THE SUPERVISORY COMMITTEE AND CHANGES IN THE MEMBERS DURING THE REPORTING PERIOD

The Supervisors of the Company for the year ended December 31, 2025 and up to the date of this annual report include:

Mr. Zhuang Shuguang (*Chairman*)

Mr. Yuan Yi

Ms. Yin Xuefang

MAJOR WORK OF THE SUPERVISORY COMMITTEE IN 2025

Pursuant to the Articles of Association, the functions and powers of the Supervisory Committee include, among other things, reviewing the financial management of our Company, supervising the performance of our Directors and senior management members, monitoring as to whether they comply with the law, administrative stipulations and Articles of Association when performing their duties, and requesting Directors and senior management members to rectify actions detrimental to our Company's interests. In addition, our Supervisory Committee is responsible for exercising other powers, functions and duties in accordance with the Articles of Association and applicable laws and regulations.

During 2025, the Supervisory Committee fulfilled its duties and obligations in a serious manner by various ways including convening Supervisory Committee meetings, participating in Shareholders' general meetings, meetings of the Board in accordance with the provisions of the Listing Rules, the Articles of Association and the Rules of Procedure of the Supervisory Committee for the interests of the Shareholders. The Supervisory Committee monitored the Company's management and operation, implementation of resolutions of the shareholders' meeting, directors' and management's compliance with laws, administrative regulations and the Articles of Association when performing their respective duties.

The Supervisory Committee is of the view that, during 2025, the Company operated strictly in accordance with the requirements of relevant laws and regulations, such as the Listing Rules, and the internal control management system, such as the Articles of Association, and the Directors, senior management of the Company performed their duties diligently and faithfully in accordance with laws, regulations and the Articles of Association, thereby effectively protecting the interests of the Company and the Shareholders.

IX. REPORT OF THE SUPERVISORY COMMITTEE

Convening Meetings of the Supervisory Committee according to Laws, and Earnestly Performing Supervisory Duties

During the Reporting Period, the Supervisory Committee of the Company convened 2 meetings, which reviewed the work report of the Supervisory Committee of the Company in 2025. Supervisors carefully reviewed meeting materials and fully studied and discussed the proposals before attending the meetings of the Supervisory Committee. They attended all meetings of the Supervisory Committee in person and earnestly performed supervisory duties. Details are as follows:

Name	Type of Supervisor	Number of meetings attended/ convened	Attendance rate
Mr. Zhuang Shuguang (Chairman)	Representative of the shareholders	2	100%
Ms. Yuan Yi	Representative of the shareholders	2	100%
Ms. Yin Xuefang	Representative of the employees of the company	2	100%

During the Reporting Period, the members of the Supervisory Committee supervised the procedures and content of the meetings by attending Shareholders' general meetings, meetings of the Board and meetings of the manager's office, and effectively monitored the Company's decision-making procedures, operation of the Company according to laws, financial condition, and supervised the Directors and the management in the performance of their duties during the course of daily operations of the Company, which safeguarded the legitimate interests of the Company and the Shareholders.

Evaluation on Behaviors of the Board and the Senior Management in 2025

During 2025, the Board and the senior management performed their duties diligently, operated business in compliance with laws, thoroughly learnt about the operation of the Company and conducted adequate discussions so as to make collective decisions on relevant matters of the Company and facilitate the implementation of various resolutions passed by the Board.

During 2025, procedures for making major operating decisions of the Company were legal and valid. The Directors and senior management of the Company were able to conscientiously perform their duties with a pioneering spirit in strict compliance with national laws and regulations, relevant provisions of the Articles of Association and resolutions of shareholders' meetings and the Board; none of the Directors or senior management of the Company were found by the Supervisory Committee to have committed any acts in contravention of laws, regulations or the Articles of Association or detrimental to the interests of the Shareholders and the Company.

IX. REPORT OF THE SUPERVISORY COMMITTEE

INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE COMPANY'S OPERATION

Lawful Operation of the Company

The Company operated and managed its businesses in accordance with the laws and regulations, and its operational results were objective and true. There has been gradual improvement in its internal control management, and the internal control system was reasonable and effective. The Company's operational decision-making processes were legitimate. The Directors and senior management were cautious, conscientious and diligent in the business operations and management processes, and they were not found to have breached any laws, regulations, or the Articles of Association or harmed the interests of the Shareholders.

Financial Report of the Company

The Supervisory Committee of the Company reviewed the Group's audited financial report for the year ended December 31, 2025 and other financial information. It believed that the financial report reflected the Company's operating results and financial condition in a comprehensive, truthful and objective manner. Financial accounts were unambiguous, accounting and financial management were in compliance with relevant regulations, and no problem was found, and they were not aware of any violation of the relevant accounting standards and legal requirements by the personnel who were involved in the preparation and review of the annual report; the unqualified opinion on financial report issued by the audit firm was objective and fair.

Major Initiatives of the Supervisory Committee for 2026

In 2026, the Supervisory Committee will work diligently and faithfully under relevant requirements of the Listing Rules, the Articles of Association and the Rules of Procedure of the Supervisory Committee, implement effective supervision on the Directors and senior management of the Company, closely monitor the operation and management of the Company, pay attention to any significant development of the Company to promote sustainable development of the Company, and faithfully safeguard the interests of the Shareholders and the Company as a whole. Meanwhile, the Supervisory Committee will further integrate supervision resources, procure improvement in management, assist in and ensure successful realization of the Company's work targets for 2026.

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Report profile

This is the first environmental, social and governance report (“ESG Report”) issued by Guangdong Tianyu Semiconductor Co., Ltd. (hereinafter referred to as “Tianyu Semiconductor”, “the Group” or “we”), which aims to disclose to stakeholders the Group’s management policies in environmental and social aspects and the responsible practices in 2025.

Reporting period

The report is an annual report covering the reporting period from January 1, to December 31, 2025. To enhance the readability of the report, some content or data may relate to previous or subsequent years.

Organization scope of the report

The report covers the production operations and office areas of the Group’s headquarters and all branches and subsidiaries.

Data description of the report

The data and cases used in the report are from the Group’s internal official documents, statistical reports and related summaries and statistics of responsibility performance.

Basis of preparation

The report is prepared in accordance with the C2 Environmental, Social and Governance Reporting Code of the Listing Rules of the Stock Exchange.

Reporting principles

We have compiled the report in accordance with the “mandatory disclosure” and “comply or explain” provisions of the Environmental, Social and Governance Reporting Code. The Group gives full consideration to the following reporting principles to ensure the quality of the information disclosed:

Materiality: The Group has identified key ESG issues through a materiality assessment, and the relevant process and results have been disclosed in the report. For detailed information, please refer to the “Materiality assessment” section of the report.

Quantification: The Group makes quantitative disclosures of key performance indicators in the “environmental” and “social” categories that have historical data in accordance with the “Key Performance Indicators” requirements in the “Listing Rules Guidance — C2 Environmental, Social and Governance Reporting Code” of the Stock Exchange. Forward-looking information such as targets is disclosed as quantitatively as possible, and the statistical process will be gradually improved in the future to achieve full disclosure.

Balance: The report disclosures aims to objectively, fairly, and truthfully reflect the Group’s environmental and social performance and practices in 2025, and responsibly discloses the problems encountered and improvement measures.

Consistency: The Group follows a consistent statistical method of disclosure. For information disclosed for the first time in the report, the Group will adopt a consistent method of ESG information disclosure in subsequent years to provide more reference-based performance disclosure.

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Access and response to the report

The report will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Group's official website (<https://www.sicity.com>). The report is published in both Chinese and English. If you have any comments or suggestions on the report or the Group's ESG performance, please send an email to: tydb@sicity.com.

Awards and Honors

No.	Qualifications/honors	Date of award	Awarding organization
1	National Essential Little Giant Enterprise (國家重點小巨人)	2025	Ministry of Industry and Information Technology
2	National Postdoctoral Programme (國家博士後科研工作站)	2025	Ministry of Human Resources and Social Security and the National Administrative Committee of Post-Doctoral Researchers
3	Individual Champion Enterprises in Guangdong (廣東省單項冠軍)	2025	Department of Industry and Information Technology of Guangdong Province
4	Dongguan Industrial Chain Leader (東莞市鏈主企業)	2025	Dongguan Bureau of Industry and Information Technology
5	AEO Certificate (AEO高級認證企業證書)	2025	Huangpu Customs
6	Second Prize of the National Technical Standard Excellence Award (國家技術標準優秀獎二等獎)	2025	Sub-committee on Materials of National Technical Committee on Standardization of Semiconductor Equipment and Materials
7	Third Prize of the National Technical Standard Excellence Award (國家技術標準優秀獎三等獎)	2025	Sub-committee on Materials of National Technical Committee on Standardization of Semiconductor Equipment and Materials
8	First Prize of the 2025 Electric Power Science and Technology Progress Award (2025年度電力科學技術進步獎一等獎)	2025	Chinese Society for Electrical Engineering
9	Guangdong Province Excellent High-tech Products (廣東省名優高品) (8-inch 750V/1200V/1700V Epitaxial Wafers)	2025	Guangdong Hi-tech Enterprise Association

Board Statement

The Board of the Group is responsible for assessing, defining, and managing the Group's ESG-related risks, and for ensuring that appropriate and effective ESG risk management and internal control systems are established and maintained.

Adhering to the concept of sustainable development, the Group has established a sound ESG governance structure. As the highest decision-making and leadership body for ESG affairs, the Board takes full charge of and considers on major ESG matters, including identifying and assessing material ESG risks, formulating the Group's ESG strategies and policy directions (including the identification of ESG risks, etc.), determining the prioritization of key ESG issues, approving ESG management policies and implementation plans, overseeing the achievement of ESG targets, as well as considering and approving the Group's annual ESG Report.

During the Reporting Period, taking into account the external market environment, regulatory requirements, and the Group's overall development strategy, the Group identified key ESG issues for the Reporting Period through a systematic stakeholder communication and identification process. These mainly include emissions, water resources management, employment and labor management, as well as health and safety, on the basis of which the Group has advanced various ESG initiatives.

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group continues to optimize its internal management mechanisms to enhance the quality and transparency of ESG information disclosure, while comprehensively strengthening its environmental, social, and governance capabilities. Responding to stakeholder expectations and changes in the internal and external environment, the Group will continue to improve its operational management level, dynamically adjust its sustainable development strategies, thereby laying a solid foundation for the Group's long-term stable development.

The report comprehensively and truthfully discloses the progress and implementation effectiveness of the Group's environmental, social, and governance initiatives for the year 2025. The Board confirms that the information presented herein contains no false records, misleading statements, or material omissions, and assumes full responsibility for the authenticity, accuracy, and completeness of the content of the report.

I. SUSTAINABLE DEVELOPMENT MANAGEMENT

The Group strictly complies with all applicable laws, regulations, and generally accepted business ethics standards, actively practicing corporate social responsibility and the concept of sustainable development throughout its entire business operations. We firmly believe that environmental, social, and governance (ESG) serve as the core foundation for achieving the shared sustainable development of both the enterprise and society. Since its original aspiration and vision align closely with the Group's long-term development strategy, the Group has always integrated ESG concepts deeply into the entire process of its operations, management, and decision-making.

The Group continues to allocate resources to areas such as green operations, social welfare, and corporate governance optimization, fulfilling its social responsibilities through concrete actions. To continuously enhance the effectiveness of risk management, the Group has established and implemented a series of ESG-related policies, systems, and management measures, promoting the comprehensive integration of sustainable development concepts into daily operations.

Simultaneously, the aforementioned initiatives are designed to continuously enhance the Group's sustainable development capabilities, ensuring long-term, steady, and high-quality development across environmental, social, and governance aspects.

ESG Governance

We have established a sound ESG governance structure, improved management hierarchy and division of labor, and formed an ESG governance system consisting of three levels: governance, management, and execution. The Board holds the ultimate decision-making authority regarding the review, approval, implementation, and update of the Group's environmental, social, and governance policies, and is responsible for overseeing the coordinated management of material ESG matters. Under the Board, a strategy and ESG committee has been established as the primary committee responsible for overseeing ESG matters. The committee is composed of three members, namely Chairman Li Xiguang, Director Au Yeung Chung, and Director He Zhengsheng. The specific responsibilities of the committee include the followings:

1. provide guidance on and review ESG strategies and policy development, and report to the board of directors;
2. review our ESG related information disclosure to ensure the completeness and accuracy of such information;
3. research and develop our ESG governance vision, ESG strategic planning, ESG management objectives, and ESG management system and management rules;

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. ensure the establishment and implementation of appropriate and effective ESG risk management and internal monitoring systems;
5. guide and support the ESG working group; and
6. review ESG related reports disclosed to the public (after the Listing) and provide recommendations to the board of directors.

We have also established an ESG working group at the Group level, consisting of the general office, factory affairs department, sales and marketing department, and human resources department. The ESG working group is selected from our middle-level or above personnel based on their past experience and responsibilities, and appointed by the leader of the ESG working group. The responsibilities of the ESG working group include the followings:

1. keep abreast of the latest ESG related laws and regulations, including applicable provisions of Listing Rules, and notify the strategy and ESG committee of any changes;
2. based on our business operations, identify key stakeholders, understand their concerns regarding ESG matters and respond accordingly, and update ESG policies in accordance with the latest regulatory provisions;
3. ensure that the main responsible persons of each ESG related department assess and manage the risks under their functions, and regularly report to the leader of the ESG working group;
4. ensure that ESG concepts, including environmental and health safety management system requirements, are integrated into our business processes;
5. determine our ESG management policy, strategy, materiality, and objectives;
6. develop our ESG policies, evaluate their effectiveness and ensure their implementation, and regularly provide confirmation to the strategy and ESG committee on the effectiveness of policies and management measures; and
7. prepare ESG related reports for external disclosure and report to the strategy and ESG committee.

Stakeholder Communication

The Group has established a diversified and regular stakeholder communication mechanism, maintaining effective communication with upstream and downstream sectors of the semiconductor industry, customers, employees, regulators, and the general public, precisely understanding and actively responding to the concerns and expectations of all parties regarding environmental and social aspects.

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We strive to identify and understand the needs and expectations of the Group's key stakeholders. Through interaction with stakeholders, we pay comprehensive attention to and proactively respond to their expectations and suggestions, and maintain frequent two-way communication, enabling us to gain in-depth insights into the views and values of all sectors. We actively address the needs of various parties through multiple channels, thereby establishing solid mutual trust relationships.

Expectations and demands	Stakeholder	Communication and response methods
Government agencies	Comply with national policies and laws and regulations Promote local economic development Drive local employment Pay taxes in full and on time	Inspect and supervise
Shareholders	Returns Compliant operation Enhance the value of the Group Information transparency and efficient communication	Shareholders' general meeting Group announcements and circulars Email, telephone communication and the Group website Specialized report
Partner	Operate with integrity Fair competition Fulfill a contract according to the law Mutually beneficial and win-win	Review and evaluation meeting Business communication Communication and discussion Negotiation for cooperation
Customer	Quality products and services Health and safety Fulfill a contract according to the law Operate with integrity	Customer service centre and hotline Customer opinion survey Customer communication meeting Social media platform
Environmental protection agency	Energy conservation and emission reduction Use water wisely	Communicate with local environmental authorities Submit a report
Industry	Industry standard formulation Promote the development of the industry	Participate in industry forums
Employee	Safeguard employees' rights Occupational health and safety Remuneration and benefits Career development Humanistic care	Employee communication meeting Group newsletter and intranet Employee mailbox Training and workshops Employee activity
Community and public	Transparent information disclosure	Group website

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Assessment of Important Issues

We have collected and systematically organized the concerns and needs of internal and external stakeholders. With reference to the ESG Reporting Code and other mainstream ESG disclosure standards, and taking into account the Group's business characteristics and operating model, we have identified the Group's key ESG issues and conducted a materiality assessment from the perspectives of both stakeholders and the Group.

List of ESG important issues

Highly important

Emissions management
Health and safety
Business ethics

Water resources management
Supply chain management

Employment and labor management
Product and service quality and safety

Important

Corporate governance
Community engagement

Tackling climate change

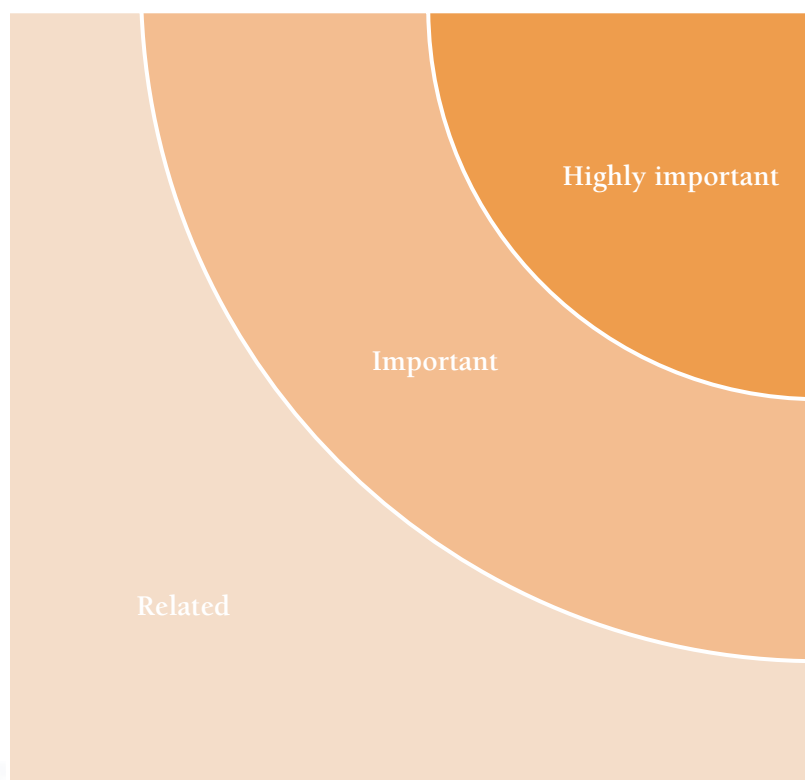
Development and training

Related

Energy consumption

Packaging management

Environmental compliance management



X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. COMPLIANCE GOVERNANCE, ORDERLY OPERATIONS

Corporate Governance and Risk Control

The Group strictly abides by the Corporate Governance Code and the relevant provisions of the Listing Rules to establish a relatively sound and standardized Group governance structure, forming a supervision and restraint mechanism that operates efficiently and maintains effective checks and balances. We actively integrate diverse resources, steadily improve the effectiveness of corporate governance, and are committed to continuously improving the effectiveness of operations and management.

