



SUZHOU NOVOSENSE MICROELECTRONICS CO., LTD.
蘇州納芯微電子股份有限公司

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

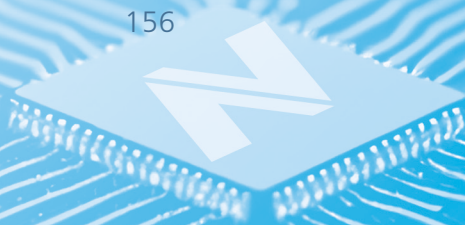
Stock Code: 2676



ANNUAL REPORT
2025

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Wang Shengyang (Executive Director and Chairman)
Mr. Sheng Yun (Executive Director)
Mr. Wang Yifeng (Executive Director)
Mr. Jiang Chaoshang (Executive Director)
Mr. Wu Jie (Non-executive Director)
Dr. Hong Zhiliang (Independent Non-Executive Director)
Dr. Chen Xichan (Independent Non-Executive Director)
Mr. Wang Ruwei (Independent Non-Executive Director)
Ms. Du Linlin (Independent Non-Executive Director)

JOINT COMPANY SECRETARIES

Ms. Wang Yifei
Mr. Cheng Ching Kit

AUTHORIZED REPRESENTATIVES

Mr. Jiang Chaoshang
Mr. Cheng Ching Kit

REGISTERED OFFICE AND HEADQUARTERS IN THE PRC

No.9, Dongdangtian Alley
Suzhou Industrial Park
Jiangsu Province
China

COMPANY'S WEBSITE

www.novosns.com

SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS

Audit Committee

Ms. Du Linlin (Chairperson)
Mr. Wang Ruwei
Dr. Chen Xichan

Remuneration and Appraisal Committee

Dr. Hong Zhiliang (Chairperson)
Dr. Chen Xichan
Ms. Du Linlin

Nomination Committee

Mr. Wang Ruwei (Chairperson)
Ms. Du Linlin
Mr. Wu Jie

Strategy and ESG Committee

Mr. Wang Shengyang (Chairperson)
Mr. Sheng Yun
Mr. Wang Yifeng
Dr. Hong Zhiliang
Mr. Wu Jie

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY TELEPHONE

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COMPANY INFORMATION

AUDITOR

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

COMPLIANCE ADVISOR

Somerley Capital Limited
20/F China Building
29 Queen's Road Central
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

STOCK CODE

Shanghai Stock Exchange 688052.SH
The Stock Exchange of Hong Kong Limited 2676.HK

DEFINITIONS

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

Definition	Definition Content
"A Share(s)"	domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in Renminbi
"Articles of Association" or "Articles"	the articles of association of Suzhou Novosense Microelectronics Co., Ltd., as amended from time to time
"Audit Committee"	the audit committee of the Board
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors of the Company
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules
"China" or "PRC"	the People's Republic of China
"code provision(s)"	the code provisions of Part 2 of the Corporate Governance Code
"PRC Company Law"	the Company Law of the PRC
"connected person(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Company" or "we"	Suzhou Novosense Microelectronics Co., Ltd. (蘇州納芯微電子股份有限公司), a company established in the PRC on May 17, 2013, the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 688052), and the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2676)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of the Company
"domestic"	mainland of PRC (for the purpose of this annual report only, refer to the mainland of the People's Republic of China)
"Global Offering"	the offering of H Shares by the Company for subscription, details of which are set out in the Prospectus
"Group"	the Company and its consolidated subsidiaries