The highest decision-making body of the Group is the Board. Under the Board, the Audit Committee, Remuneration Committee, Nomination Committee, and Strategy and ESG Committee, have been established. The Board not only determines the strategic direction of the Company, but also focuses on risk management and internal control to ensure the stable operation of the Company and pave a solid path for the development of the Group. Among them, the strategy and ESG committee is the primary committee responsible for overseeing environmental and social issues.

In 2025, the Board held 3 meetings, and the overall attendance rate of the Board was 100%.

In accordance with the Company Law (《公司法》), Securities Law (《證券法》), Accounting Law (《會計法》), Basic Standards for Enterprise Internal Control (《企業內部控制基本規範》), Guidelines for Internal Control of Listed Companies (《上市公司內部控制指引》), and other relevant laws and regulations, the Group has established a relatively comprehensive, sound, and effective internal control mechanism, which is continuously supplemented and improved based on the Group's business development status and changes in the operating environment. The Group regularly publishes the Self-Evaluation Report on the Effectiveness of Internal Control by the Board of Guangdong Tianyu Semiconductor Co., Ltd (《廣東天域半導體股份有限公司董事會關於內部控制有效性的自我評價報告》). to ensure the implementation of relevant national laws, regulations, departmental rules, normative documents, and the Group's internal rules and regulations. We adhere to five basic principles in establishing our internal control system, namely: the principle of comprehensiveness, the principle of materiality, the principle of checks and balances, the principle of adaptability, and the principle of cost-effectiveness. These principles are designed to ensure that internal control runs through the entire process of decision-making, execution, and supervision. On the basis of comprehensive control, we focus on key business matters and high-risk areas, achieving dynamic adjustments, mutual constraints, and mutual supervision. While maintaining overall control, we place special emphasis on high-risk and significant business matters, thereby stimulating internal vitality and momentum.

In terms of risk management, we face various risks in our operations. We have established a risk management system and formulated relevant policies and procedures for business operations, such as financial reporting, compliance, and anti-bribery and kick-back. To continuously monitor corporate governance and risk management measures, we have adopted and will continue to adopt the following risk management measures, including:

1. adopt various policies to ensure compliance with the Listing Rules, including but not limited to policies and procedures related to internal control and risk management, periodically reviewing their effectiveness and compliance to relevant rules and regulations; and
2. continue to organize and provide training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

Through the review of systems and verification of processes, the Group has further optimized and improved its internal control system. We organize regular training for relevant personnel to study internal control systems and regulations for listed companies, clarify responsibilities at key control points, and formulate corrective measures for existing issues. At the same time, we strengthen internal supervision and auditing, conducting regular and ad-hoc inspections on the implementation of internal control systems to ensure their effectiveness and operability, thereby enhancing the Group's governance level.

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group adheres to the baseline of the rule of law, compliance and responsibility, and continues to strengthen the construction of a comprehensive risk management and control system. In balancing returns and risks, the Group is committed to building a robust risk performance evaluation mechanism to achieve the harmonious advancement of risk management and business development. To ensure that risks of all kinds are continuously monitored, the Group has established a comprehensive risk monitoring and reporting system. Once an abnormality is detected, immediate measures are taken and reported.

Integrity and Anti-Corruption Development

We attach great importance to anti-corruption and have complied with relevant laws and regulations by formulating the Measures for the Management of Anti-fraud, Reporting and Complaints (《反舞弊及舉報投訴管理辦法》). Each department and its functional units assesses the fraud risks in their respective areas of responsibility, and identifies the links prone to fraud. We have primarily adopted the following measures:

1. advocate for a corporate culture of integrity, and strive to create a working environment against fraud;
2. educate employees on laws, regulations, and professional ethics through various forms, such as through employee handbook, rules and regulations releases, and public domains;
3. establish specific control procedures and mechanisms, including financial, business, and other multi-level management systems, to reduce the opportunities for fraud occurrence. We also conduct continuous supervision on fraud and incorporate it into daily control activities;
4. establish an internal audit department as our standing organization for anti-fraud work, which is responsible for managing the fraud case reporting hotline, whistleblower boxes, and email addresses, maintaining written records, and promptly reporting to the management, the Board, or the supervisory committee;
5. established anonymous reporting channels to allow employees and external parties to report suspected misconduct, procurement violations, or undisclosed conflicts of interest. All reports will be independently reviewed, and appropriate follow-up measures will be taken when necessary.

During the Reporting Period, we did not receive any material investigations or reports with respect to anti-corruption matters.

We educate employees on laws, regulations, and professional ethics through various forms, such as through employee handbook, rules and regulations releases. Every year, we conduct anti-fraud and anti-corruption training for the Group's middle and senior management, requiring 100% participation from all departments. Through this training, we advocate for a corporate culture of integrity, and strive to create a working environment against fraud.



Anti-fraud and anti-money laundering training

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Information Security and Privacy Protection

Tianyu Semiconductor strictly complies with laws and regulations such as the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) and the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》). We attach great importance to data security and privacy protection during our business operation. We primarily follow the requirements of the ISO27001 information security management system. We make clear the necessity of information collection, clearly inform customers why we need a certain piece of information when collecting it, and make sure we use and store it the way our customers can accept, to enhance customer trust.

In addition, we have also adopted customer privacy protection measures including limiting the number of employees accessing customer information by assigning them appropriate authority levels, and forming customer codes to avoid direct contact customer information and prevent data leakage.

We pay close attention to risk management relating to our IT system. We have adopted rigorous encrypted algorithm to store sensitive data and strictly execute a data accessing and transmitting policy to ensure the confidentiality of our data. We have also developed strict internal control and data accessing mechanisms and detailed approval and operation procedures regarding data storage and processing.

The Group has established relevant contingency mechanisms for potential data leakages, damages, and loss. These mechanisms include regular data recovery testing, a comprehensive data backup system, and a remote disaster recovery system.

To demonstrate the importance of data security, we conducted training sessions during the Reporting Period focusing on information security, employee confidentiality awareness, and common cybersecurity cases. These sessions aimed to enhance employees' information security awareness and reduce potential risks of data leaks or virus attacks caused by improper use of information systems. During the Reporting Period, the Group had no material incidents of information security breaches.

III. QUALITY FIRST, INNOVATION-DRIVEN DEVELOPMENT

Technological Innovation

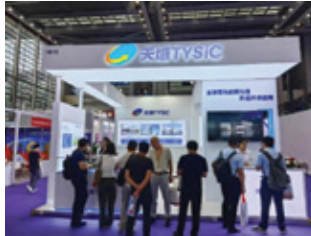
Over the years, we have been devoted to the R&D and innovation of fabrication and manufacturing processes of SiC epitaxial wafers. We have established an R&D center at our headquarters in Dongguan, China, where we actively engage in resolving technological and manufacturing challenges associated with mass production to bolster the overall competitiveness of our SiC epitaxial wafers.

Our R&D capabilities enable us to possess solid foundational technologies, a science-oriented and rigorous R&D management system, and an ability to develop, manufacture and upgrade existing and new products.

To implement the concept of combining production, learning, and research, we have established a collaborative research program with the Institute of Semiconductors of Chinese Academy of Sciences, provided joint training of master and doctoral students with Xiamen University, and post-doctoral students with Xi'an Jiao Tong University, and set up a post-doctoral innovation practice base in Guangdong to attract and cultivate high-level talents. Moreover, we strive to improve the R&D capabilities of our R&D team capitalizing on three provincial engineering research centers, namely Guangdong Engineering Research Center, Guangdong Engineering Technology Research Center, and Guangdong Doctoral Workstation, as well as the technological innovation platform of Dongguan Songshan Lake enterprise R&D institutions. In 2025, we established a specialized pilot program at Xidian University to further enhance our R&D capabilities and market competitiveness.

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We invite industry experts from external institutions to provide training sessions in relation to industry know-how for our R&D members. We also exchange ideas and thoughts on R&D progress or latest market trends by attending industry forums and hosting academic conferences. To keep the R&D team attuned to market trends and advancements in technology, we actively organize external learning exchanges. In 2025, we participated in numerous exhibitions and forged collaborations with various companies. Furthermore, the Group led or participated in the drafting of 1 international standard, 13 national standards, 12 group standards, and 4 enterprise standards, earning recognized industry awards.



Attended Asia-PCIM in September 2025

Quality and Safety of Services

Guarantee the Quality of Service

The Group places high importance on product quality and safety control, and has established and implemented the Control Procedure for Corrective and Preventive (《糾正和預防措施控制程序》) Measures, ensuring the continuous quality of products and services, as well as operational safety, through a series of quality and safety management measures.

For identified nonconforming products or nonconformities, the Group promptly conducts investigations and root cause analyses, and implements targeted corrective measures to eliminate the source of the problem and prevent recurrence of similar issues. At the same time, the Group proactively implements preventive measures to identify and eliminate potential hazards, ensuring the stable and effective operation of the management system.

To safeguard customer rights and interests, the Group has established a standardized customer complaint handling mechanism and formulated the Customer Complaint Control Procedure (《客戶投訴控制程序》), which clearly defines complaint handling responsibilities, principles, and processes. Complaints are categorized into three types: ordinary complaints, major complaints, and environmental complaints, with a tiered handling approach implemented accordingly. The Group requires that a 3D report within 24 hours and an 8D report within five working days upon receiving the failure analysis report be provided to the customer. Key milestones such as “3D response time”, “8D response time” and “closure time” are fully recorded in the Customer Complaint List (《客訴清單》), ensuring timely responses, standardized handling, and a traceable closed-loop process.

The Group continuously refines its customer feedback system by collecting, analyzing, and handling customer opinions through multiple channels to effectively respond to and meet customer needs. In 2025, we conducted a customer satisfaction survey, achieving a satisfaction rate of 95%. In March 2025, we updated our issue improvement closure process, implementing corrective actions to eliminate nonconformities related to customer-end processes, suppliers, and employees. Cases were formally closed once the corrective measures passed the assessment during the review period.

During the Reporting Period, the Group received a total of 3 customer complaints, which mainly related to wafer surface defects and untimely COA reports. The complaint handling rate reached 100%. There were no material disputes with customers, nor any major customer complaints. During the Reporting Period, no products were recalled for health reasons.

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To deepen market cooperation and customer service, the Group has implemented the Sales Management System (《銷售管理制度》). By capitalizing on its brand strength and industry reputation built through long-term partnerships with leading companies across various application sectors, the Group actively expand direct sales customers using a range of marketing channels, including industry exhibitions and forums, online social media, email promotions, telemarketing, and on-site visits. In addition to selling SiC epitaxial wafers and other products, the Group offers professional after-sales technical support on product usage and applications, empowering customers to operate stably and achieve mutual benefit and win-win results.

Intellectual Property Protection

We regard our patents, trademarks, know-how and other intellectual property rights as critical elements of the Group's core competitiveness and sustained business success. To effectively protect intellectual property rights, the Group has established a full-process, multi-level intellectual property management and protection system. The key measures taken include the following:

1. formulate and implement comprehensive internal management systems to govern intellectual property in a standardized manner;
2. timely conduct the application, registration, and filing of intellectual property to ensure legal confirmation of rights;
3. continuously monitor the status of intellectual property registration and authorization, taking timely countermeasures against potential infringement or conflicts;
4. engage professional intellectual property service agencies to provide professional support.

In addition, the Group has established a robust intellectual property protection system by signing confidentiality agreements with employees and customers, and implementing multiple technical and management measures such as data encryption and information security controls. Upon joining the Group, employees are required to sign standardized labor contracts that clearly stipulate that any inventions, technical achievements, and trade secrets developed during their employment shall belong to the Group, ensuring clear ownership of intellectual property rights from the source.

As of December 31, 2025, relying on continuous R&D investment, the Group has accumulated a total of 105 intellectual property rights, including 35 invention patents, 57 utility model patents, 1 copyright, 3 domain names and 9 trademarks.

Supply Chain Management

The Group implements a full-process, stringent standard admission and management system for business-related suppliers, establishing a rigorous and comprehensive supply chain management system to ensure the stability, efficiency, security, and integrity of the supply chain. The Group adheres to policies such as the Supplier Management Measures (《供應商管理辦法》), Supplier Management Control Procedure (《供貨商管理控制程序》), Supplier Quality Agreement (《供貨商質量協議》), Environmental Protection Agreement (《環保協議》), and Supplier Quality Management System Development Plan (《供貨商質量管理體系開發計劃》). We continuously refine the supply chain management documentation to form a standardized management system.

The procurement department collaborates with relevant functional departments to conduct supplier evaluations, establishing and dynamically maintaining a list of qualified suppliers to ensure supply quality and stability from the source. The Group prioritizes raw material suppliers who have obtained certifications such as ISO9001 Quality Management System, ISO14001 Environmental Management System, or QC080000 Hazardous Substance Process Management System. It also strictly benchmarks against the IATF16949 International Automotive Task Force and related safety requirements, continuously monitoring the operational status of suppliers' quality management systems.

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group signs stringent management agreements with its suppliers and requires timely corrective actions for issues identified during audits. Suppliers that fail to meet the standards and do not complete the required corrective actions within the stipulated timeframe are removed from the list of qualified suppliers. The Group regularly conducts audits of existing suppliers covering quality systems, quality procedures, and hazardous substance management systems. On-site audits are conducted annually for SiC substrate suppliers, and every three years for other suppliers.

The Group places great emphasis on supply chain information security. During the Reporting Period, it developed and refined supply chain security emergency response plans and emergency drill protocols, continuously enhancing its supply chain security management level and emergency response capacity.

The Group adheres to integrity and compliance in supply chain management, establishing an anti-corruption and integrity self-discipline mechanism for suppliers and requiring all cooperating suppliers to sign integrity-related agreements. During the Reporting Period, the signing rate of integrity agreements with major suppliers reached 100%. By improving supervision and constraint mechanisms, the Group ensures that the procurement and cooperation processes are open, transparent, compliant, and clean. We are committed to building long-term, stable, and mutually beneficial strategic partnerships with our suppliers.

Distribution area	Number of suppliers (Unit: supplier(s))	
	2024	2025
Total number of suppliers	1,264	1,386
Within Guangdong Province	759	825
Outside Guangdong Province	505	561

IV. PEOPLE-ORIENTED, GATHERING STRENGTH FOR DEVELOPMENT

Employment Management

The Group regards employee rights protection and talent development as core strategic priorities, and strictly adheres to national labor laws and regulations. Specific practices are as follows: in terms of laws and regulations, we strictly comply with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law (《勞動合同法》), the Minors Protection Law (《未成年人保護法》), the Law on the Protection of Women's Rights and Interests (《婦女權益保障法》), and other relevant laws and regulations, integrating compliance requirements into the entire process of enterprise management. We have formulated and implemented the Employee Handbook (《員工守則》) to regulate recruitment and hiring management, ensuring the effectiveness of recruitment work, and select suitable and excellent talents. We have established the Overtime Management Regulations (《加班管理規定》) to ensure that employees work in a safe and healthy environment, and strictly prohibit forced labor, child labor, and other illegal practices. Any form of harassment, abuse, or corporal punishment against employees is strictly prohibited. During the Reporting Period, we received no reports of any discrimination or harassment incidents.

We have adopted a diversified recruitment approach to ensure a sufficient talent pool for key positions. We primarily recruit our employees through on-campus recruitment, online recruitment channels and third-party employment websites. We recruit top R&D talents with deep expertise and practical experience in key technology fields through various channels to build a strong talent pool. For example, we collaborate with universities and provincial-level of technology innovation platform as well as lateral hiring.

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2025, the Group's workforce profile was as follows:

Category		Unit	2024	2025
Total number of employees		person(s)	749	960
Age	30 and below	person(s)	603	775
	31–40	person(s)	108	131
	41 and above	person(s)	38	54
Number of employees by employee category	General staff	person(s)	711	918
	Middle manager	person(s)	33	37
	Senior manager	person(s)	5	5
Gender	Male	person(s)	620	785
	Female	person(s)	129	175
Geographical distribution	Within Guangdong			
	Province	person(s)	749	960
	Outside Guangdong			
	Province	person(s)	0	0

Employee Rights and Communication

The Group respects and safeguards the rights and interests of employees, provides fair and reasonable career development channels, ensures the physical and mental health of employees, and works together with them for shared growth. In terms of remuneration, we ensure equal pay for men and women.

In 2025, we conducted a full-staff satisfaction survey covering key modules such as job satisfaction, communication, teamwork, and performance management, aiming to understand employees' overall sense of identification with the Group and to foster a comfortable working environment and atmosphere. Additionally, to gain a deeper understanding of employees' true thoughts, we adopted an open-ended section for employees to freely submit their suggestions. Based on the satisfaction levels reflected in various suggestions, we reasonably adopted and actively implemented improvements to enhance overall employee satisfaction and the Group's operational efficiency.

In the survey this year, employee satisfaction reached 92%, achieving the preset target (employee satisfaction of 90% or above). This result remained consistent with the 2024 employee satisfaction level, indicating an overall stable trend.

We have established the Regulations on Management and Election of Employee Representatives (《員工代表管理選舉規範》) to elect employee representatives every year and hold employee representative conferences to continuously provide services that safeguard their rights and interests. Employee representatives are responsible for collecting employees' opinions and suggestions and consulting with the Group's management to resolve issues, and attending quarterly meeting between employee representatives and the Group's management representatives to regularly analyze existing management problems within the Group and fully solicit the employee representatives' suggestions and opinions on the Group's management.

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, we have set up an opinion collection mailbox, and provide employees with opportunities to directly send their complaints through e-mail to a representative of the senior management, ensuring effective conversations and keeping communications channel open wide among employees, each department and our senior management so as to establish a harmonious labor relationship. During new employee on-board training, we inform employees that they can provide feedback to management through the Employee Voice module in our HR system.

Employee Care

The Group deeply awares the importance of employee needs and strives to create a caring and equal workplace atmosphere, helping employees achieve work-life balance through a variety of activities. We provide comprehensive protection and support for employees, continuously enhancing their sense of well-being and belonging, and highly value the contribution of every employee to the business and society. We are committed to creating a fair and equal working environment free from gender restrictions and pay special attention to female employees, such as providing exquisite gifts on International Women’s Day. These initiatives not only promote business development but also demonstrate our commitment to social responsibility.

Case: Embracing beauty on March 8 — paying respect to every brave young woman

To express gratitude for the hard work of female employees, Tianyu Semiconductor carefully planned a festive welfare care activity, conveying thanks and blessings to all female employees and encouraging them to continue to flourish. The holding of Women’s Day activities demonstrates the Group’s active practice in protecting employee rights and providing humanistic care.



Mid-Autumn Festival activity



New employee on-board welcoming ceremony



X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Training and Development

The Group has established the Training Management Regulations (《培訓管理規定》) to further enhance the professional competence, professional skills, and comprehensive management capabilities of its employees, thereby fully meeting the needs of our talent development strategy and human resource development. Our training programs include company-level training, department-level training, and external training. We provide all employees with on-the-job training, regular training sessions, or seminars to support their self-development. We are also committed to creating multiple incentive mechanisms and a friendly working environment to fully unleash their potential. In addition, we regularly offer service skills training to employees to enhance their service awareness and professional capabilities.



We implement a pre-job training system for all employees, requiring everyone to complete both basic and job-specific training before starting their roles. After training, we collect evaluation questionnaires from trainees regarding course practicality, instructor professionalism, and organizational arrangements to ensure the content aligns with actual work needs and supports skill development. In 2025, our total training hours reached 14,144.03 hours.

Types of Training	Training Content
Foundation Training	Prior to on-boarding, employees are required to participate in foundation training covering safety training, corporate culture, management systems, information security, confidentiality awareness, and trade security. Employees must pass the assessment before proceeding to the next stage.
Job-Specific Training for Technicians	Upon successfully completing foundation training and passing the assessment, technicians enter the production workshop. The Workshop Team Leader assigns a dedicated mentor to conduct job-specific training in accordance with the Mentorship Management Regulations.

Furthermore, we have established a CSR training system covering all employees, including CSR labour, basic knowledge of business ethics, and relevant laws and regulations such as labour rights and anti-commercial bribery. It also clarifies the responsibility requirements for stakeholders including employees and customers. In 2024 and 2025, our training coverage rate was 100%. The average training hours per employee were 24.40 hours in 2024 and 14.73 hours in 2025.

The Group has established the Employee Promotion and Salary Adjustment Management Regulations (《員工職位晉級調薪管理規定》). This employee incentive plan aims to encourage participants to serve the Group long-term and enhance our value, promoting shared long-term interests between shareholders and management. Participants include the directors, senior management, core technical personnel and key service staff of the Group, as well as other individuals who have a significant impact on the operating performance and development of the Company (excluding independent non-executive directors).

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Caring for Employee Safety

Occupational health and safety

We care about the occupational safety and health of our employees, demonstrated by a safe and comfortable working environment we offer for all employees in accordance with the laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》). To this end, we have obtained the ISO45001 occupational health management system certification, formulated the Environmental Safety Management Manual (《環安管理手冊》) and the Control Procedure for Hazard Identification and Risk Assessment (《危險源識別與風險評價控制程序》), and conducted hazard identification and assessment every year, covering all of our employees and work areas. We provide them with opportunities of regular physical examinations. For positions involved in chemical production, cleaning, and testing, we arrange such employees to take annual occupational disease health examinations, and also when they just join the Group and are about to leave the Group. If any unusual physical indicator shows up, employees will be rotated and transferred to other positions. Employees can obtain their own medical reports at any time to learn their physical conditions. We also provide protective equipment and facilities to ensure the health and safety of our employees. We organize emergency drills at least once a year to train employees and relevant parties for emergency preparation and response arrangements.

Over the past three years, we recorded 1 work-related injury in 2024, resulting in 40 days lost due to work-related injuries. No work-related injuries occurred in 2023 or 2025. There were no fatal work accidents.

V. LOW-CARBON OPERATIONS, ENVIRONMENTALLY FRIENDLY

Environmental Policy

We strictly comply with laws and regulations that have a significant impact on the our development, such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》), continuously improving the environmental protection performance of the Group. During the daily operations and development, the Group consistently emphasize the importance of environmental protection, actively implement a green and low-carbon development strategy, strive to minimize the negative environmental impacts of business growth, while also exerting positive influence.

We pay close attention to environmental impact assessment in accordance with laws and regulations, strictly implement the environmental impact assessment of construction projects and the “three simultaneities” system, ensure the normal operation of pollution control facilities, and strive to create a sustainable development operation model. Before the commencement of construction projects, we engage a third party to carry out environmental impact assessment and obtain the approval based on the expected discharge level of wastewater, exhaust gas and noise in the project, such as the use of highly volatile chemical reagents. After the completion of construction projects, we obtain completion and acceptance of the environmental protection facilities required for the projects, and obtain the completion acceptance reports. During the Reporting Period, our business activities had no impact on the environment and natural resources.

Energy Management

We proactively implement the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), the Decision of the State Council on Strengthening Energy Conservation (《國務院關於加強節能工作的決定》), the Regulations of Guangdong Province on Energy Conservation (《廣東省節約能源條例》), and other relevant laws and regulations, attach great importance to the concept of green manufacturing and establishment of operational systems, actively participate in energy conservation management, and make contributions to achieve energy conservation.

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The energy we consume includes electricity and diesel. Diesel is used on the backup generator in our plant. With the R&D progress of our products, the release of our new products and installation of our new production lines, our demand for energy will inevitably increase. We have developed a sound management process, including central air-conditioning power saving management, and emission machine power saving management. We make efforts to control the energy consumption in our production and operation, thereby reducing the negative impact of our production and manufacturing on the environment. While improving energy management, we actively save energy, adhere to green operation and closely monitor electricity consumption. We have established an energy resource monitoring platform to enhance the supervision of the use of water, electricity and other resources, so that our customers can learn our consumption level of different energy and the operational status of each terminal on a real-time basis. Over the next three years, our energy consumption target is to reduce energy consumption per unit of output by 3% annually compared to 2024. The specific measures are as follows:

- (i) reducing energy consumption of chiller. By optimizing the central air-conditioning system and applying appropriate operation control, we can reduce the energy consumption of the chiller. The chiller is equipped with a waste heat recovery device to recycle the high-temperature waste heat discharged from the condenser. We perform regular equipment maintenance to ensure the proper operation of the chiller, including cleaning the condenser and evaporator, removing the dirt from the cooling tower, replacing the oil filter and lubricating oil, improving the heat exchange efficiency and equipment performance, thus reducing energy waste.
- (ii) electricity-saving management on exhaust fan. By optimizing the exhaust system and applying appropriate operation control, properly laying and designing the ventilation channels and outlets, we reduce unnecessary wind resistance and airflow diversion, improve the ventilation effect and thus further reduce energy waste.
- (iii) power saving management of air compressor. By optimizing the air compressor system and applying appropriate operation control, we can reduce the energy consumption of the air compressor. We have installed a waste heat recovery device to recycle the high temperature waste heat discharged from the compressor, which can be used on heating water or steam or other manufacturing processes to reduce energy waste.

Performance Indicators	Unit	2024	2025
Purchased electricity	megawatt hours (mWh)	50,982.84	59,178.00
Green electricity usage	megawatt hours (mWh)	/	16,100.00
Diesel consumption	litre(s)	600.00	600.00
Total comprehensive energy consumption	megawatt hours (mWh)	50,988.96	75,284.52
Comprehensive energy consumption intensity- (based on production volume of epitaxial wafer)	megawatt hours (mWh)/piece	0.20	0.18

Water Resource Management

Our water resource utilization includes production water, cooling water and domestic water. The Group mainly uses municipal water supplies and has no problems sourcing water. During the Reporting Period, part of the cooling water came from our water reuse system and condensate recovery system. For domestic water, we have strengthened the awareness of water conservation among our employees and carried out water-saving transformation or upgrading of water-using facilities. We are also studying the establishment of rainwater collection pools for road cleaning and vegetation irrigation.

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Over the next three years, our water consumption target is to reduce water usage per unit of product output by 2% compared to 2024. To achieve this water reduction target, we continue to optimize water resource management by assigning specific personnel to take charge of daily inspection and optimizing water resource allocation. Through continuous optimization of wastewater treatment and recovery process, we recycle and reuse production process drainage, pure water system drainage, domestic water, and other water usage, achieving remarkable water-saving effect. We have optimized the design of water system, properly arranged and designed water supply pipelines and process ports, and improved the reuse rate of water resources through upgrading water system equipment, collecting and reusing process water, and recycling wastewater. We have used intelligent control system to achieve accurate control of purified water equipment through sensors, flow meters, liquid level switches and automatic control technology. In addition, we have improved the usage efficiency of concentrate and workshop return water by adopting high-efficiency pure water equipment.

The Group's water consumption statistics are as follows:

Performance Indicators	Unit	2024	2025
Total water consumption	cubic metre (m ³)	404,622.00	555,302.00
Water consumption intensity	ton(s)/production volume of SiC epitaxial wafers (piece)	1.58	1.73

Pollutant Discharge Management

Wastewater discharge management

Our wastewater includes production wastewater, domestic wastewater, and concentrated water of pure water equipment. The production wastewater mainly includes mercury-containing wastewater, grinding and polishing wastewater and other cleaning wastewater. After being treated by the wastewater treatment equipment in our plant, a part of the production wastewater can be discharged into the pipe network for treatment and the rest can be used in the circulating area of the air conditioner in our plant. The mercury-containing wastewater is collected by our self-built wastewater treatment station, and then treated by coagulation, flocculation and sedimentation, sand filtration and carbon filtration, secondary resin, and other processes, after which it can be reused in the cooling tower if it meets the relevant standards. Grinding and polishing wastewater and other cleaning wastewater can partially be reused after reaching the relevant standards through treatment by our self-built wastewater treatment station, coagulation, flocculation and sedimentation, anaerobic, anoxic contact oxidation treatment, and the rest can be discharged into the sewage treatment plant located to the north of Songshan Lake through the municipal wastewater pipe network for treatment. Domestic wastewater is mainly discharged into the sewage treatment plant located to the north of Songshan Lake through the municipal wastewater pipe network. We have set a target to reduce the total wastewater discharge intensity by 3% over the next three years, compared to 2025. We have installed a flowmeter at the wastewater outlet for 24-hour online monitoring and engaged a third-party testing agency to collect sample and test every two months.

Performance Indicators	Unit	2024	2025
Total wastewater discharge	ton(s)	91,178.00	106,479.00
Production wastewater discharge	ton(s)	80,306.00	96,034.00
Domestic wastewater discharge	ton(s)	10,872.00	10,445.00
Total wastewater discharge intensity- (production volume of epitaxial wafer)	ton(s)/piece	0.36	0.33

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Exhaust gas discharge management

Our exhaust gas primarily consists of organized-discharged exhaust gas and unorganized-discharged exhaust gas. The organized-discharged exhaust gas includes exhaust gas from cleaning activities, exhaust gas from polishing parts and exhaust gas from sewage treatment station. The exhaust gas from cleaning activities is collected by the fume hood and then treated by the activated carbon absorption device. Any acid and alkali waste gas involved is treated by the alkali spray tower. The exhaust gas from polishing parts is collected by the negative pressure exhaust hood and treated by the bag filter. The exhaust gas from the sewage treatment station is partially covered and sealed for collection by the odor source, and is treated by biological washing and activated carbon adsorption treatment processes. The treated exhaust gas is discharged through a 15-meter high exhaust funnel on the roof.

We have set a target to maintain exhaust gas emissions in compliance with emission standards. We use negative pressure exhaust hood to collect the unorganized-discharged exhaust gas, reaching a 90% collection efficiency. Through the maintenance of the exhaust gas collection pipelines, the sealing of the pipeline interface has been enhanced, thereby reducing the unorganized-discharged exhaust gas emission. In addition, by improving the ventilation of the workshop, we believe the exhaust gas has little impact on the environment. In addition, we regularly check the status and function of the exhaust gas adsorption, collection and treatment equipment to ensure the normal operation and timely maintenance of related equipment, such as activated carbon absorption devices and alkali liquid spray towers. We also upgrade the relevant equipment in a timely manner to ensure that the exhaust gas discharge continues to meet the discharge standards.

We engage a third-party agency to conduct exhaust gas testing every year on a regular basis. Our exhaust gas discharge is to meet the discharge standards completely. If the discharge concentration or total discharge requirements are adjusted, we will compare the compliance status in a timely manner. During the Reporting Period, we did not record any unusual exhaust gas discharge test data.

Performance Indicators	Unit	2024	2025
Sulfur dioxide emissions	ton(s)	0.45	0.45
Particulate emissions	ton(s)	0.63	0.63
Carbon monoxide emissions	ton(s)	1.22	1.22
Ammonia emissions	ton(s)	0.18	0.18
Hydrogen chloride	ton(s)	0.50	0.50
Volatile organic compounds (VOCs)	ton(s)	2.80	2.80
Hydrogen fluoride	ton(s)	0.13	0.13
Total exhaust gas discharge	ton(s)	5.91	5.91
Exhaust gas discharge intensity (based on production volume of epitaxial wafer)	ton(s)/piece	0.000023	0.000018

Noise management

We possess automatic power equipment (including double-sided washing machine and fan), which produce relatively large noise during our production. Given we do not maintain workforce around such equipment, we believe it does not constitute a hazardous factor of occupational diseases. Nevertheless, we have taken a series of measures to continuously reduce noise emissions and ensure 100% compliance of noise emissions with monitoring results, including:

1. selecting low-noise production equipment, such as low-noise exhaust fan;

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2. taking measures to lower noise, such as using sound absorption and sound insulation facilities in the production workshop, setting up soundproof rooms to block noise, improving the sound absorption rate of the wall, and further reducing both indoor and outdoor noise intensity; and
3. using silencers and basic shock absorption facilities to reduce noise within reasonable decibels.

Waste discharge management

In accordance with the Law on the Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC (《中華人民共和國固體廢物污染環境防治法》) and other relevant laws and regulations, we have formulated Regulations on the Management of Waste Disposal (《廢物處置管理規定》) to further strengthen the supervision and management of waste collection, storage, transfer, and disposal. The Group's hazardous wastes mainly include waste hydrogen fluoride, mercury-containing waste, waste sludge, waste acid and alkali liquor. Non-hazardous waste includes industrial solid waste, recyclable waste such as waste cartons and valuable wastes (scrap iron, scrap copper and waste wires), and other waste such as domestic and office garbage. The Group has established a special hazardous waste warehouse in the plant area, where hazardous wastes are classified and stored according to the requirements of hazardous waste storage, and their actual weights are regularly recorded to the hazardous waste management ledger and filed with the national hazardous waste management platform. A qualified hazardous waste disposal company clears and transports the hazardous wastes every two days. Non-hazardous waste is managed and regularly removed by the logistics department to the landfill, and then disposed of by the local sanitation department. We implement strict waste sorting measures at our business premises, post related notices and carry out publicity campaigns from time to time.

Industrial solid waste is classified and stored by our factory affairs department in a special solid waste storage area every day according to the production situation, with clear signs and orderly placement, and strictly recorded to the ledger. The recyclable waste is stored separately in the recycling bin for recycling. When we dispose recyclable waste externally, our procurement department assigns staff to perform on-site supervision, who signs off on each weighing sheet and waste sale sheet. In the next three years, our waste disposal targets are to achieve 100% recycling of industrial solid waste through detailed classification of industrial waste for recycling. We reduce office garbage through paperless office, reduce kitchen waste by providing small plates based on the expected number of diners, self-service food, and serving food on demand, and reduce household waste by reducing the use of disposable items.

Performance Indicators	Unit	2024	2025
Total hazardous waste generated	ton(s)	477.00	511.43
Hazardous waste intensity (based on production volume of epitaxial wafer)	ton(s)/piece	0.0019	0.0016
Industrial waste	ton(s)	34.00	74.22
Other waste	ton(s)	32.70	31.63
Total non-hazardous waste	ton(s)	66.70	105.85
Non-hazardous waste intensity (based on production volume of epitaxial wafer)	ton(s)/piece	0.00026	0.00033

Addressing Climate Change

We proactively address climate change issues and, with reference to the framework and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we prepare for new laws and regulations that may directly or indirectly impact our operations, thereby addressing the potential effects of climate change.

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Governance

We have established an overall ESG governance with the determination of tackling climate change, clarifying the main responsibilities of the decision-making, management, and executive levels, and promoting the inclusion of ESG matters into our daily business decisions. We actively practice the concept of green development and take actions in our operation and environmental protection advocacy to mitigate climate change. The Group's Strategic and ESG Committee is responsible for assisting the Board in monitoring, reviewing, and dealing with issues related to sustainable development, including climate change. We also review the Group's annual performance and progress towards achieving targets for addressing climate change, ensuring the effectiveness of climate-related risk management.

Strategy

With reference to the risk categories recommended by the TCFD, the Group, based on our own business type and operations, conducts risk identification and analysis from the perspectives of national policies, industry trends, stakeholder concerns, etc. and studies relevant response strategies to reduce the adverse impact of climate change on the Group's business and finances. In terms of state strategy, we identify and assess categories of climate-related risks and opportunities, and classify risks into two main types: risks related to the physical impacts of climate change (hereinafter referred to as "Physical Risks") and risks related to the transition to a low-carbon economy (hereinafter referred to as "Transition Risks"). Regarding Physical Risks and Transition Risks, we have identified the following risks, but have not yet identified any material impact on our business.