DEFINITIONS

“H Share(s)”	overseas listed foreign ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Third Party(ies)”	person(s) or company(ies) who/which, to the best of our Directors’ knowledge, information and belief, is/are not our connected person(s)
“IFRS”	International Financial Reporting Standards, including standards, amendments and interpretations issued by the International Accounting Standards Board and International Accounting Standards and interpretations issued by the International Accounting Standards Committee
“Listing Date”	December 8, 2025, the date on which the H Shares of the Company were listed and commenced trading on the Main Board of the Hong Kong Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法)
“Prospectus”	the prospectus of the Company dated November 28, 2025 in connection with the Global Offering
“Reporting Period”, “this year”, or “this period”	January 1, 2025 to December 31, 2025
“Renminbi” or “RMB”	Renminbi, the lawful currency of China
“PRC Securities Law”	the Securities Law of the PRC (中華人民共和國證券法)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Naxi”	Shanghai Naxi Microelectronics Co., Ltd. (上海納矽微電子有限公司), a subsidiary of our Company established in the PRC on June 24, 2016

DEFINITIONS

“STAR Market of the Shanghai Stock Exchange”	the Science and Technology Innovation Board of the Shanghai Stock Exchange
“STAR Market Listing Rules”	the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of the Shanghai Stock Exchange
“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
“Shareholder(s)”	holder(s) of Shares(s)
“substantial shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Ruixi Information Consulting”	Suzhou Ruixi Information Consulting Partnership Enterprise (Limited Partnership) (蘇州瑞矽信息諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on December 2, 2019.
“Naxin No.1”	Suzhou Naxin No.1 Information Consulting Partnership Enterprise (Limited Partnership) (蘇州納芯壹號信息諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on September 27, 2020.
“Naxin No.2”	Suzhou Naxin No.2 Information Consulting Partnership Enterprise (Limited Partnership) (蘇州納芯貳號信息諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on September 17, 2020.
“Naxin No.3”	Suzhou Naxin No.3 Information Consulting Partnership Enterprise (Limited Partnership) (蘇州納芯叁號信息諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on September 25, 2020.
“Suzhou Nashwey”	Suzhou Nashwey Semiconductor Co., Ltd. (蘇州納希微半導體有限公司), a subsidiary of our Company established in the PRC on December 30, 2021
“Suzhou Naxing”	Suzhou Naxing Venture Capital Management Co., Ltd. (蘇州納星創業投資管理有限公司), a subsidiary of our Company established in the PRC on February 14, 2022
“Tele-Sight Technology”	Tele-Sight Technology International Limited (遠景科技國際有限公司), a subsidiary of our Company incorporated in Hong Kong on July 23, 2015
“treasury shares”	has the meaning ascribed to it under the Listing Rules
“Shareholder(s)”	holder(s) of our Share(s)
“year-on-year”	compared with the same period of the previous year
“%”	percent

GLOSSARY OF TECHNICAL TERMS

In this annual report, unless the context requires, explanations and definitions of certain terms used in this annual report in connection with the Company and our business shall have the meanings set out below. The terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"ADC"	analog-to-digital converter, a device used to convert continuous analog signals into discrete digital signals
"AEC-Q"	standards established by the Automotive Electronics Council
"Analog Signal"	a voltage, current or physical quantity that continuously and infinitely varies in accordance with some time-varying parameter
"Automotive-grade"	a chip that is specifically designed, manufactured and qualified to meet the stringent requirements and standards of the automotive industry
"BMS"	battery management system
"CAGR"	compound annual growth rate
"CAN"	controller area network, a communication protocol
"CMOS"	complementary metal-oxide semiconductor
"DAC"	digital-to-analog converter, a device used to convert digital signals into analog signals
"DC"	direct current
"Digital Signal"	a signal that represents data as a sequence of discrete values
"fables"	a business model where the entity focuses on R&D and design of ICs and outsources manufacturing to third parties
"GaN"	gallium nitride, a binary III/V direct bandgap semiconductor well-suited for high-power transistors capable of operating at high temperatures
"Hall effect"	refers to the generation of a voltage difference across an electrical conductor when a magnetic field is applied perpendicular to the current, the foundation of many magnetic sensing technologies
"IC" or "Integrated circuit"	a set of electronic circuits on one small plate of semiconductor material (a chip)
"I ² C"	a synchronous, multi-master/multi-slave, single-ended, serial communication protocol