Climate

Risk Type	Risk Category	Climate-Related Risk Analysis	Strategies and Countermeasure
Physical Risks	Chronic	<p>Long-term high temperatures will increase water consumption and cooling demands in summer, which result in higher energy consumption and equipment maintenance costs, and may lead to power supply tension or power outages.</p> <p>Every step of our manufacturing process requires high-quality and reliable power. Any power supply issues, such as blackouts or voltage sags, may result in the scrapping of entire batches of products, causing economic losses.</p>	<p>Through energy management technological innovation, adopt intelligent control systems to reduce the risk of equipment damage and work stoppages caused by unstable energy supply. Additionally, we have purchased diesel generators to maintain production during external power outages.</p>
		<p>Long-term rainfall may disrupt the supply of key raw materials for production and the operation of manufacturing facilities. It may also trigger instability in commodity supply or delivery delays, posing challenges to inventory management and customer service.</p>	

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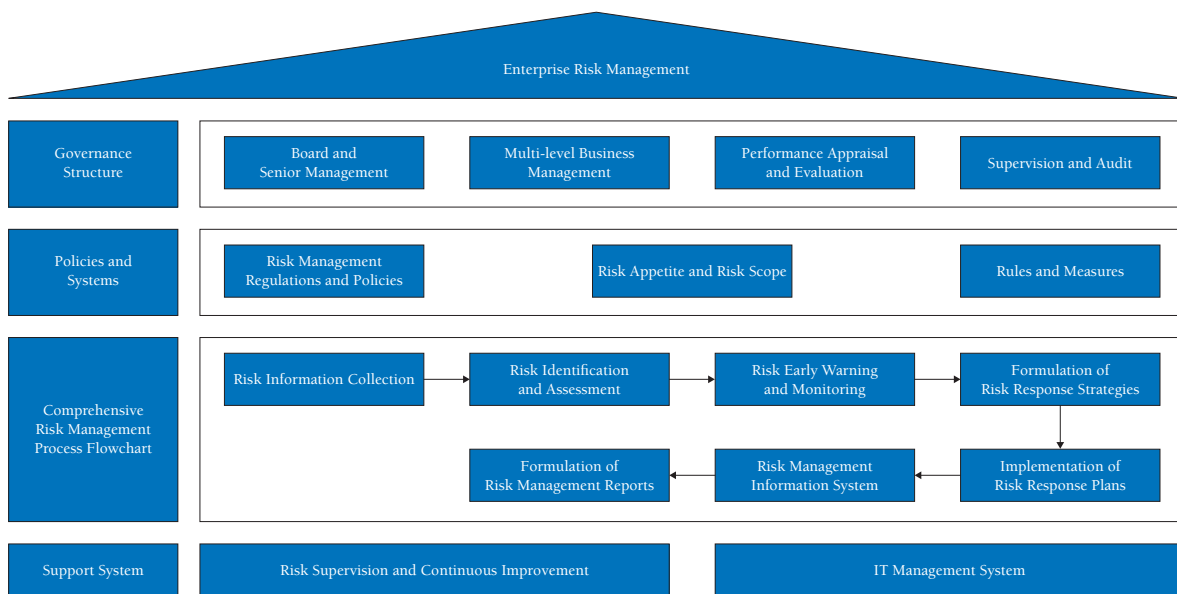
Climate

Risk Type	Risk Category	Climate-Related Risk Analysis	Strategies and Countermeasure
	Acute	<p>Typhoons may affect the logistics system, causing supply chain disruptions, preventing timely replenishment of goods, and impacting inventory and sales.</p> <p>Coastal flooding may cause inventory to be soaked and spoiled or damaged, resulting in economic losses. It may also damage power and communication facilities, affecting the Group's normal operations.</p>	<p>Establish stable cooperative relationships with suppliers to ensure timely replenishment of goods during supply chain disruptions; establish a safety stock system.</p> <p>Avoid low-lying areas when selecting locations for factories and warehouses; prepare materials such as sandbags and waterproof barriers before extreme weather arrives to enable rapid deployment when floods occur.</p>
Transition Risks	Policy and Legal	National and local governments may implement stricter climate-related policies (more stringent carbon emission compliance requirements and information disclosure requirements), which would increase the Group's management input and costs.	Continuously monitor the introduction and updates of relevant policies and regulations, promptly study implementation requirements, and formulate response measures.
	Technology	The development and application of new low-carbon technologies are shifting towards lower carbon and greater environmental friendliness, potentially leading to the obsolescence of existing technologies and equipment.	Fully consider the development trends of low-carbon technologies when purchasing equipment; closely monitor the upgrading of technologies and equipment during daily operations to maintain competitiveness and compliance.
	Reputation	Societal expectations regarding corporate sustainability are increasing. If a company performs poorly in terms of environmental and social responsibility, it may suffer reputational damage, thereby affecting its market image and customer loyalty.	Conduct regular reputation risk screenings to identify potential risk points and determine risk levels and possible impacts.

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Risk Management

We have formulated Emergency Preparedness and Response Control Procedures (《應急準備和響應控制程序》) for accidents/disasters and other emergencies to effectively prepare for and respond to emergencies and minimize the possible consequences of accidents when accidents or emergencies occur. We identify our potential risks and accidents, including fire, explosion, typhoon, rainstorm, and earthquake. We formulate relevant emergency plans according to the actual potential emergency situations, specify the responsibilities of each department, contact numbers and handling methods, and organize emergency drills at least once a year to train employees and relevant parties for emergency preparation and response arrangements. In order to effectively reduce the adverse impact of extreme weather on the production and life of the Group's projects, meteorological monitoring and early warning will be strengthened to keep abreast of the occurrence, development and changing trends of extreme weather. Organizations and units at all levels should establish and improve channels for the dissemination of early warning information to ensure that early warning information is communicated to the relevant personnel in a timely and accurate manner. Precautions should be taken in advance and the investigation and rectification of potent dangers should be made, so as to ensure the normal operation of various facilities and equipment. The Group actively carries out energy conservation and emission reduction actions, and formulates emission management plans to reduce energy and resource consumption in office and operation processes, thereby minimizing greenhouse gas emissions and waste generation.



Goals and Indicators

We accurately capture and continuously monitor various indicators closely related to climate risks, such as direct greenhouse gas emissions (Scope 1) and indirect greenhouse gas emissions (Scope 2), to provide solid data support for addressing climate change. In order to more effectively monitor and manage these indicators, we regularly collect and thoroughly analyze relevant data to provide a scientific basis for decision-making in our environmental protection work. With 2025 as the baseline, the greenhouse gas emission intensity decreased by 3%.

Performance Indicators	Unit	2024	2025
Total GHG emissions ¹	tCO ₂ e	29,077.15	33,751.08
Direct GHG mission (Scope 1) ²	tCO ₂ e	1.64	1.64
Indirect GHG mission (Scope 2) ³	tCO ₂ e	29,075.51	33,749.44
GHG emission density	tCO ₂ e/production volume of SiC epitaxial wafers (piece)	0.11	0.11

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Note 1: The total amount of GHG emissions equals to the sum of GHG emissions scope 1 and GHG emissions scope 2.

Note 2: The emission factors of GHG emission scope 1 derive from Appendix 4 of the China Energy Statistical Yearbook 2020 (《中國能源統計年鑑2020》) and IPCC, 2014: Climate Change 2014: Comprehensive Report, Intergovernmental Panel on Climate Change, Fifth Assessment Report, Reports from Working Groups I, II, and III (《IPCC, 2014: 氣候變化2014: 綜合報告, 政府間氣候變化專門委員會第五次評估報告第一工作組、第二工作組和第三工作組報告》).

Note 3: In 2025, the emission factors of GHG emissions scope 2 derive from the Notice on the Management of Greenhouse Gas Emission Reports for Power Generation Enterprises in 2023–2025 released by the Ministry of Ecology and Environment.

VI. EMPOWERING COMMUNITIES FOR A BETTER LIFE

The Group is deeply rooted in Songshan Lake and Ecological Park in Dongguan. Focusing on social public events and people’s livelihood needs, it actively integrates into local community governance, supports the development of local infrastructure and ecological environment, and promotes the green and low-carbon development of the park.

In the charitable and public welfare initiatives aspect, the Group contributed to social charity causes in 2025: on December 5, 2025, it donated HK\$3 million to the HKEX Foundation, dedicated to supporting community building and talent development in Hong Kong.



The Group donated HK\$1 million as disaster relief assistance and post-disaster reconstruction following the fire at Wang Fuk Court in Tai Po, Hong Kong. This donation supported the emergency resettlement, livelihood support and post-disaster reconstruction for residents affected by the fire incident in Tai Po, Hong Kong, demonstrating corporate care through concrete actions and fulfilling its social responsibilities. At the same time, the Group continues to carry out employee volunteer services, encouraging employees to participate in activities such as community public welfare, environmental protection advocacy and science education, thereby fostering a harmonious and inclusive community atmosphere.

Looking ahead, the Group will continue to deepen its social responsibility practices, improve its charitable investment mechanisms, and expand its social value in areas such as rural revitalization, educational support, green and low-carbon initiatives and emergency relief. By embracing its responsibilities, the Group aims to support its long-term, stable development and build a sustainable future together with the community, the industry and all sectors of society.

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REFERENCE FOR GENERAL ESG DISCLOSURES

Listing Rules of the HKEX — Appendix C2 “ESG Reporting Code”

Aspect	Content	Location in this report
Part B: Mandatory disclosure rules		
	Governance structure	Board Statement
	Reporting principle	About the Report
	Scope of reporting	About the Report
Part C: “disclose or else” provision		
A1 Emissions	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	V. Low-Carbon Operations, Environmentally Friendly
	A1.1 Types of emissions and respective emission data.	V. Low-Carbon Operations, Environmentally Friendly
	A1.3 Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	V. Low-Carbon Operations, Environmentally Friendly
	A1.4 Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	V. Low-Carbon Operations, Environmentally Friendly
	A1.5 Description of emissions target(s) set and steps taken to achieve them.	V. Low-Carbon Operations, Environmentally Friendly
	A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	V. Low-Carbon Operations, Environmentally Friendly

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Aspect	Content	Location in this report
A2 Use of Resources	General disclosure Policies on the efficient use of resources, including energy, water and other raw materials	V. Low-Carbon Operations, Environmentally Friendly
	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	V. Low-Carbon Operations, Environmentally Friendly
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	V. Low-Carbon Operations, Environmentally Friendly
	A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	V. Low-Carbon Operations, Environmentally Friendly
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	V. Low-Carbon Operations, Environmentally Friendly
	A2.5 Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	N/A
A3 Environment and natural resources	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	V. Low-Carbon Operations, Environmentally Friendly
	A3.1 Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them.	V. Low-Carbon Operations, Environmentally Friendly
B1 Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	IV. People-Oriented, Gathering Strength for Development
	B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	IV. People-Oriented, Gathering Strength for Development
	B1.2 Employee turnover rate by gender, age group and geographical region.	IV. People-Oriented, Gathering Strength for Development

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Aspect	Content	Location in this report
B2 Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	IV. People-Oriented, Gathering Strength for Development
	B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	IV. People-Oriented, Gathering Strength for Development
	B2.2 Lost days due to work injury.	IV. People-Oriented, Gathering Strength for Development
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	IV. People-Oriented, Gathering Strength for Development
B3 Development and training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	IV. People-Oriented, Gathering Strength for Development
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	IV. People-Oriented, Gathering Strength for Development
	B3.2 The average training hours completed per employee by gender and employee category.	IV. People-Oriented, Gathering Strength for Development

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Aspect	Content	Location in this report
B4 Labour standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	IV. People-Oriented, Gathering Strength for Development
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	IV. People-Oriented, Gathering Strength for Development
	B4.2 Description of steps taken to eliminate such practices when discovered.	IV. People-Oriented, Gathering Strength for Development
B5 Supply chain management	General Disclosure Policies on managing environmental and social risks of the supply chain.	IV. People-Oriented, Gathering Strength for Development
	B5.1 Number of suppliers by geographical region.	III. Quality First, Innovation-Driven Development
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	III. Quality First, Innovation-Driven Development
	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	III. Quality First, Innovation-Driven Development
	B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	III. Quality First, Innovation-Driven Development

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Aspect	Content	Location in this report
B6 Product responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	III. Quality First, Innovation-Driven Development
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	III. Quality First, Innovation-Driven Development
	B6.2 Number of products and service-related complaints received and how they are dealt with.	III. Quality First, Innovation-Driven Development
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	III. Quality First, Innovation-Driven Development
	B6.4 Description of quality assurance process and recall procedures.	III. Quality First, Innovation-Driven Development
	B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	II. Compliance Governance, Orderly Operations
B7 Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	II. Compliance Governance, Orderly Operations
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	II. Compliance Governance, Orderly Operations
	B7.2 Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored.	II. Compliance Governance, Orderly Operations
	B7.3 Description of anti-corruption training provided to directors and staff.	II. Compliance Governance, Orderly Operations

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Aspect	Content	Location in this report
B8 Community investment	General Disclosure	VI. Empowering
	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Communities for a Better Life
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	VI. Empowering Communities for a Better Life
	B8.2 Resources contributed (e.g. money or time) to the focus area.	VI. Empowering Communities for a Better Life
Part D: Climate-related disclosures		
D-I Governance	Governance structure overseeing climate-related risks and opportunities	V. Low-Carbon Operations, Environmentally Friendly
	The role of management processes, monitoring and procedures in the monitoring, management and oversight of climate-related risks and opportunities	V. Low-Carbon Operations, Environmentally Friendly
D-II strategy	Climate-related risks and opportunities	V. Low-Carbon Operations, Environmentally Friendly
	Business model and value chain	Note 1
	Strategy and decision-making	Note 1
	Financial position, financial performance and cash flow	Note 2
	Climate resilience	Note 2
D-III Risk Management	The processes and related policies used to identify, assess, prioritise and monitor climate-related risks	V. Low-Carbon Operations, Environmentally Friendly
	The processes and related policies used to identify, assess, prioritise and monitor climate-related opportunities	V. Low-Carbon Operations, Environmentally Friendly
	The extent to which, and how, the processes for identifying, assessing, prioritizing and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process.	V. Low-Carbon Operations, Environmentally Friendly

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Aspect	Content	Location in this report
D-IV Indicators and targets	Greenhouse gas emissions	V. Low-Carbon Operations, Environmentally Friendly
	Climate-related transition risks	Note 3
	Climate-related physical risks	Note 3
	Climate-related opportunities	Note 3
	Capital deployment	Note 3
	Reminder: An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.	
	Internal carbon prices	Note 3
	Remuneration	Note 3
	Industry-based metrics	International Sustainable Disclosure Standard — Industry Indicators Disclosure Index
	Climate-related targets	Note 3

Note 1: Based on a preliminary analysis, the impact of climate change on our business is not significant. We have yet to develop a transition plan or emission reduction targets, nor have we further explored work related to climate transition risks, physical risks, and opportunities. Such work will be carried out in due course when conditions are mature, and will be included in our disclosures.

Note 2: Based on a preliminary analysis, the financial impact of climate change on us is not significant. We have yet to carry out systematic financial quantification or scenario analysis in response to climate change. Such work will be undertaken in due course when conditions are mature, and will be included in our disclosures.

Note 3: The Group has yet to conduct work related to capital deployment for climate-related risks and opportunities, internal carbon pricing, the incorporation of climate-related factors into remuneration policies, or the setting of climate-related targets. Such work will be carried out in the future when conditions are mature, and will be disclosed in our reports.

International Sustainable Disclosure Standard — Industry Indicators Disclosure Index

Issues	Indicators	Unit	2025
Energy management	Total energy consumption	MWh(s)	75,284.52
	Percentage of electricity from the grid	%	79
	Percentage of renewable energy	%	21

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Sustainability Performance Summary

Environmental Category

Performance indicator	Unit	2024	2025
Energy use			
Total comprehensive energy consumption	MWh(s)	50,988.96	75,284.52
Purchased electricity	MWh(s)	50,982.84	59,178.00
Diesel consumption	litre(s)	600.00	600.00
Comprehensive energy consumption intensity (production volume of epitaxial wafer)	MWh(s)/piece	0.20	0.23
Green electricity consumption	MWh(s)	/	16,100.00
Water resources and wastewater			
Total water consumption	ton(s)	404,622.00	555,302.00
Water intensity (production volume of epitaxial wafer)	ton(s)/piece	1.58	1.73
Waste gas			
Sulfur dioxide emissions	ton(s)	0.45	0.45
Particulate matter emissions	ton(s)	0.63	0.63
Carbon monoxide emissions	ton(s)	1.22	1.22
Ammonia emissions	ton(s)	0.18	0.18
Hydrogen chloride	ton(s)	0.50	0.50
Volatile organic compounds (VOCs)	ton(s)	2.80	2.80
Hydrogen fluoride	ton(s)	0.13	0.13
Total waste gas emissions	ton(s)	5.91	5.91
Waste gas emission intensity (production volume of epitaxial wafer)	ton(s)/piece	0.000023	0.000018
Wastewater			
Total wastewater discharge	ton(s)	91,178.00	106,479.00
Production wastewater discharge	ton(s)	80,306.00	96,034.00
Domestic sewage discharge	ton(s)	10,872.00	10,445.00
Total wastewater discharge intensity (production volume of epitaxial wafer)	ton(s)/piece	0.36	0.33
Waste discharge			
Total hazardous waste generated	ton(s)	477.00	511.43
Hazardous waste intensity (production volume of epitaxial wafer)	ton(s)/piece	0.0019	0.0016
Industrial waste	ton(s)	34.00	74.22
Other waste	ton(s)	32.70	31.63
Total non-hazardous waste	ton(s)	66.70	105.85
Non-hazardous waste intensity (production volume of epitaxial wafer)	ton(s)/piece	0.00026	0.00033

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Performance indicator	Unit	2024	2025
GHG emissions			
Total GHG emissions	ton(s) of carbon dioxide equivalent (tCO ₂ e)	29,077.15	33,751.08
Direct GHG mission (Scope 1)	ton(s) of carbon dioxide equivalent (tCO ₂ e)	1.64	1.64
Indirect GHG mission (Scope 2)	ton(s) of carbon dioxide equivalent (tCO ₂ e)	29,075.51	33,749.44
GHG emission density (production volume of epitaxial wafer)	tCO ₂ e/production volume of SiC epitaxial wafers (piece)	0.11	0.11

Social indicators:

Performance indicator	Category	Unit	2024	2025
Total number of employees (persons)	/	person(s)	749	960
Number of employees by employment type	Full-time employees	person(s)	749	960
	Part-time (interns, rehired retirees)	person(s)	0	0
Number of employees by gender	Male	person(s)	620	785
	Female	person(s)	129	175
Number of employees by employee category (e.g., senior, middle management, etc.)	Senior management	person(s)	5	5
	Middle management	person(s)	33	37
	General staff	person(s)	711	918
Number of employees by age group	Under 30	person(s)	603	775
	31-40	person(s)	108	131
	41 and above	person(s)	38	54
Number of employees by work location/region	Within Guangdong Province	person(s)	749	960
	Outside Guangdong Province	person(s)	0	0
Number of employees promoted during the year	Male	person(s)	68	87
	Female	person(s)	19	14
Total number of employee departures	/	person(s)	226	386
Employee turnover rate	/	%	23	29
Proportion of employee departures by gender	Male	%	27	33
	Female	%	20	23

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Performance indicator	Category	Unit	2024	2025
Proportion of employee departures by age group	Under 30	%	25	73
	31-40	%	15	20
	41 and above	%	19	7
Proportion of employee departures by region	Within Guangdong Province	%	23	29
	Outside Guangdong Province	%	0	0

Note: Employee turnover rate = Number of employee departures during the year/(Total number of employees + Number of employee departures during the year)

Performance indicator	Category	Unit	2024	2025
Employee training and development				
Number of employees trained	Total	person(s)	749	960
Number of employees trained by gender	Male	person(s)	620	785
	Female	person(s)	129	175
Number of employees trained by age group	Under 30	person(s)	603	775
	31-40	person(s)	108	131
	41 and above	person(s)	38	54
Total training hours	/	hour(s)	18,277.56	14,144.03
Training hours by gender	Male	hour(s)	15,129.62	11,565.69
	Female	hour(s)	3,147.94	2,578.34
Training hours by age group	Under 30	hour(s)	14,714.78	11,418.36
	31-40	hour(s)	2,635.48	1,930.07
	41 and above	hour(s)	927.30	795.60
Average training hours per employee	/	hour(s)/person	24.40	14.73
Average training percentage by gender	Male	%	100	100
	Female	%	100	100
Average training percentage by age group	Under 30	%	100	100
	31-40	%	100	100
	41 and above	%	100	100
Average training percentage by employee category	Senior manager	%	100	100
	Middle manager	%	100	100
	General staff	%	100	100
Average training hours by gender	Male	hour(s)	24	15
	Female	hour(s)	24	15
Average training hours by age group	30 and below	hour(s)	24	15
	31-40	hour(s)	24	15
	41 and above	hour(s)	24	15
Labor contract signing rate	—	%	100	100
Social insurance coverage rate	—	%	100	100

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Performance indicator	Category	Unit	2024	2025
Occupational health and safety and production safety				
Number of safety incident emergency drills conducted during the year	—	time(s)	18	20
Number of attendances in safety incident emergency drills during the year	—	time(s)/person	723	956
Number of work-related fatalities	—	person(s)	0	0
Number of work-related injuries	—	person(s)	0	1
Number of working days lost due to work-related injuries	—	day(s)	0	40
Number of safety incidents involving supplier/contractor personnel at the workplace	—	case(s)	0	0
Supplier management				
Total number of suppliers	/	supplier(s)	1,264	1,386
Number of suppliers by region	Within Guangdong Province	supplier(s)	759	825
	Outside Guangdong Province	supplier(s)	505	561
Number of new suppliers added during the year	/	supplier(s)	136	122
Number of new suppliers added during the year that have been screened on environmental and social matters	/	supplier(s)	5	0
Number of supplier partnerships terminated during the year	/	supplier(s)	0	0
Number of supplier partnerships terminated during the year due to environmental and social factors	/	supplier(s)	0	0
Number of customer complaints	/	case(s)	2	3
Customer satisfaction results	/	%	93	95

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Performance indicator	Category	Unit	2024	2025
Whether ISO27001 information security management system certification has been obtained	/	Yes/No	Yes	Yes
Number of attendances in training related to information security and privacy protection	/	time(s)/person	/	395
Number of complaints received due to leakage of customer information	/	time(s)	0	0
Number of information security incidents	/	time(s)	0	0
Total number of intellectual property rights acquired	/	piece(s)	92	105
Total number of patents acquired	/	piece(s)	79	92
R&D investment in technological innovation	/	100 million	0.6103	0.5995
Community investment				
Public welfare activities programs	/	program(s)	0	0
Total donation amount	/	HK\$10 thousand	/	400
Anti-corruption				
Number of anti-corruption training sessions conducted for employees	/	time(s)	/	1
Number of attendances in anti-corruption training for employees	/	time(s)/person	/	35
Total hours of anti-corruption training for employees	/	hour(s)	/	2
Coverage rate of anti-corruption training for employees	/	%	/	100
Number of anti-corruption training sessions conducted for Directors	/	time(s)	/	1
Number of attendances in anti-corruption training for Directors	/	time(s)/person	/	6
Total hours of anti-corruption training for Directors	/	hour(s)	/	2
Coverage rate of anti-corruption training for Directors	/	%	/	100

XI. INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the shareholders of Guangdong Tianyu Semiconductor Co., Ltd.
(established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Guangdong Tianyu Semiconductor Co., Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 111 to 176, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

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

BASIS FOR OPINION

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

KEY AUDIT 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.

XI. INDEPENDENT AUDITOR'S REPORT

Revenue recognition

Refer to note 4 to the consolidated financial statements and the accounting policies in note 2(s).

The Key Audit Matter

The Group's revenue principally comprises sales of epitaxial wafers and other sales and services. Revenue from sales of epitaxial wafers with amount of RMB522.5 million was recognised during the year, representing 73.7% of the Group's total revenue.

The Group recognises revenue from sales of epitaxial wafers at the point in time when control of the goods is transferred to the customer, which is the point when the goods are accepted by customers.

We identified the recognition of revenue from sales of epitaxial wafers as a key audit matter because revenue is one of the key performance indicators of the Group and there is an inherent risk that revenue may be recognised in the incorrect period or manipulated by management to meet targets or expectations.

How the matter was addressed in our audit

Our audit procedures to the recognition of revenue included the following:

- obtaining an understanding of and assessing the design, implementation of the Group's key internal controls in relation to revenue recognition;
- inspecting customers contracts, on a sample basis, to understand the terms and conditions and assessing the appropriateness of the Group's recognition of revenue with reference to the requirements of the prevailing accounting standards;
- inspecting, on a sample basis, sales contracts, invoices and customers acceptance notes or shipping documents ("underlying documentation") for sales transactions recorded during the financial reporting period, and assessing whether the related revenue was appropriately recognised in accordance with the Group's revenue recognition accounting policies;
- inspecting, on a sample basis, underlying documentation for sales transactions recorded before and after the end of the financial reporting period, and assessing whether the related revenue had been recognised in the appropriate financial reporting period;
- obtaining confirmations, on a sample basis, from customers to confirm the sales transactions during the year and, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with underlying documentation; and
- inspecting underlying documentation for sales journal entries which met specific risk-based criteria.

XI. INDEPENDENT AUDITOR'S REPORT

Expected credit loss allowances for trade receivables

Refer to note 17 to the consolidated financial statements and the accounting policies in note 2(k).

The Key Audit Matter

As at 31 December 2025, the gross carrying amount of the Group's trade receivables arose from sales of goods amounted to RMB795.9 million, against which expected credit loss ("ECLs") allowances of RMB73.3 million were recorded.

The Group measured the ECL allowance at an amount equal to lifetime ECLs. For customers which the Group had specific information about their financial capabilities, ECL allowances for trade receivables due from those customers were measured based on cash flows expected to be received. For the other trade receivables, the Group measured the ECL allowance based on estimated loss rates that take into account the ageing of trade receivable balances, the payment history of the Group's customers. Such assessment involves management judgement and estimation.

We identified the ECL allowance for trade receivables as a key audit matter because determining the level of the loss allowance requires the exercise of significant management judgement, which is inherently subjective.

How the matter was addressed in our audit

Our audit procedures to assess the ECL allowance for trade receivables included the following:

- obtaining an understanding of and assessing the design and implementation of the Group's key internal controls in relation to credit control, debt collection and estimating the ECL allowance for trade receivables;
- evaluating the Group's policy for estimating the ECL allowance with reference to the requirements of the prevailing accounting standard;
- obtaining an understanding and assessing the reasonableness of the basis for segmentation of trade receivables;
- assessing whether individual trade receivable was classified in the correct time band in the trade receivable ageing report by checking the details in the trade receivable ageing report against the underlying goods delivery notes and invoices, on a sample basis;
- for trade receivables which were assessed individually, evaluating the appropriateness of the management's judgements underlying the cash flows expected to be received by performing public profile search for the selected customers, understanding on-going business relationships with the customers based on trading records, checking correspondence with the customers;
- for trade receivables which were assessed on a group basis, examining the information used by management to derive the estimated loss rates, including testing the accuracy of the historical loss data; and
- re-performing the calculation of the ECL allowance as at 31 December 2025 based on the Group's ECL allowance policies.

XI. INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

XI. INDEPENDENT AUDITOR'S REPORT

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

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

XI. INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cheng Chu Fai (practising certificate number: P06554).

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

30 March 2026

XII. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025 (EXPRESSED IN RMB)

	Note	2025 RMB'000	2024 RMB'000
Revenue	4	709,228	519,622
Cost of sales		<u>(575,804)</u>	<u>(893,982)</u>
Gross profit/(loss)		133,424	(374,360)
Other net income	5	27,724	13,377
Selling and distribution expenses		(19,134)	(19,023)
Administrative and other operating expenses		(107,714)	(113,599)
Research and development expenses		<u>(59,619)</u>	<u>(61,032)</u>
Loss from operations		(25,319)	(554,637)
Finance costs	6(a)	<u>(48,744)</u>	<u>(34,551)</u>
Loss before taxation	6	(74,063)	(589,188)
Income tax credit	7(a)	<u>11,854</u>	<u>88,936</u>
Loss for the year		<u><u>(62,209)</u></u>	<u><u>(500,252)</u></u>
Attributable to:			
Equity shareholders of the Company		(55,605)	(492,455)
Non-controlling interests		<u>(6,604)</u>	<u>(7,797)</u>
Loss for the year		<u><u>(62,209)</u></u>	<u><u>(500,252)</u></u>
Loss per share	10		
Basic and diluted (RMB)		<u><u>(0.15)</u></u>	<u><u>(1.36)</u></u>
Loss for the year		(62,209)	(500,252)
Other comprehensive income for the year			
Item that is or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>1,392</u>	<u>—</u>
Total comprehensive income for the year		<u><u>(60,817)</u></u>	<u><u>(500,252)</u></u>
Attributable to:			
Equity shareholders of the Company		(54,213)	(492,455)
Non-controlling interests		<u>(6,604)</u>	<u>(7,797)</u>
Total comprehensive income for the year		<u><u>(60,817)</u></u>	<u><u>(500,252)</u></u>

The notes on pages 116 to 176 form part of these financial statements.

XIII. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EXPRESSED IN RMB)

	Note	31 December 2025 RMB'000	31 December 2024 RMB'000
Non-current assets			
Property, plant and equipment	11	2,761,138	2,338,738
Right-of-use assets	12	185,775	195,850
Intangible assets	13	5,180	3,452
Prepayments, deposits and other receivables	15	180,335	233,310
Deferred tax assets	25(a)	117,748	105,894
		<u>3,250,176</u>	<u>2,877,244</u>
Current assets			
Inventories	16	69,209	183,399
Trade and bills receivables	17	742,586	147,538
Prepayments, deposits and other receivables	15	207,973	118,973
Restricted cash	18	6,907	37,822
Cash and cash equivalents	18	1,166,275	114,577
		<u>2,192,950</u>	<u>602,309</u>
Current liabilities			
Trade and bills payables	19	141,168	158,750
Other payables and accruals	20	210,073	323,729
Contract liabilities	21	4,255	1,877
Bank loans and other borrowings	22	765,453	634,559
Lease liabilities	23	6,709	6,351
		<u>1,127,658</u>	<u>1,125,266</u>
Net current assets/(liabilities)		<u>1,065,292</u>	<u>(522,957)</u>
Total assets less current liabilities		<u>4,315,468</u>	<u>2,354,287</u>

XIII. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EXPRESSED IN RMB)

	Note	31 December 2025 RMB'000	31 December 2024 RMB'000
Non-current liabilities			
Bank loans and other borrowings	22	1,501,521	1,059,620
Lease liabilities	23	41,331	48,754
Deferred income	24	59,466	26,200
Deferred tax liabilities	25(a)	104	104
		<u>1,602,422</u>	<u>1,134,678</u>
NET ASSETS		<u>2,713,046</u>	<u>1,219,609</u>
CAPITAL AND RESERVES			
Share capital	28(b)	393,269	363,198
Reserves		<u>2,321,711</u>	<u>851,741</u>
Total equity attributable to equity shareholders of the Company		2,714,980	1,214,939
Non-controlling interests		<u>(1,934)</u>	<u>4,670</u>
TOTAL EQUITY		<u>2,713,046</u>	<u>1,219,609</u>

Approved and authorised for issue by the board of directors on 30 March 2026.

Li Xiguang
Executive Director

Peng Guanghui
Chief Financial Officer

The notes on pages 116 to 176 form part of these financial statements.

XIV. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025 (EXPRESSED IN RMB)

	Share capital RMB'000 (Note 28(b))	Capital reserve RMB'000 (Note 28(d) (i))	PRC statutory reserve RMB'000 (Note 28(d) (ii))	Other reserve RMB'000 (Note 28(d) (iii))	Exchange reserve RMB'000 (Note 28(d) (iv))	Accumulated losses RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2024	363,198	1,246,021	11,125	154,934	—	(91,050)	1,684,228	12,467	1,696,695
Changes in equity for 2024:									
Loss and total comprehensive income for the year	—	—	—	—	—	(492,455)	(492,455)	(7,797)	(500,252)
Equity-settled share-based transactions (note 27)	—	23,166	—	—	—	—	23,166	—	23,166
Balance at 31 December 2024 and at 1 January 2024	363,198	1,269,187	11,125	154,934	—	(583,505)	1,214,939	4,670	1,219,609
Changes in equity for 2025:									
Loss for the year	—	—	—	—	—	(55,605)	(55,605)	(6,604)	(62,209)
Other comprehensive income	—	—	—	—	1,392	—	1,392	—	1,392
Total comprehensive income	—	—	—	—	1,392	(55,605)	(54,213)	(6,604)	(60,817)
Issue of ordinary shares by initial public offering, net of issuance costs (note 28(b))	30,071	1,498,364	—	—	—	—	1,528,435	—	1,528,435
Equity-settled share-based transactions (note 27)	—	25,819	—	—	—	—	25,819	—	25,819
Balance at 31 December 2025	393,269	2,793,370	11,125	154,934	1,392	(639,110)	2,714,980	(1,934)	2,713,046

The notes on pages 116 to 176 form part of these financial statements.

XV. CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2025 (EXPRESSED IN RMB)

	Note	2025 RMB'000	2024 RMB'000
Operating activities			
Cash used in operations	18(b)	(386,086)	(62,266)
Net cash used in operating activities		<u>(386,086)</u>	<u>(62,266)</u>
Investing activities			
Payment for purchase of property, plant and equipment		(599,249)	(840,289)
Payment for purchase of intangible assets		(2,729)	(3,598)
Interest received		935	1,081
Net cash used in investing activities		<u>(601,043)</u>	<u>(842,806)</u>
Financing activities			
Proceeds from bank loans and other borrowings	18(c)	1,274,639	1,413,052
Repayment of bank loans and other borrowings	18(c)	(686,004)	(487,867)
Capital element of lease rentals paid	18(c)	(7,065)	(7,427)
Interest element of lease rentals paid	18(c)	(2,441)	(2,739)
Payment for guarantee of other borrowings		—	(6,750)
Issuance of shares upon initial public offering, net of issuing costs paid/(payment of listing expenses)		1,533,169	(4,734)
Decrease/(increase) in restricted cash		31,948	(16,783)
Interests paid	18(c)	(82,844)	(56,677)
Net cash generated from financing activities		<u>2,061,402</u>	<u>830,075</u>
Net increase/(decrease) in cash and cash equivalents		1,074,273	(74,997)
Effect of exchange rate changes		(22,575)	967
Cash and cash equivalents at 1 January		<u>114,577</u>	<u>188,607</u>
Cash and cash equivalents at 31 December	18(a)	<u>1,166,275</u>	<u>114,577</u>

The notes on pages 116 to 176 form part of these financial statements.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

1 GENERAL INFORMATION

Guangdong Tianyu Semiconductor Co., Ltd. (廣東天域半導體股份有限公司)(the “Company”), formerly known as Dongguan Tianyu Semiconductor Technology Co., Ltd. (東莞市天域半導體科技有限公司), was established in Dongguan, Guangdong Province, the People’s Republic of China (the “PRC”) on 7 January 2009 as a limited liability company. In November 2022, the Company was converted from a limited liability company into a joint stock limited liability company. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 5 December 2025.

The Company and its subsidiaries (together, the “Group”) are principally engaged in design, research and development and manufacture of various types of silicon carbide (“SiC”) epitaxial wafers.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new or amended IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries (together referred to as the “Group”).

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

2 MATERIAL ACCOUNTING POLICIES — *continued***(c) Changes in accounting policies**

The Group has applied amendments to IAS 21, *The effects of changes in foreign exchange rates — Lack of exchangeability* issued by the IASB to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests (“NCI”) either at fair value or at the NCI’s proportionate share of the subsidiary’s net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(m) and 2(n) depending on the nature of the liability.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company’s statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)), unless it is classified as held for sale (see note 2(i)(ii)).

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

2 MATERIAL ACCOUNTING POLICIES — *continued***(e) Other investments in securities**

The Group's policies for investments in securities, other than investments in subsidiaries, are as follows.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 29(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) *Non-equity investments*

Non-equity investments are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 2(s)(ii)(a)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- fair value through other comprehensive income ("FVOCI") — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in other comprehensive income ("OCI"). When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) *Equity investments*

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income (see note 2(s)(ii)(c)).

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

2 MATERIAL ACCOUNTING POLICIES — *continued***(f) Property, plant and equipment**

The following items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any impairment losses (see note 2(i)):

- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(h)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(u)).

Any gains or losses on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.
 - Leasehold land is depreciated over the unexpired term of lease.
- | | |
|-------------------------------|------------|
| — Buildings | 40 years |
| — Machinery and equipment | 5–10 years |
| — Vehicles | 5 years |
| — Office equipment and others | 3–5 years |
| — Leasehold improvements | 5 years |

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

2 MATERIAL ACCOUNTING POLICIES — *continued***(g) Intangible assets**

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(i)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line basis over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

— Software	5 years
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Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

2 MATERIAL ACCOUNTING POLICIES — *continued***(h) Leased assets — *continued******As a lessee — continued***

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(f) and 2(i)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see note 2(e)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(i) Credit losses and impairment of assets***(i) Credit losses from financial instruments***

The Group recognises a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortised cost.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets, trade and bills receivables and prepayments, deposits and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

2 MATERIAL ACCOUNTING POLICIES — *continued***(i) Credit losses and impairment of assets — *continued*****(i) Credit losses from financial instruments — *continued****Measurement of ECLs — continued*

ECLs are measured on either of the following bases:

- 12-month ECLs: these are portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected live of the instrument is less than 12 months); and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and bills receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

2 MATERIAL ACCOUNTING POLICIES — *continued***(i) Credit losses and impairment of assets — *continued*****(i) *Credit losses from financial instruments — continued******Significant increases in credit risk — continued***

ECLs are remeasured annually to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial assets in the consolidated statement of financial position (see note 2(k)).

Credit-impaired financial assets

Annually, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

2 MATERIAL ACCOUNTING POLICIES — *continued***(i) Credit losses and impairment of assets — *continued*****(ii) *Impairment of other non-current assets***

Annually, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

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.

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 2(i)(i)).

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

2 MATERIAL ACCOUNTING POLICIES — *continued***(l) Cash and cash equivalents and restricted cash**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Bank deposits which are restricted to use are presented separately in consolidated statement of financial position as “restricted cash”. Restricted cash is excluded from cash and cash equivalents in the consolidated cash flow statement.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(u).

(o) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(s)(i)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable is also recognised (see note 2(k)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(s)(ii)(a)).

(p) Employee benefits**(i) *Short-term employee benefits and contributions to defined contribution retirement plans***

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Contribution to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in Chinese Mainland are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

2 MATERIAL ACCOUNTING POLICIES — *continued***(p) Employee benefits — *continued*****(ii) *Share-based payments***

The fair value of share awards granted to employees is recognised as an employee cost with a corresponding increase in the capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the awards is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of share awards that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the right is exercised (when it is included in the amount recognised in share capital for the shares issued) or the shares expires (when it is released directly to retained profits).