DEFINITIONS

“IGBT”	insulated gate bipolar transistor, a three-terminal power semiconductor device primarily forming an electronic switch
“LDO”	low dropout regulator, a type of voltage regulator that can operate with a very small input-output differential voltage
“LED”	light-emitting diode, a semiconductor diode that emits light when conducting current and is used in electronic equipment
“LIN”	network protocol used for communication between components in modern vehicles
“MCU”	micro controller unit, a type of chip that contains a general-purpose processor core, input/output interfaces and other modules for a variety of applications
“MEMS”	micro-electro-mechanical-system, the technology of microscopic devices that are made up of components between 1 and 100 micrometres in size
“MOSFET”	metal-oxide-semiconductor field-effect transistor, a type of transistor used to amplify or switch electronic signals
“op-amp”	an analog circuit block that takes a differential voltage input and produces a single-ended voltage output
“R&D”	research and development
“Sensor”	a device that measures or detects physical world conditions, such as motion, heat or light, and converts the conditions into analog or digital representations
“SiC”	silicon carbide, a semiconductor material used in various electronic applications
“V”	volt, a unit for voltage
“VHS”	vertical Hall sensor, a Hall sensor structure optimized for detecting vertical magnetic fields

BUSINESS OVERVIEW

I. OVERVIEW OF MAJOR PRODUCTS AND BUSINESS

Novosense is an analog IC provider in China. As a fabless company, the Company provides a comprehensive portfolio of high-performance and reliable products and solutions for application sectors such as (i) automotive electronics, (ii) energy and industrial automation, and (iii) consumer electronics. The Company's three core product categories – sensor products, signal chain chips, and power management chips – collectively form a complete system chain that covers from (i) sensing, (ii) signal processing to (iii) system power supply and power drive, playing a critical role in enabling the connection and interaction between the physical and digital worlds.

The Company's products enable the connection and interaction between the physical and digital worlds:

- Sensor products serve as the starting point of the “physical world-digital world” chain. By detecting physical quantities or environmental changes (such as temperature, pressure, current, etc.) in the real world, sensor products convert these information into electronic signals for processing by the back-end of the electronic equipment systems;
- Signal chain chips are used to collect, amplify, transmit, and process electronic signals along the input-to-output path, ensuring the accuracy and integrity of electronic signals to meet the functional requirements of electronic equipment systems; and
- Power management chips are primarily used for the power supply and power drive of the electronic equipment systems, ensuring the stable power supply and efficient operation of the electronic equipment systems.

To better serve the end customers in different application sectors, the Company develops products to meet various specific functional requirements of electronic equipment systems. Through the synergistic application of sensor products, signal chain chips, and power management chips, Novosense is able to form specific solutions to help end customers achieve their desired specific functions or requirements.

Chinese companies have become a major source of R&D and innovation in many application sectors, such as the new energy vehicle sector. As a Chinese analog IC enterprise, the Company quickly responds to the needs of these end customers, and through deep cooperation with end customers, combines product design with specific application scenarios to develop innovative and differentiated products that are closer to the needs of end customers. The Company believes that this ability to conduct product R&D around the needs of end customers is the core of its competitive advantage.

BUSINESS OVERVIEW

II. INDUSTRY POSITION

The Company is a high-performance and reliable analog and mixed-signal chip design company. After nearly a decade of development, the Company has abundant core technological reserves in three major product categories: sensor products, signal chain chips, and power management chips, and its products have been widely applied across application sectors such as automotive, energy and industrial automation, and consumer electronics.

As a company that achieved mass production of digital isolator chips relatively early in China, the Company now has a very comprehensive range of isolator categories. All of the Company's isolator chip categories have models that have passed automotive-grade certification, and their core technical indicators are comparable to, or surpass those of international competitors. The Company's isolators have successfully entered the supply systems of tier-one customers in industries such as automotive electronics, industrial automation, digital power, and photovoltaic and energy storage, and have achieved volume supply.

The Company is one of the early players to deploy automotive-grade chips in China. Its product applications cover key areas such as the three electric systems of NEVs, automotive lighting, automotive electronic control, body domain control, ICE vehicle power systems, thermal management, smart cabin, and chassis safety. In addition to isolator chips, its non-isolator products also include sensors, LED drivers, general-purpose interfaces, power path protection, wheel speed sensors, motor drivers, Class D audio amplifiers, real-time control MCUs, embedded processor MCU+, and SerDes interfaces. The Company's automotive-grade chips have been installed in volume by mainstream OEMs/Tier-1 automotive suppliers. From product definition and development to wafer packaging and delivery, the Company strictly adheres to automotive-grade processes and automotive-grade quality control systems. The Company has obtained the ISO 26262 functional safety management system certification and the IATF 16949 automotive industry quality management system certification.

Furthermore, the Company is capable of providing a complete category of IoT sensing chips. Currently, it has achieved coverage across multiple categories, including sensor signal conditioning ASICs such as pressure sensors, silicon microphones, acceleration sensors, current sensors, and infrared sensors, as well as temperature and humidity sensors, magnetic sensors, and pressure sensors.

The Company has been recognized by governments at various levels as a national specialized, refined, and innovative "Little Giant" enterprise, a leading technology talent enterprise, a high-tech enterprise, Jiangsu Province's most growth-oriented high-tech enterprise, Jiangsu Province Enterprise Technology Center, Jiangsu Province Analog and Mixed-Signal Chip Engineering Research Center, Suzhou Unicorn Enterprise, and Suzhou Top 100 Innovative Private Enterprises, and has undertaken multiple scientific and technological achievement transformation projects in Jiangsu Province. In 2025, the Company was recognized as a private technology enterprise in Jiangsu Province and has won the "China Chip" award for five consecutive years. Its NSUC1610-Q1QNR won the 20th "China Chip" Excellent Product Award for "Automotive Chip Application," and the NSPAS5 series won the 20th "China Chip" Excellent Technology Innovation Award.

III. FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of our Group for the past five financial years is set out below. This summary does not form part of the audited consolidated financial statements.

	Year ended December 31,				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	3,367,823	1,960,274	1,310,927	1,670,393	862,093
Cost of sales	(2,289,590)	(1,410,928)	(866,865)	(860,119)	(403,809)
Gross profit	1,078,233	549,346	444,062	810,274	458,284
Selling and marketing expenses	(260,896)	(188,942)	(117,444)	(69,980)	(36,299)
Administrative expenses	(305,712)	(286,872)	(245,083)	(169,111)	(64,303)
Research and development expenses	(794,603)	(539,992)	(521,614)	(403,812)	(107,284)
Loss/(profit) before taxation	(241,195)	(404,155)	(297,060)	253,148	248,399
Income tax	12,321	1,277	(8,275)	(3,027)	(24,607)
Loss/(profit) for the year	(228,874)	(402,878)	(305,335)	250,121	223,792
Loss/(profit) attributable to owners of the Company	(228,874)	(402,878)	(305,335)	250,574	223,739

	As at December 31,				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Total non-current assets	3,503,922	2,985,423	1,857,459	1,126,500	321,260
Total current assets	6,177,578	4,688,153	5,298,855	5,723,953	519,544
Total assets	9,681,500	7,673,576	7,156,314	6,850,453	840,804
Total non-current liabilities	1,014,811	969,400	365,255	25,265	18,743
Total current liabilities	1,051,926	757,062	583,537	326,674	266,352
Total liabilities	2,066,737	1,726,462	948,792	351,939	285,095
Equity attributable to owners of the Company	7,597,182	5,942,344	6,206,502	6,497,494	549,733
Net assets	7,614,763	5,947,114	6,207,522	6,498,514	555,709

CHAIRMAN'S STATEMENT

Dear shareholders, investors and those who are concerned about the development of the Company:

2025 marked a pivotal year for Novosense as we deepened our focus on analog and mixed-signal ICs, achieving leapfrog development. Against the backdrop of global semiconductor industry restructuring and the advancement of domestic substitution for analog chips in China, the Company steadily advanced its operations. In 2025, we achieved operating revenue of RMB3,367.8 million, representing a year-on-year increase of 71.8%, and accomplished phased objectives in product innovation, market expansion, and capital operations, achieving a significant milestone in our development journey.