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

2 MATERIAL ACCOUNTING POLICIES — *continued***(q) Income tax — *continued***

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed annually and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(r) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

2 MATERIAL ACCOUNTING POLICIES — *continued*

(s) Revenue and other income — *continued*

(i) Revenue from contracts with customers — *continued*

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

For sales contracts that had an original expected duration of one year or less, the Group has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations in accordance with paragraph 121(a) of IFRS 15.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(b) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are recognised by setting up the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

(c) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

2 MATERIAL ACCOUNTING POLICIES — *continued***(t) Translation of foreign currencies**

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

2 MATERIAL ACCOUNTING POLICIES — *continued***(v) Related parties**

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group has only one single reportable segment. Accordingly, no segmental analysis is presented.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements:

(a) Impairment of non-current assets

If circumstances indicate that the carrying value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstance indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

(b) Impairment of trade and bills receivables and prepayment, deposits and other receivables

The Group estimates the amount of loss allowance for ECLs on trade and bills receivables and prepayment, deposits and other receivables that are measured at amortised cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated cost necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's profit or loss and net assets value. The Group reassesses these estimates annually.

(d) Useful lives of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES — *continued***(e) Deferred tax assets**

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed annually and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

4 REVENUE AND SEGMENT REPORTING**(a) Revenue**

The Group principally generates its revenue from the sales of SiC epitaxial wafer and other products.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
<i>Disaggregated by major products</i>		
Self-manufactured SiC epitaxial wafer		
— 4-inch epitaxial wafer	2,672	7,615
— 6-inch epitaxial wafer	321,408	455,849
— 8-inch epitaxial wafer	198,448	20,959
Other sales and services (note)	186,700	35,199
	<u>709,228</u>	<u>519,622</u>

Note: Other sales and services mainly included (i) the provision of value-added services related to SiC epitaxial wafers, primarily including SiC epitaxial foundry service, epitaxial wafer cleaning service and SiC related inspection service; (ii) sales of suboptimal epitaxial wafers, semiconductor devices and other equipment.

All revenue was recognised at a point in time.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

4 REVENUE AND SEGMENT REPORTING — continued**(a) Revenue — continued**

- (ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of electronic products that had an original expected duration of one year or less.

(iii) Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the financial year are as follows:

	2025 RMB'000	2024 RMB'000
Customer A	N/A*	225,907
Customer B	N/A*	63,549
Customer C	72,783	N/A*

* Revenue from relevant customers was less than 10% of the Group's total revenue for the respective year.

Details of concentrations of credit risk arising from these customers are set out in note 29(a). For the current and comparative periods, certain amounts of revenue are related to sales to related parties (see note 31(c)).

(b) Segment reporting

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

	2025 RMB'000	2024 RMB'000
Chinese Mainland	705,436	474,857
South Korea	1,107	39,305
Others	2,685	5,460
	<u>709,228</u>	<u>519,622</u>

All assets of the Group are located in Chinese Mainland and no analysis of geographic information is presented.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

5 OTHER NET INCOME

	2025 RMB'000	2024 RMB'000
Interest income from bank deposits	935	1,081
Government grants (note)	36,852	11,063
(Loss)/gain on disposals of property, plant and equipment	(14)	85
Net foreign exchange (loss)/gain	(9,466)	959
Others	(583)	189
	<u>27,724</u>	<u>13,377</u>

Note: The amounts mainly represented government incentive and support to the Group received during the current and comparative periods.

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2025 RMB'000	2024 RMB'000
Interest expenses on bank loans and other borrowings	67,004	41,953
Interest on lease liabilities	2,441	2,739
	69,445	44,692
Less: Interest expense capitalised into property, plant and equipment (note)	(20,701)	(10,141)
	<u>48,744</u>	<u>34,551</u>

Note: The borrowing costs have been capitalised at a rate of 3.60%–3.90% per annum (2024: 3.60%–4.50%).

(b) Staff costs (including directors' and supervisors' emoluments)

	2025 RMB'000	2024 RMB'000
Salaries, wages and other benefits	72,975	78,262
Contributions to defined contribution retirement plans	13,023	10,790
Equity-settled share-based payment expenses (note 27)	25,819	23,166
	<u>111,817</u>	<u>112,218</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

6 LOSS BEFORE TAXATION — *continued*

(c) Other items

	2025 RMB'000	2024 RMB'000
Amortisation cost of intangible assets (note 13)	1,001	458
Depreciation charge		
— Owned property, plant and equipment (note 11)	135,679	120,420
— Right-of-use assets (note 12)	10,075	10,395
	<u>145,754</u>	<u>130,815</u>
Auditors' remuneration	2,200	1,337
Listing expenses	15,119	3,393
Cost of inventories sold (note) (note 16(b))	<u>575,074</u>	<u>892,659</u>
Provision for impairment losses on financial assets		
— Trade receivables (note 29(a))	16,880	45,040
— Other receivables (note 29(a))	222	—
	<u>17,102</u>	<u>45,040</u>

Note: Cost of inventories includes RMB98,269,000 (2024: RMB122,799,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of loss and other comprehensive income:

	2025 RMB'000	2024 RMB'000
Deferred tax		
Origination and reversal of temporary differences (note 25(a))	(11,854)	(88,936)
Income tax credit	<u>(11,854)</u>	<u>(88,936)</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME — *continued*

(b) Reconciliation between tax credit and accounting loss at applicable tax rates:

	2025 RMB'000	2024 RMB'000
Loss before taxation	(74,063)	(589,188)
Notional tax on loss before taxation, calculated at the tax rates applicable to the respective tax jurisdictions	(11,110)	(88,378)
Tax effect of PRC preferential tax treatments	19	9
Tax effect of non-deductible expenses	244	188
Tax effect of unused tax losses and deductible temporary differences not recognised	6,750	7,276
Tax effect of utilisation of tax losses and deductible temporary differences not recognised in prior years	(2)	(8)
Additional deduction for research and development expenses	(7,755)	(8,023)
Actual tax credit	(11,854)	(88,936)

Notes:

- (i) In accordance with relevant PRC rules and regulations, the PRC Corporate Income Tax rate applicable to the Company and Company's subsidiaries registered in Chinese Mainland is principally 25% during the year, except as described below:
- (a) Guangdong Tianyu Semiconductor Co., Ltd. was originally qualified as the High and New Technology Enterprise ("HNTE") and entitled to a preferential tax rate of 15% until 2026.
- (b) Dongguan Southern Semiconductor Technology Co., Ltd. was qualified as HNTE and entitled to a preferential tax rate of 15% until 2027.
- (c) Dongguan Hengxin Third Generation Semiconductor Research Institute had been filed as Small Low-Profit Enterprises for previous years. The management of the Group believes that Dongguan Hengxin Third Generation Semiconductor Research Institute and Guangdong Zhuhai Runfu Technology Co., Ltd. will continue to be qualified as Small Low-Profit Enterprises for the year ended 31 December 2025 and are subject to a preferential effective tax rate at 5% for the year ended 31 December 2025 (2024: 5%).
- (ii) The additional deduction for research and development expenses mainly represents an additional 100% tax deduction on eligible research and development expenses incurred by Guangdong Tianyu Semiconductor Co., Ltd. and Dongguan Southern Semiconductor Technology Co., Ltd. for the years ended 31 December 2025 and 2024.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

For the year ended 31 December 2025

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (note f)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director							
Mr. Li Xiguang 李錫光 (note a)	—	2,107	—	53	2,160	2,426	4,586
Non-executive directors							
Mr. Au Yeung Chung 歐陽忠 (note b)	—	—	—	—	—	—	—
Mr. Jiang Dacai 姜達才 (note c)	—	—	—	—	—	—	—
Independent non-executive directors							
Mr. He Zhengsheng 賀正生 (note d)	120	—	—	—	120	—	120
Ms. Li Min 李旻 (note d)	120	—	—	—	120	—	120
Mr. Vincent Chin 錢榮澤 (note e)	120	—	—	—	120	—	120
Supervisors							
Ms. Yin Xuefang 尹雪芳	—	530	—	53	583	947	1,530
Mr. Zhuang Shuguang 莊樹廣	—	—	—	—	—	—	—
Mr. Yuan Yi 袁毅	—	—	—	—	—	—	—
	<u>360</u>	<u>2,637</u>	<u>—</u>	<u>106</u>	<u>3,103</u>	<u>3,373</u>	<u>6,476</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS — *continued*

For the year ended 31 December 2024

	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments (note f) RMB'000	Total RMB'000
Executive director							
Mr. Li Xiguang 李錫光 (note a)	—	2,103	555	47	2,705	389	3,094
Non-executive directors							
Mr. Au Yeung Chung 歐陽忠 (note b)	—	—	—	—	—	—	—
Mr. Jiang Dacai 姜達才 (note c)	—	—	—	—	—	—	—
Independent non-executive directors							
Mr. He Zhengsheng 賀正生 (note d)	120	—	—	—	120	—	120
Ms. Li Min 李旻 (note d)	120	—	—	—	120	—	120
Mr. Vincent Chin 錢榮澤 (note e)	10	—	—	—	10	—	10
Supervisors							
Ms. Yin Xuefang 尹雪芳	—	548	15	47	610	856	1,466
Mr. Zhuang Shuguang 莊樹廣	—	—	—	—	—	—	—
Mr. Yuan Yi 袁毅	—	—	—	—	—	—	—
	<u>250</u>	<u>2,651</u>	<u>570</u>	<u>94</u>	<u>3,565</u>	<u>1,245</u>	<u>4,810</u>

Notes:

- (a) Mr. Li Xiguang (李錫光) acted as a director since 2009 and was re-designated as an executive director in November 2024.
- (b) Mr. Au Yeung Chung (歐陽忠) acted as a supervisor since 2009 and was appointed as a director in October 2022 and re-designated as a non-executive director in November 2024.
- (c) Mr. Jiang Dacai (姜達才) was appointed as a director in October 2022 and re-designated as a non-executive director in November 2024.
- (d) Mr. He Zhengsheng (賀正生) and Ms. Li Min (李旻) were appointed as independent directors in October 2022 and re-designated as independent non-executive directors in November 2024.
- (e) Mr. Vincent Chin (錢榮澤) was appointed as an independent non-executive director in November 2024.
- (f) These represent the estimated value of the restricted shares (note 27) granted to the directors and supervisors of the Company under the Company's share award scheme. The value of these restricted shares is measured according to the Group's accounting policy for share-based payment transactions as set out in note 2(p)(ii). The details of the share award scheme are disclosed in note 27.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS — continuedNotes: — *continued*

- (g) During the current and comparative periods, no director or supervisor has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors and the supervisors as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

9 FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, one (2024: one) is a director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four (2024: four) individuals are as follows:

	2025 RMB'000	2024 RMB'000
Salaries and other emoluments	3,890	3,946
Discretionary bonuses	—	720
Share-based payments	7,417	6,920
Retirement scheme contributions	211	188
	<u>11,518</u>	<u>11,774</u>

The emoluments of the remaining highest paid non-director/supervisor individuals are within the following bands:

	2025 Number of individuals	2024 Number of individuals
HK\$2,500,001 to HK\$3,000,000	2	2
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$3,500,001 to HK\$4,500,000	1	—
HK\$4,500,001 to HK\$5,000,000	—	1

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

10 LOSS PER SHARE**(a) Basic loss per share**

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB55,605,000 (2024: RMB492,455,000) and the weighted average of 365,340,000 ordinary shares (2024: 363,198,000 shares) in issue during the year, calculated as follows:

Weighted-average number of ordinary shares

	Year ended 31 December	
	2025 '000	2024 '000
Issued ordinary shares at 1 January	363,198	363,198
Effect of shares issued by initial public offering (note 28(b))	2,142	—
Weighted average number of ordinary shares at 31 December	<u>365,340</u>	<u>363,198</u>

(b) Diluted loss per share

For the years ended 31 December 2025 and 2024, the Company did not have any dilutive potential ordinary shares outstanding. Accordingly, diluted loss per share were equal to basic loss per share for both years.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

11 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

	Building and Construction RMB'000	Machinery and equipment RMB'000	Office equipment and others RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2024	—	1,175,101	6,559	1,761	70,164	368,536	1,622,121
Additions	—	1,320	200	—	126	1,067,942	1,069,588
Disposals	—	(3,175)	(155)	—	(1,221)	—	(4,551)
Transfers within property, plant and equipment	—	154,259	6,800	—	3,830	(164,889)	—
At 31 December 2024 and 1 January 2025	—	1,327,505	13,404	1,761	72,899	1,271,589	2,687,158
Additions	—	10,776	15	—	—	547,302	558,093
Disposals	—	(29)	(10)	—	—	—	(39)
Transfers within property, plant and equipment	362,189	50,645	5,786	—	122,111	(540,731)	—
Transfer to construction in progress for upgrades	—	(151,332)	—	—	—	151,332	—
At 31 December 2025	362,189	1,237,565	19,195	1,761	195,010	1,429,492	3,245,212
Accumulated depreciation:							
At 1 January 2024	—	(206,373)	(3,696)	(814)	(20,142)	—	(231,025)
Charge for the year (note 6(c))	—	(107,309)	(1,826)	(250)	(11,035)	—	(120,420)
Written back on disposals	—	2,787	147	—	91	—	3,025
At 31 December 2024 and 1 January 2025	—	(310,895)	(5,375)	(1,064)	(31,086)	—	(348,420)
Charge for the year (note 6(c))	—	(122,218)	(1,760)	(240)	(11,461)	—	(135,679)
Transfer to construction in progress for upgrades	—	33,677	—	—	—	(33,677)	—
Written back on disposals	—	15	10	—	—	—	25
At 31 December 2025	—	(399,421)	(7,125)	(1,304)	(42,547)	(33,677)	(484,074)
Net book value:							
At 31 December 2024	—	1,016,610	8,029	697	41,813	1,271,589	2,338,738
At 31 December 2025	362,189	838,144	12,070	457	152,463	1,395,815	2,761,138

As at 31 December 2025, property, plant and equipment with net book value of RMB864,886,000 (2024: RMB802,155,000) was pledged as security for bank loans.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

12 RIGHT-OF-USE ASSETS

Reconciliation of carrying amount

	Leasehold land RMB'000	Leased property RMB'000	Total RMB'000
Cost:			
At 1 January 2024	150,411	68,576	218,987
Additions	—	4,577	4,577
Disposals	—	(7,901)	(7,901)
At 31 December 2024, 1 January 2025 and 31 December 2025	<u>150,411</u>	<u>65,252</u>	<u>215,663</u>
Accumulated depreciation:			
At 1 January 2024	(2,898)	(10,712)	(13,610)
Charge for the year (note 6(c))	(3,008)	(7,387)	(10,395)
Written back on disposals	—	4,192	4,192
At 31 December 2024 and 1 January 2025	<u>(5,906)</u>	<u>(13,907)</u>	<u>(19,813)</u>
Charge for the year (note 6(c))	<u>(3,008)</u>	<u>(7,067)</u>	<u>(10,075)</u>
At 31 December 2025	<u>(8,914)</u>	<u>(20,974)</u>	<u>(29,888)</u>
Net book value:			
At 31 December 2024	<u>144,505</u>	<u>51,345</u>	<u>195,850</u>
At 31 December 2025	<u>141,497</u>	<u>44,278</u>	<u>185,775</u>

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost in Chinese Mainland, with remaining lease term of between 10 and 50 years	141,497	144,505
Other properties leased for own use, carried at depreciated cost	44,278	51,345
	<u>185,775</u>	<u>195,850</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

12 RIGHT-OF-USE ASSETS — *continued***Reconciliation of carrying amount — *continued***

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2025 RMB'000	2024 RMB'000
Depreciation charge of right-of-use assets by class of underlying assets:		
Ownership interests in leasehold land and buildings	3,008	3,008
Other properties leased for own use	<u>7,067</u>	<u>7,387</u>
	<u><u>10,075</u></u>	<u><u>10,395</u></u>
Interest on lease liabilities (note 6(a))	2,441	2,739
Expense relating to short-term leases	2,451	4,101

Details of total cash outflow for leases is set out in note 18(d) and the maturity analysis of lease liabilities is set out in note 23.

As at 31 December 2025, certain leasehold land of the Group with net book value of RMB141,497,000 (2024: RMB144,505,000) was pledged as security for bank loans.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

13 INTANGIBLE ASSETS

	Software RMB'000
Cost:	
At 1 January 2024	944
Additions	3,598
At 31 December 2024 and 1 January 2025	4,542
Additions	2,729
At 31 December 2025	7,271
Accumulated amortisation:	
At 1 January 2024	(632)
Charge for the year (note 6(c))	(458)
At 31 December 2024 and 1 January 2025	(1,090)
Charge for the year (note 6(c))	(1,001)
At 31 December 2025	(2,091)
Net book value:	
At 31 December 2024	3,452
At 31 December 2025	5,180

The amortisation charges for the year are included in “administrative and other operating expenses” in the consolidated statement of profit or loss and other comprehensive income.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Proportion of ownership interest			Principal activities and place of operation
		Group's effective interest	Held by the Company	Held by a Subsidiary	
Dongguan South Semiconductor Technology Co., Ltd. 東莞南方半導體科技有限公司 (note)	The PRC/ 23 November 2016	RMB 92,000,000	59.29%	—	Inspection and sale of devices in Dongguan, Guangdong Province, the PRC.

Note: The official name of this entity is in Chinese. The English translation is for identification purposes only. The entity is a limited liability company established in the PRC.

The following table lists out the information relating to Dongguan South Semiconductor Technology Co., Ltd., the only subsidiary of the Group which has a material NCI. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2025 RMB'000	2024 RMB'000
NCI percentage	40.71%	40.71%
Current assets	48,864	18,452
Non-current assets	59,132	54,550
Current liabilities	97,637	45,049
Non-current liabilities	15,109	16,480
Net (liabilities)/assets	(4,750)	11,473
Carrying amount of NCI	(1,934)	4,670
Revenue	34,827	6,628
Loss and total comprehensive income	(16,223)	(19,151)
Loss allocated to NCI	(6,604)	(7,797)
Cash flows from operating activities	(29,192)	4,239
Cash flows from investing activities	(8,829)	(6,106)
Cash flows from financing activities	(39,433)	(2,199)

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	2025 RMB'000	2024 RMB'000
Non-current			
Prepayments, deposits and other receivables			
— third parties		180,335	221,865
— related parties	31(d)	—	11,445
		<u>180,335</u>	<u>233,310</u>
Current			
Prepayments, deposits and other receivables			
— third parties		159,887	35,268
— related parties	31(d)	2,142	—
Other financial assets at amortised cost (note)		27,297	—
Value added tax recoverable		<u>19,197</u>	<u>84,038</u>
		208,523	119,306
Less: loss allowance		<u>(550)</u>	<u>(333)</u>
		<u>207,973</u>	<u>118,973</u>
		<u>388,308</u>	<u>352,283</u>

Note: At 31 December 2025, the other financial assets at amortised cost represented a fixed rate note held by the Group with fixed interest rate at 5% per annum, transferrable, non-trading related in nature and issued by private entities.