In terms of product innovation, the Company continued to invest in R&D resources to enhance its product portfolio and upgrade product performance. In 2025, the Company has achieved significant milestones with several core products: vehicle video SerDes IC passed DV validation by leading customers; the 4-channel 75W Class D audio amplifier entered mass production, while the 150W variant completed design verification; functional safety-isolated gate driver chips began volume shipments; and the development and mass production rollout of various magnetic sensor and automotive-specific MCU product series proceeded in an orderly manner. These achievements further solidified the Company's product foundation in the fields of sensors, signal chains, and power management.

In terms of market expansion, the Company is focusing on three key sectors – automotive electronics, energy and industrial automation, and consumer electronics to deepen cooperation with core clients. In the automotive electronics sector, the Company is consolidating its business in motor and electronic control systems for new energy vehicles while simultaneously expanding into areas such as vehicle lighting, thermal management, smart cockpits, chassis safety, and intelligent driving. Annual chip shipments in the automotive electronics sector exceeded 750 million units, bringing the cumulative total to over 1,418 million units; In the energy and industrial automation sector, benefiting from the recovery of the manufacturing industry, growing demand for AI servers, and the rebound of the photovoltaic and energy storage industries, shipments of products such as isolation chips, driver chips, and sensors increased, and market coverage expanded; in the consumer electronics sector, the Company launched multiple sensor products tailored to new application scenarios and successfully onboarded clients in emerging application fields. In overseas markets, leveraging sales centers in Japan, South Korea, Germany, and other regions to expand the localized services and have begun supplying products in mass production to several leading global customers in the fields of braking and chassis control systems, as well as thermal management, the Company achieved significant milestones in its international business operations.

In terms of capital operations, on December 8, 2025, the Company completed its H share listing and began trading on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2676.HK), formally establishing an "A+H" dual capital platform. The Company has designated Hong Kong as a key platform for its overseas operations and capital activities. Leveraging its advantage as a hub connecting China with global capital and talent, the Company is continuously enhancing its overseas supply chain system and operational centers, while comprehensively accelerating its global expansion and technological innovation.

CHAIRMAN'S STATEMENT

In 2026, the global semiconductor industry landscape continues to undergo restructuring, while domestic efforts to replace imported analog chips with domestically produced alternatives are advancing further. Leveraging its “A+H” dual capital platform, the Company will focus on its core businesses of analog chips and sensors, prioritizing five key initiatives: First, we will continue to drive technological innovation and cost optimization, upgrade our core technology platforms, and improve our R&D system; second, we will focus on product development and deepening market penetration, refine our full-scenario product portfolio, and expand into high-value sectors and emerging fields; third, we will deepen collaboration with key clients, improve our market and service systems, and accelerate our global market expansion; fourth, we will comprehensively strengthen supply chain management and resource coordination to enhance supply chain resilience, level of autonomy and control, and operational efficiency; Fifth, we will continue to optimize organizational mechanisms and business processes, strengthen talent incentives and leadership development, and enhance operational efficiency.

Moving forward, Novosense will remain steadfast to its founding principles, maintaining a customer-centric approach and driven by technological innovation. We will rigorously implement our business plans, steadily advance our business development, strive to achieve sustained growth in operating performance, create long-term value for our shareholders, and contribute to the development of the Analog ICs Industry!

Suzhou Novosense Microelectronics Co., Ltd.

Wang Shengyang

Chairman

Hong Kong

March 30, 2026

MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY CONDITIONS DURING THE REPORTING PERIOD

(I) Overview of the Analog IC Market

1. Global Market Overview

In 2025, the global semiconductor market continued its recovery momentum from 2024, achieving rapid growth and gradually entering an upward cycle. According to the statistical data released by the World Semiconductor Trade Statistics (collectively, the “**WSTS**”) in March 2026, global semiconductor revenue grew by 26.2% year-on-year in 2025, reaching US\$795.6 billion. The global analog IC market, after reaching a recent peak in 2022, showed a downward trend from 2023 to 2024, but the decline went slow in 2024. By 2025, the market is expected to gradually emerge from its inventory adjustment cycle and achieve a moderate recovery. Annual revenue grow by 8.7% year-on-year, reaching a market size of US\$86.5 billion. This growth will be primarily driven by demand from downstream sectors such as automotive electronics, industrial automation, and AI data centers. Notably, the high computational density requirements of AI servers have significantly increased the usage and performance demands for analog chips like power management and signal chain components.

WSTS forecasts in its statistical data on March 2026 that the global semiconductor market will maintain rapid growth in 2026, reaching a market size of trillion US dollars. According to the WSTS Fall 2025 Forecast, the analog chip market will continue to grow steadily in 2026, with a stable increase of 7.5% and an expected market size of US\$91.988 billion. In terms of growth drivers, beyond stable demand from traditional sectors like and industrial control, the continuous evolution of AI technology and the rapid development of autonomous driving and robot will further stimulate demand for analog chips. Particularly, scenarios such as AI servers and automotive electronics will see sustained demand for high-performance analog chips. Concurrently, industry inventory levels have declined to healthy levels, which is expected to drive steady growth in both volume and price for the analog IC market.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Domestic Market Overview

In 2025, China's semiconductor market maintained robust growth. According to statistic of iiMedia Research, China's integrated circuit market reached RMB1.69 trillion in 2025, representing a year-on-year increase of 16.6%. Data from the General Administration of Customs shows that China's integrated circuit exports reached US\$201.9 billion in 2025, representing a year-on-year increase of 26.8%, surpassing the US\$200 billion threshold for the first time and setting a new historical high.

With the increasing intelligence of new energy vehicles, the large-scale construction of new energy infrastructure such as photovoltaic and energy storage systems, and advancements in industrial automation, China's analog IC market is expected to continue expanding in 2025. According to statistics from the China Business Industry Research Institute, the market size of China's analog chip sector is projected to reach RMB343.1 billion in 2025, representing a year-on-year increase of approximately 5.57%.

Driven by continuous improvements in product performance and reliability from domestic Analog chips, the domestic substitution process has rapidly shifted from consumer electronics to industrial and automotive markets requiring higher reliability. The rapid development of AI infrastructure, new energy vehicle, smart devices, 5G communications, and robot has significantly boosted demand for analog chips such as power management and signal chain solutions. Particularly, advancements in AI servers and new energy vehicles have further fueled demand growth for products like power management integrated circuits.

(II) Sensor Market Overview

According to the statistics from Future Business Insights, the global sensor market size was USD241.06 billion in 2025, and is expected to grow from USD258.47 billion in 2026 to USD527.94 billion in 2034, representing a compound annual growth rate of 9.30% during the forecast period. According to the statistics from China Business Industry Research Institute (中商產業研究院), the Chinese sensor market size was RMB406.12 billion in 2024, representing a year-on-year increase of 11.43%. The Chinese sensor market size will reach RMB452.53 billion in 2025, and the market size will reach RMB504.24 billion in 2026.

Downstream sectors such as new energy vehicles, industrial automation, smart homes, the low-altitude economy, and health monitoring and humanoid robot continue to expand, driving demand for sensors. In the field of vehicle intelligence, demand for magnetic sensors, pressure sensors, and LiDAR is growing rapidly as the penetration rate of Level 2 driver assistance increases and pilot programs for Level 3 autonomous driving advance.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Major Downstream Market Overview

1. Automotive electronics

According to data from the China Association of Automobile Manufacturers, China's automobile production and sales reached 34.531 million units and 34.400 million units respectively in 2025, representing year-on-year growth of 10.4% and 9.4%. Both production and sales hit new historical highs, maintaining China's position as the world's largest automobile producer for 17 consecutive years. Automotive exports reached 7.098 million units in 2025, a 21.1% year-on-year increase, marking the second consecutive year China led global automotive exports. New energy vehicle production and sales reached 16.626 million and 16.490 million units respectively in 2025, growing 29.0% and 28.2% year-on-year. New energy vehicle exports reached 2.615 million units, doubling from the previous year. The large scale and sustained growth momentum of China's automotive industry have laid a solid foundation for the development of its domestic automotive analog chip sector, while also positioning domestic analog chip companies to engage more deeply in international market competition.