Current portion of prepayments, deposits and other receivables are expected to be recovered or recognised as expenses within one year.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

16 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprises:

	2025 RMB'000	2024 RMB'000
Raw materials	38,896	129,988
Semi-finished products and work in progress	16,503	23,922
Finished goods	13,810	29,489
	<u>69,209</u>	<u>183,399</u>

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2025 RMB'000	2024 RMB'000
Carrying amount of inventories sold	596,160	577,537
Reversal of inventory write-down of inventories (note)	(34,159)	—
Write down of inventories	13,073	315,122
	<u>575,074</u>	<u>892,659</u>

Note: The reversal of write-down of inventories during the year ended 31 December 2025 arose from the return of certain inventories to a supplier due to quality issues. The purchase cost of such returned inventories was RMB52,278,000, which was written down by RMB34,159,000 as at 31 December 2024. Both the cost of inventories and related write-down were derecognised upon returning to a supplier.

17 TRADE AND BILLS RECEIVABLES

	Note	2025 RMB'000	2024 RMB'000
Trade receivables			
— third parties		793,923	156,777
— related parties	31(d)	2,001	1,954
		<u>795,924</u>	<u>158,731</u>
Bills receivables — third parties		19,967	45,232
Less: loss allowance		(73,305)	(56,425)
		<u>742,586</u>	<u>147,538</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

17 TRADE AND BILLS RECEIVABLES — continued

The Group derecognised the bills receivables issued by the major banks or the banks with qualified rating when the bill receivables are transferred to others through endorsement to suppliers or discounting to other banks. As at 31 December 2025, bills receivables of RMB9,259,000 (2024: RMB8,261,000) were transferred but not derecognised.

Aging analysis

As of the end of the reporting period, the aging analysis of trade and bill receivables, based on the revenue recognition date and net of loss allowance, is as follows:

	2025 RMB'000	2024 RMB'000
0-90 days	499,348	119,429
91-180 days	70,940	16,209
181-270 days	128,541	6,780
271-365 days	43,757	2,008
Over 1 year	—	3,112
	<u>742,586</u>	<u>147,538</u>

Trade receivables are due within 15 to 180 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 29(a).

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION**(a) Cash and cash equivalents comprise:**

	2025 RMB'000	2024 RMB'000
Cash at bank and on hand	<u>1,173,182</u>	<u>152,399</u>
Less: Restricted cash		
— Deposits related to litigation	(1,033)	—
— Deposits pledged for issuing bank acceptance	—	(2,438)
— Deposits pledged for letters of credit	—	(2,116)
— Deposits pledged for letters of guarantee	<u>(5,874)</u>	<u>(33,268)</u>
	<u>(6,907)</u>	<u>(37,822)</u>
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	<u>1,166,275</u>	<u>114,577</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION —
continued

(b) Reconciliation of loss before taxation to cash used in operations:

	Note	2025 RMB'000	2024 RMB'000
Loss before taxation		(74,063)	(589,188)
Adjustments for:			
Depreciation	6(c)	145,754	130,815
Amortisation of intangible assets	6(c)	1,001	458
Provision for impairment losses on financial assets	6(c)	17,102	45,040
Interest income	5	(935)	(1,081)
Finance costs	6(a)	48,744	34,551
(Reversal of write-down)/write-down of inventories	16(b)	(21,086)	315,122
Loss/(gain) on disposals of property, plant and equipment	5	14	(85)
Equity settled share-based payment expenses	6(b)	25,819	23,166
Changes in working capital:			
Decrease/(increase) in inventories		135,276	(103,973)
(Increase)/decrease in trade and bills receivables		(612,150)	157,845
Increase in prepayments, deposits and other receivables		(95,006)	(22,261)
Increase/(decrease) in trade and bills payables		6,385	(53,181)
Increase/(decrease) in other payables and accruals		2,448	(2,420)
Increase in deferred income		33,266	5,195
Increase in restricted cash		(1,033)	—
Increase/(decrease) in contract liabilities		2,378	(2,269)
Cash used in operations		<u>(386,086)</u>	<u>(62,266)</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

**18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION —
*continued*****(c) Reconciliation of liabilities arising from financing activities:**

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

	Bank loans and other borrowings RMB'000 (note 22)	Lease liabilities RMB'000 (note 23)	Total RMB'000
Balance at 1 January 2025	1,694,179	55,105	1,749,284
Changes from financing cash flows:			
Proceeds from bank loans and other borrowings	1,274,639	—	1,274,639
Repayment of bank loans and other borrowings	(686,004)	—	(686,004)
Capital element of lease rentals paid	—	(7,065)	(7,065)
Interest element of lease rentals paid	—	(2,441)	(2,441)
Interest paid	(82,844)	—	(82,844)
Total changes from financing cash flows	505,791	(9,506)	496,285
Other changes:			
Interests incurred during the year	46,303	2,441	48,744
Capitalised borrowing costs	20,701	—	20,701
Total other changes	67,004	2,441	69,445
Balance at 31 December 2025	2,266,974	48,040	2,315,014

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION —
continued(c) Reconciliation of liabilities arising from financing activities: — *continued*

	Bank loans and other borrowings RMB'000 (note 22)	Lease liabilities RMB'000 (note 23)	Total RMB'000
Balance at 1 January 2024	783,718	62,145	845,863
Changes from financing cash flows:			
Proceeds from bank loans and other borrowings	1,413,052	—	1,413,052
Repayment of bank loans and other borrowings	(487,867)	—	(487,867)
Capital element of lease rentals paid	—	(7,427)	(7,427)
Interest element of lease rentals paid	—	(2,739)	(2,739)
Interest paid	(56,677)	—	(56,677)
Total changes from financing cash flows	868,508	(10,166)	858,342
Other changes:			
Interests incurred during the year	31,812	2,739	34,551
Capitalised borrowing costs	10,141	—	10,141
Increase in lease liabilities	—	4,577	4,577
Decrease in lease liabilities due to disposal of leased assets	—	(4,190)	(4,190)
Total other changes	41,953	3,126	45,079
Balance at 31 December 2024	1,694,179	55,105	1,749,284

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

**18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION —
*continued*****(d) Total cash outflow for leases**

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2025 RMB'000	2024 RMB'000
Within operating cash flows	2,451	4,101
Within financing cash flows	9,506	10,166
	<u>11,957</u>	<u>14,267</u>

(e) Major non-cash transactions

As at 31 December 2025, the Group endorsed bills receivables of RMB9,259,000 (2024: RMB8,261,000) for settlement of purchase of inventories and property, plant and equipment. Such transactions were considered as non-cash transactions.

19 TRADE AND BILLS PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	141,168	134,244
Bills payables	—	24,506
	<u>141,168</u>	<u>158,750</u>

All trade and bills payables are expected to be settled within one year or are repayable on demand.

As of the end of each of the reporting period, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	133,300	154,457
1 year to 2 years	5,580	2,234
Over 2 years	2,288	2,059
	<u>141,168</u>	<u>158,750</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

20 OTHER PAYABLES AND ACCRUALS

	Note	2025 RMB'000	2024 RMB'000
Salaries, wages, bonus and benefits payable		9,186	10,900
Other tax payable		808	624
Other payables and accruals		186,711	296,515
Amounts due to related parties (ii)	31(d)	13,368	15,690
		<u>210,073</u>	<u>323,729</u>

Notes:

- (i) All other payables and accruals are expected to be settled within one year or are repayable on demand.
- (ii) Amounts due to related parties are unsecured, interest-free and repayable on demand.

21 CONTRACT LIABILITIES

Contract liabilities represent receipts in advance from customers before the delivery of the goods recognised. Movement of contract liabilities are as follows:

	2025 RMB'000	2024 RMB'000
Balance at the beginning of the year	1,877	4,146
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(1,290)	(2,842)
Increase in contract liabilities as a result of billing in advance of sales activities	3,668	573
Balance at the end of the year	<u>4,255</u>	<u>1,877</u>

The amounts of contract liabilities expected to be recognised as income after more than one year as at 31 December 2025 are RMB588,000 (2024: RMB1,630,000). All of the other contract liabilities are expected to be recognised as income within one year.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

22 BANK LOANS AND OTHER BORROWINGS

The maturity profile for the interest-bearing bank loans and other borrowings of the Group at the end of each reporting period is as follows:

	2025 RMB'000	2024 RMB'000
Current		
Short-term bank loans and other borrowings	384,006	350,827
Current portion of long-term bank loans and other borrowings	<u>381,447</u>	<u>283,732</u>
	765,453	634,559
Non-current		
Long-term bank loans and other borrowings	<u>1,501,521</u>	<u>1,059,620</u>
	<u><u>2,266,974</u></u>	<u><u>1,694,179</u></u>

(a) The analysis of the repayment schedule of bank loans is as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year or on demand	<u>558,898</u>	<u>431,320</u>
After 1 year but within 2 years	273,966	72,715
After 2 years but within 5 years	241,732	239,667
After 5 years	<u>841,337</u>	<u>514,267</u>
	<u><u>1,357,035</u></u>	<u><u>826,649</u></u>
	<u><u>1,915,933</u></u>	<u><u>1,257,969</u></u>

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

22 BANK LOANS AND OTHER BORROWINGS — *continued*

(b) The analysis of the repayment schedule of other borrowings is as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year or on demand	206,555	203,239
After 1 year but within 2 years	73,963	168,005
After 2 years but within 5 years	70,523	64,966
	144,486	232,971
	351,041	436,210

In July 2023, the Group signed sale and leaseback agreements with SPDB Financial Leasing Co., Ltd. (“SPDB”) to sell and lease back certain machinery and equipment amounting to RMB200,000,000 to SPDB. The rent will be paid by instalments within the next three years. It is considered as a mortgage loan in substance with an annual effective interest rate of LPR rate plus 30 basis points.

In May 2023, the Group signed sale and leaseback agreements with CCB Financial Leasing Co., Ltd. (“CCB”) to sell and lease back certain machinery and equipment amounting to RMB120,000,000 to CCB. The rent will be paid by instalments within the next four years. It is considered as a mortgage loan in substance with an annual effective interest rate of LPR rate minus 15 basis points.

In July 2023, August 2023, March 2024, April 2024, May 2024 and July 2024, the Group signed sale and leaseback agreements with Agricultural Bank of China Financial Leasing Co., Ltd. (“ABC”) to sell and lease back certain machinery and equipment amounting to RMB30,000,000, RMB35,000,000, RMB35,000,000, RMB38,000,000, RMB22,000,000 and RMB40,000,000 to ABC respectively. The rents will be paid by instalments within the next three years. It is considered as a mortgage loan in substance with an annual effective interest rate of LPR rate minus 20 basis points.

In September 2024, October 2024, January 2025 and June 2025, the Group signed sale and leaseback agreements with Industrial Bank Financial Leasing Co., Ltd. (“Industrial Bank Financial Leasing Corporation”) to sell and lease back certain machinery and equipment amounting to RMB50,000,000, RMB50,000,000, RMB90,000,000 and RMB50,000,000 to Industrial Bank Financial Leasing Corporation respectively. The rent will be paid by instalments within the next four years. It is considered as a mortgage loan in substance with an annual effective interest rate of LPR rate minus 25 basis points.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

22 BANK LOANS AND OTHER BORROWINGS — *continued*

(c) Assets pledged as security and covenants for bank loans and other borrowings

At the end of each reporting period, the bank loans and other borrowings were secured and guaranteed as follows:

	2025 RMB'000	2024 RMB'000
Bank loans		
— Unsecured and unguaranteed	909,468	210,988
— Unsecured and guaranteed	9,606	314,488
— Secured and unguaranteed	996,859	—
— Secured and guaranteed	—	732,493
	<u>1,915,933</u>	<u>1,257,969</u>
Other borrowings		
— Secured and unguaranteed	253,329	240,670
— Secured and guaranteed	97,712	195,540
	<u>351,041</u>	<u>436,210</u>
	<u>2,266,974</u>	<u>1,694,179</u>

As at 31 December 2025, certain bank loans and other borrowings granted to the Group were guaranteed by related parties. The details have been disclosed in note 31(e).

The Group's bank loans and other borrowings were secured by certain assets of the Group. An analysis of the carrying value of these assets is as follows:

	2025 RMB'000	2024 RMB'000
Property, plant and equipment (note 11)	864,886	802,155
Leasehold land (note 12)	<u>141,497</u>	<u>144,505</u>
	<u>1,006,383</u>	<u>946,660</u>

Further details of the Group's management of liquidity risk are set out in note 29(b). As at 31 December 2025, none of the covenants relating to drawn down facilities had been breached.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

23 LEASE LIABILITIES

At the end of each reporting period, the lease liabilities were repayable as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	6,709	6,351
After 1 year but within 2 years	7,068	6,624
After 2 years but within 5 years	20,691	21,817
After 5 years	13,572	20,313
	41,331	48,754
	48,040	55,105

24 DEFERRED INCOME

Deferred income represented unamortised conditional government grants for compensating the Group and Company for the cost of assets and will be recognised in profit or loss over the useful lives of these assets.

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

	Inventory provision RMB'000	Credit loss allowance RMB'000	Deferred income RMB'000	Unused tax losses RMB'000	Unrealised intra-group profit RMB'000	Lease liabilities RMB'000	Right-of- use assets RMB'000	Total RMB'000
Balance at 1 January 2024	5,714	1,742	1,212	7,949	(90)	8,347	(8,020)	16,854
Credited/(charged) to profit or loss (Note 7(a))	45,176	6,638	747	36,263	(14)	(799)	925	88,936
Balance at 31 December 2024 and 1 January 2025	50,890	8,380	1,959	44,212	(104)	7,548	(7,095)	105,790
(Charged)/credited to profit or loss (Note 7(a))	(49,200)	2,037	5,101	53,827	—	(834)	923	11,854
Balance at 31 December 2025	1,690	10,417	7,060	98,039	(104)	6,714	(6,172)	117,644

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

— *continued*

(a) Deferred tax assets and liabilities recognised: — *continued*(ii) *Reconciliation to the consolidated statement of financial position*

	2025	2024
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	117,748	105,894
Net deferred tax liabilities recognised in the consolidated statements of financial position	(104)	(104)
	<u>117,644</u>	<u>105,790</u>

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(q), the Group has not recognised deferred tax assets in respect cumulative tax losses of RMB79,256,000 (2024: RMB75,940,000) and temporary difference of RMB111,159,000 (2024: RMB68,352,000) as it is not probable that future taxable profits against which the deductible temporary difference can be utilised will be available in the relevant tax jurisdiction and entity. These tax losses will be expired within 10 years.

26 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group mainly participates in the social insurance schemes for its employees in Chinese Mainland.

The employees of the Company and its subsidiaries in Chinese Mainland are members of the state-managed retirement benefits schemes operated by the PRC government. They are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligations of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Pursuant to a resolution of the board of directors of the Group approved in January 2022, a share award scheme (the “2022 Share Award Scheme”) was adopted for purpose of providing incentives to the selected employees of the Group.

Under the 2022 Share Award Scheme, 66 employees of the Group were granted with a total of 7,299,360 restricted shares of the Group in January 2022 through 2 employees’ share incentive platforms.

In November 2022, 43 employees were granted with the total of 1,724,574 restricted shares through 3 employees’ share incentive platforms.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS — *continued*

In November 2023, additional 481,277 restricted shares were granted to certain employees.

In September 2024, additional 107,485 restricted shares were granted to certain employees.

In June 2025, additional 52,940 restricted shares were granted to certain employees.

(a) The terms and conditions of the grants are as follows:

Once the vesting conditions underlying the respective restricted shares are met, the restricted shares are considered duly and validly issued to the holder, with restrictions on transfer of such entitlements at any time during a period subject to the listing rule commencing on the date on which the shares of the Company are publicly issued (the “Lock-up Period”).

Where the conditions for unlocking as required by the scheme are fulfilled within the unlocking period, the restricted shares shall be unlocked in four tranches, on the condition that employees remain in service (the “Service Period”). If the employees leave the Group before the end of the Service Period or does not meet the following assessment criteria the awarded shares will be forfeited. The terms are as follows: (1) sign the performance appraisal letter according to the requirements of the general manager; (2) has worked in the Company or subsidiary companies for more than 3 years; (3) others in accordance with relevant laws and regulations.

25% restricted shares would vest on the first anniversary after the Lock-up Period, and the remaining of the shares shall be vested on straight-line basis at the anniversary years over a period of the remaining three years.

(b) Movements in the number of restricted shares granted to employees are as follows:

	Numbers of restricted shares (Note)
Outstanding as at 1 January 2024	8,767,254
Granted during the year	107,485
Forfeited during the year	(283,954)
Outstanding as at 31 December 2024 and 1 January 2025	8,590,785
Granted during the year	52,940
Forfeited during the year	(157,217)
Outstanding as at 31 December 2025	<u>8,486,508</u>

Note: The weighted-average subscription price per restricted share is ranged of RMB4.42-RMB5.61. No restricted share was vested as at 31 December 2025 and 2024. The weighted average remaining contractual life of restricted share is 3.93 years (2024:4.93 years).

The directors have used the income approach to determine the fair value of the restricted shares granted in September 2024 and June 2025. The discounted cash flow derived by management considered the Group’s future business plan, specific business and financial risks, the stage of development of the Group’s operations and economic and competitive elements affecting the Group’s business, industry and market.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS — *continued***(c) Fair value of restricted shares and assumptions**

The fair value of services received in return for restricted shares granted is measured by reference to the fair value of restricted shares granted. Key valuation assumptions used to determine the fair value of the restricted shares in September 2024 and June 2025 are as follows.

The expected volatility is referenced to the average of daily historical share price volatility of comparable companies operating in similar industry of the Company. No dividends are expected based on the historical record.

	September 2024 and June 2025
Fair value at measurement date (after consideration of capitalisation issue) (RMB)	30.31
Weighted average cost of capital (“WACC”)	10.33%
Market premium	5.5%
Risk-free interest rate	3.5%

Changes in the subjective input assumption could materially affect the fair value estimate.

(d) Equity settled share-based transactions expenses recognised in the consolidated statement of profit or loss and other comprehensive income:

Share-based payment expense of RMB25,819,000 (2024: RMB23,166,000) is recognised as staff costs (note 6(b)) in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2025.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

28 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company:

	Share capital RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2024	363,198	1,246,021	11,125	154,934	(55,309)	1,719,969
Changes in equity for 2024:						
Loss and total comprehensive income for the year	—	—	—	—	(481,231)	(481,231)
Equity settled share-based transactions	—	23,166	—	—	—	23,166
Balance at 31 December 2024 and 1 January 2025	363,198	1,269,187	11,125	154,934	(536,540)	1,261,904
Changes in equity for 2025:						
Loss and total comprehensive income for the year	—	—	—	—	(45,905)	(45,905)
Issue of ordinary shares by initial public offering, net of issuance costs	30,071	1,498,364	—	—	—	1,528,435
Equity settled share-based transactions	—	25,819	—	—	—	25,819
Balance at 31 December 2025	393,269	2,793,370	11,125	154,934	(582,445)	2,770,253

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

28 CAPITAL, RESERVES AND DIVIDENDS — *continued***(b) Share capital**

	Number of shares '000	Share capital RMB'000
Ordinary shares, issued and fully paid:		
At 1 January 2024, 31 December 2024 and 1 January 2025	363,198	363,198
Share issued by initial public offering (note)	<u>30,071</u>	<u>30,071</u>
At 31 December 2025	<u><u>393,269</u></u>	<u><u>393,269</u></u>

Note: On 5 December 2025, the Company issued 30,071,000 H shares with par value of RMB1 each at a price of HK\$58.00 per share by initial public offering. The proceeds of RMB30,071,000, representing the par value, were credited to the Company's share capital. The remaining proceeds, net of share issuance costs, of approximately RMB1,498,364,000 were credited to the Company's capital reserve account.

(c) Dividends

No dividends have been declared by the Company during the year (2024: Nil).

(d) Nature and purpose of reserves**(i) Capital reserve**

The capital reserve mainly comprises (i) the portion of the grant date fair value of restricted shares granted to the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments and (ii) the excess of the contributions from the shareholders of the Company over the total paid-in capital or ordinary shares issued.

(ii) PRC statutory reserve

According to the PRC laws, the PRC subsidiaries of the Group and the Company are required to set up two statutory reserve funds which are general reserve fund and staff general fund. General reserve fund was set up by appropriating at least 10% of the entity's annual profit after taxation, as determined under PRC regulations, until the balance of the fund equals to 50% of the entity's registered capital. This fund can be used to make up previous years' losses or to convert into paid-in capital. Transfer from retained earnings to staff general fund is made at the discretion of the board of directors of the entities.

PRC statutory reserve in the Group's consolidated statement of changes in equity represented the amount allocated for the Company and relevant subsidiaries.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

28 CAPITAL, RESERVES AND DIVIDENDS — *continued***(d) Nature and purpose of reserves — *continued*****(iii) *Other reserve***

Other reserve mainly represents the recognition of financial instruments issued to investors.

The financial instruments issued to investors did not meet the definition of equity for the Company. Therefore, the Company identified the financial instruments as liabilities and reclassified from other reserve to current liabilities. The corresponding liabilities were subsequently reclassified from current liabilities to equity since the investors agreed to waive the obligation of the Company from the redemption right.

(iv) *Exchange reserve*

The exchange reserve comprises the foreign exchange differences arising from the translation of the financial statements of foreign operations.

(e) *Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, restricted cash and bills receivable are limited because the counterparties are banks and financial institutions with sound credit ratings, for which the Group considers to have low credit risk.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES — *continued*(a) Credit risk — *continued**Trade receivables and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

As of 31 December 2025, 10% (2024: 24%) of the total trade receivables was due from the Group's largest customer, and 31% (2024: 34%) of the total trade receivables was due from the Group's five largest customers at the end of the reporting year.

In respect of trade receivables, individual credit evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade and bills receivables are due within 15 to 180 days from the date of invoice. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

As at 31 December 2025 and 2024, the loss allowance of trade receivables is determined as below:

	2025			
	Expected loss rates %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net balance RMB'000
Trade receivables for which the loss allowance is measured on an individual basis	43%	158,211	(67,823)	90,388
Trade receivables for which the loss allowance is measured using a provision matrix		<u>637,713</u>	<u>(5,482)</u>	<u>632,231</u>
		<u>795,924</u>	<u>(73,305)</u>	<u>722,619</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES — *continued*(a) Credit risk — *continued**Trade receivables and other receivables — continued*

	2024			
	Expected loss rates %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net balance RMB'000
Trade receivables for which the loss allowance is measured on an individual basis	76%	72,661	(55,149)	17,512
Trade receivables for which the loss allowance is measured using a provision matrix		<u>86,070</u>	<u>(1,276)</u>	<u>84,794</u>
		<u>158,731</u>	<u>(56,425)</u>	<u>102,306</u>

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables which are assessed collectively as at the end of the reporting years:

	2025		
	Expected loss rates %	Gross carrying amount RMB'000	Loss allowance RMB'000
0-90 days	0.20%	441,652	878
91-180 days	0.69%	54,415	376
181-270 days	1.11%	111,142	1,234
271-365 days	5.21%	29,021	1,511
Over 1 year	100.00%	<u>1,483</u>	<u>1,483</u>
		<u>637,713</u>	<u>5,482</u>

	2024		
	Expected loss rates %	Gross carrying amount RMB'000	Loss allowance RMB'000
0-90 days	0.20%	69,808	138
91-180 days	1.19%	7,630	91
181-270 days	4.45%	6,833	304
271-365 days	22.35%	1,360	304
Over 1 year	100.00%	<u>439</u>	<u>439</u>
		<u>86,070</u>	<u>1,276</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES — *continued*(a) Credit risk — *continued**Trade receivables and other receivables — continued*

These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Loss allowance made for bills receivables as of 31 December 2025 was Nil (2024: Nil). These bills receivables are issued by customers who are experiencing unexpected economic difficulties. The Group expects that the amounts of the bill receivables will partially or entirely have difficulty to be recovered and has recognised impairment losses.

Loss allowances of trade receivables

Movement in the loss allowance account in respect of trade receivables during the years ended 31 December 2025 and 2024 is as follows:

	2025 RMB'000	2024 RMB'000
At beginning of the year	56,425	10,544
Transfer from bills receivable	—	933
Impairment loss during the year	16,880	45,040
Amounts written off	—	(92)
At the end of the year	<u>73,305</u>	<u>56,425</u>

Loss allowances of other receivables

Loss allowances in respect of other receivables are recorded using an allowance account unless the Group is satisfied that there is no reasonable expectation of further recoveries in which case the receivables are written off.

The movement in the loss allowances in respect of other receivables during the years ended 31 December 2025 and 2024 is as follows.

	2025 RMB'000	2024 RMB'000
At beginning of the year	333	333
Impairment loss during the year	<u>222</u>	—
At the end of the year	<u>555</u>	<u>333</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES — *continued*

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities as at the end of the reporting years of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates on, if floating, based on rates current at the end of the reporting years) and the earliest date the Group can be required to pay.

For borrowings subject to repayment on demand clause which can be exercised at the bank's sole discretion, the maturity analysis shows the cash outflow based on expected repayment dates with reference to the schedule of repayments set out in the banking facilities letter.

	2025					Carrying amount RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years but within 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	
Trade and bills payables	141,168	—	—	—	141,168	141,168
Other payables and accruals	210,073	—	—	—	210,073	210,073
Bank loans and other borrowings	823,368	397,304	404,295	892,409	2,517,376	2,266,974
Lease liabilities	8,847	8,886	24,106	14,983	56,822	48,040
	<u>1,183,456</u>	<u>406,190</u>	<u>428,401</u>	<u>907,392</u>	<u>2,925,439</u>	<u>2,666,255</u>
	2024					Carrying amount RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years but within 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	
Trade and bills payables	158,750	—	—	—	158,750	158,750
Other payables and accruals	323,729	—	—	—	323,729	323,729
Bank loans and other borrowings	674,450	282,373	328,659	596,802	1,882,284	1,694,179
Lease liabilities	8,793	8,847	26,161	21,814	65,615	55,105
	<u>1,165,722</u>	<u>291,220</u>	<u>354,820</u>	<u>618,616</u>	<u>2,430,378</u>	<u>2,231,763</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES — *continued*

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from the Group's bank loans and other borrowings. Bank loans and other borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. However, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest risk exposure. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group at the end of the reporting years.

	As at 31 December 2025		As at 31 December 2024	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
Fixed rate instruments:				
Bank loans and other borrowings	2.50%–3.70%	336,155	2.52%–3.65%	269,362
Lease liabilities	3.95%–4.90%	48,043	3.95%–4.90%	55,105
		384,198		324,467
Variable rate instruments:				
Bank loans and other borrowings	2.60%–3.95%	1,930,819	2.70%–4.40%	1,424,817
		2,315,017		1,749,284

(ii) Sensitivity analysis

As at 31 December 2025, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would have increase/decrease the Group's loss after taxation and accumulated losses by RMB19,308,000 (2024: RMB14,248,000) respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after taxation that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments the Group held at the end of the reporting period, the impact on the Group's loss after taxation is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis as 2024.

(d) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases which give rise to receivables, payables, and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars ("USD"), Euro ("EUR"), Japanese Yen ("JPY") and Hong Kong Dollar ("HKD").

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES — *continued*(d) Foreign currency risk — *continued*(i) *Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the period end date.

The Group's exposures to foreign currencies are as follows:

	Exposure to foreign currencies (expressed in RMB)						
	2025				2024		
	USD RMB'000	EUR RMB'000	JPY RMB'000	HKD RMB'000	USD RMB'000	EUR RMB'000	JPY RMB'000
Cash and cash equivalents	2,952	—	—	952,622	1,436	—	—
Trade and bills receivables	696	—	—	—	1,818	—	—
Prepayments, deposits and other receivables	27,263	—	2,115	—	78,134	97	19,272
Trade and bills payables	(30,471)	(2,531)	(2,834)	—	(26,852)	(5,244)	(3,225)
	<u>440</u>	<u>(2,531)</u>	<u>(719)</u>	<u>952,622</u>	<u>54,536</u>	<u>(5,147)</u>	<u>16,047</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES — continued**(d) Foreign currency risk — continued****(ii) Sensitivity analysis**

The following table indicates the instantaneous change in the Group's loss after taxation (and accumulated losses) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2025		2024	
	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in loss after tax and accumulated losses RMB'000	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after tax and accumulated losses RMB'000
USD	5%	22	5%	2,727
	(5)%	(22)	(5)%	(2,727)
EUR	5%	(127)	5%	(257)
	(5)%	127	(5)%	257
JPY	5%	(36)	5%	(55)
	(5)%	36	(5)%	55
HKD	5%	47,631		
	(5)%	(47,631)		

A 5% weakening of RMB against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after taxation and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2024.

(e) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2025 and 2024.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

30 COMMITMENTS

Capital commitments outstanding at the end of the reporting years not provided for in the financial statements were as follows:

	2025 RMB'000	2024 RMB'000
Contracted for acquisition of property, plant and equipment	1,078,681	1,187,807
Authorised but not contracted for:		
— acquisition of property, plant and equipment	102,541	10,175
Total	<u>1,181,222</u>	<u>1,197,982</u>

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

During the current and comparative periods, the directors are of the view that the following are related parties of the Group:

Name of related party	Relationship with the Group
Mr. Li Xiguang 李錫光	Executive director
Mr. Au Yeung Chung 歐陽忠	Non-executive director
Mr. Zhuang Shuguang 莊樹廣	Supervisor
Mr. Yuan Yi 袁毅	Supervisor
Ms. Li Yongmei 李詠梅	Vice general manager
Ms. Tang Lijun 唐麗君	A close family member of Mr. Au Yeung Chung
Ms. Su Qin 蘇琴	A close family member of Mr. Li Xiguang
Ms. Zhang Rihuan 張日歡	A close family member of Mr. Zhuang Shuguang
Ms. Liang Ruinan 梁瑞南	A close family member of Mr. Yuan Yi
Mr. Jiang Dacai 姜達才	Non-executive director
Dongguan Yuebao Digital Disc Company Limited 東莞市粵寶數碼光盤有限公司	An entity commonly owned by Mr. Li Xiguang and Mr. Au Yeung Chung
Shenzhen Brilliant Technology Co., Ltd.* 深圳市卓瑞源科技有限公司	An entity which has significant influence by Mr. Au Yeung Chung
Shanghai Xianpu Gas Technology Co., Ltd.* 上海先普科技股份有限公司	An entity which has significant influence by Mr. Jiang Dacai
Beijing Tesidi Semiconductor Equipment Co., Ltd.* 北京特思迪半導體設備有限公司	An entity which has significant influence by Mr. Jiang Dacai

* The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

31 MATERIAL RELATED PARTY TRANSACTIONS — continued**(b) Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2025 RMB'000	2024 RMB'000
Salaries and other emoluments	6,887	6,847
Discretionary bonuses	—	1,290
Share-based payments	10,790	8,165
Retirement scheme contributions	317	282
	<u>17,994</u>	<u>16,584</u>

Total remuneration is included in “staff costs” (see note 6(b)).

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

(c) Transactions with related parties

Transactions with related parties are carried out based on terms agreed with the counterparties in ordinary course of business. Apart from disclosures made in other parts of the financial statements, the Group entered into the following material related party transactions during the current and comparative periods.

	2025 RMB'000	2024 RMB'000
Sale of goods to related parties		
Shenzhen Brilliant Technology Co., Ltd.	<u>161</u>	<u>208</u>
Provision of service to related parties		
Beijing Tesidi Semiconductor Equipment Co., Ltd.	<u>—</u>	<u>27</u>
Purchases of goods from		
Shanghai Xianpu Gas Technology Co., Ltd.	2,292	3,740
Beijing Tesidi Semiconductor Equipment Co., Ltd.	<u>33,837</u>	<u>11,549</u>
	<u>36,129</u>	<u>15,289</u>
Lease expenses to		
Dongguan Yuebao Digital Disc Company Limited	<u>7,860</u>	<u>7,860</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

31 MATERIAL RELATED PARTY TRANSACTIONS — *continued*

(d) Balances with related parties

	2025 RMB'000	2024 RMB'000
Trade and bills receivables		
Shenzhen Brilliant Technology Co., Ltd.	2,001	1,954
Prepayments, deposits and other receivables		
Dongguan Yuebao Digital Disc Company Limited	2,142	—
Beijing Tesidi Semiconductor Equipment Co., Ltd.	—	11,445
Other payables and accruals		
Amounts due to related parties		
Shanghai Xianpu Gas Technology Co., Ltd.	4,645	4,565
Beijing Tesidi Semiconductor Equipment Co., Ltd.	8,723	11,125
	13,368	15,690

Note: All balances with related parties are trade in nature.

(e) Guarantees provided by related parties

	2025 RMB'000	2024 RMB'000
Banking facilities granted to the Group with guarantees by related parties	—	6,210,000

Note: Certain facilities granted to the Group were guaranteed by certain directors, supervisors and related parties.

32 CONTROLLING PARTIES

Mr. Li Xiguang and Mr. Au Yeung Chung are acting in concert with each other pursuant to the acting-in-concert agreement. Dongguan Tianyu Gongchuang Investment Consulting Co., Ltd. (東莞市天域共創投資諮詢有限公司) (“Tianyu Gongchuang”), Dongguan Dinghong Investment Consulting Center (Limited Partnership) (東莞市鼎弘投資諮詢中心(有限合夥)) (“Dinghong Investment”), Dongguan Runsheng Investment Consulting Center (Limited Partnership) (東莞市潤生投資諮詢中心(有限合夥)) (“Runsheng Investment”), and Dongguan Wanghe Investment Consulting Center (Limited Partnership) (東莞市旺和投資諮詢中心(有限合夥)) (“Wanghe Investment”) are entities controlled by Mr. Li. Tianyu Gongchuang is owned as to 99% by Mr. Li Xiguang and 1% by Ms. Su Qin. In light of the above, Mr. Li Xiguang, Mr. Au Yeung Chung, Ms. Su Qin, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are considered to be the Group’s c and ultimate controlling parties.

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2025 RMB'000	31 December 2024 RMB'000
Non-current assets			
Property, plant and equipment		2,706,430	2,289,662
Right-of-use assets		182,647	191,807
Intangible assets		5,046	3,265
Prepayments, deposits and other receivables		72,655	233,065
Investment in subsidiaries		160,612	53,612
Deferred tax assets		117,748	105,894
		<u>3,245,138</u>	<u>2,877,305</u>
Current assets			
Inventories		58,574	174,386
Trade and bills receivables		713,535	139,182
Prepayments, deposits and other receivables		279,602	154,875
Restricted cash		5,874	37,822
Cash and cash equivalents		1,164,145	113,842
		<u>2,221,730</u>	<u>620,107</u>
Current liabilities			
Trade and bills payables		133,501	156,389
Other payables and accruals		201,627	319,180
Contract liabilities		2,746	1,728
Bank loans and other borrowings		765,453	634,559
Lease liabilities		5,833	5,560
		<u>1,109,160</u>	<u>1,117,416</u>
Net current assets/(liabilities)		<u>1,112,570</u>	<u>(497,309)</u>
Total assets less current liabilities		<u>4,357,708</u>	<u>2,379,996</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION — *continued*

		31 December 2025	31 December 2024
	Note	RMB'000	RMB'000
Non-current liabilities			
Bank loans and other borrowings		1,501,521	1,059,620
Lease liabilities		38,869	45,416
Deferred income		47,065	13,056
		<u>1,587,455</u>	<u>1,118,092</u>
NET ASSETS		<u>2,770,253</u>	<u>1,261,904</u>
CAPITAL AND RESERVES			
Share capital	28(a)	393,269	363,198
Reserves		<u>2,376,984</u>	<u>898,706</u>
TOTAL EQUITY		<u>2,770,253</u>	<u>1,261,904</u>

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of this report, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting year beginning on or after
Amendments to IFRS 9 and IFRS 7, <i>Contracts Referencing Nature-dependent Electricity</i>	1 January 2026
Amendments to IFRS 9 and IFRS 7: <i>Amendments to the Classification and Measurement of Financial Instruments</i>	1 January 2026
Annual Improvements to IFRS Accounting Standards — Volume 11	1 January 2026
IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
IFRS 19, <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027

XVI. NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RMB, UNLESS OTHERWISE INDICATED)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025
— *continued*

The Group is in the process of making an assessment of what the impact of these developments are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

IFRS 18, Presentation and disclosure in financial statements

IFRS 18 will replace IAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS18 will impact the presentation of financial statements and is not expected to have significant impact on the financial performance and positions of the Group.



TYSiC

廣東天域半導體股份有限公司
GUANGDONG TIANYU SEMICONDUCTOR CO., LTD.