With the proportion of domestic brand vehicles in domestic auto sales increasing from 38.4% in 2020 to 69.5% in 2025, the demand of domestic brand vehicles for supply chain security has become increasingly prominent. Domestic supply of automotive analog chips is essential for establishing a stable supply chain ecosystem. In 2024, the domestic production rate for automotive analog chips in China remained low at just 5%, the lowest among all major downstream sectors. To break free from reliance on imported analog chips, domestic automotive brands are actively promoting the localization of analog chips to ensure supply chain autonomy and control, thereby effectively driving the development of China's domestic analog chip market. Domestic analog chip companies are expected to seize new opportunities, and their market share is projected to increase further.

Intelligent technology has become a core development trend in the automotive industry, with penetration accelerating under the dual drivers of policy and technology. Spurred by electrification and intelligent technology, the demand for analog chips in the automotive sector continues to grow, spanning multiple areas including powertrain systems, body control units, driver smart cockpits, autonomous driving, in-vehicle infotainment, body electronics, and lighting. According to statistics and forecasts of Frost & Sullivan, the per-vehicle value of analog chips in smart new energy vehicles reached RMB1,500–2,800 in 2024 and is projected to rise to RMB2,200–4,000 by 2029. According to data from the China Association of Automobile Manufacturers, the penetration rate of passenger vehicles with L2 assisted driving functions reached 64% in the first three quarters of 2025, and is expected to reach 66.1% by the end of 2025. The continuous iteration of intelligent cockpit and autonomous driving functions, along with multi-sensor fusion solutions compensating for the shortcomings of pure vision solutions, are driving the demand for signal chain and power management chips. In the field of intelligent driving, analog chips perform critical functions such as radar/camera signal conditioning, sensor fusion, and high-voltage system isolation, ensuring real-time processing of multimodal data. As the penetration rate of Level 2 driver assistance increases and pilot programs for Level 3 autonomous driving advance, demand for supporting chips for high-end sensors, such as LiDAR and 4D imaging millimeter-wave radar will continue to grow.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Photovoltaics and Energy Storage

In 2025, driven strongly by the green energy transition strategy, China's photovoltaic (PV) industry continued to maintain a rapid development momentum. According to official data released by the National Energy Administration, as of the end of 2025, the country's cumulative grid-connected installed capacity of wind and solar power reached 1.84 billion kilowatts, historically surpassing thermal power; among this, the cumulative installed capacity of national PV power generation historically exceeded 1.2 billion kilowatts, representing a year-on-year increase of 35%, and the national newly installed PV capacity reached 317 million kilowatts (317GW). In terms of the installed structure, newly installed centralized PV capacity was 164 million kilowatts, and newly installed distributed PV capacity was 153 million kilowatts. In the medium to long term, as the global energy transition continues to advance, coupled with the improved economic viability driven by cost reductions and efficiency gains in the PV industry, demand growth in the PV storage sector is expected to persist, providing sustained long-term demand support for related semiconductor devices.

Analog chips play a critical role in core renewable energy equipment such as photovoltaic inverters and power conversion system. Technological advancements and evolving market demands are driving multidimensional innovation trends within the industry. In 2025, as photovoltaic inverters and energy storage converters continue to evolve toward higher efficiency, greater integration, and smaller form factors, the performance requirements for analog chips will rise further. In terms of integrated design, analog chips have evolved significantly from single-function modules to multi-dimensional heterogeneous fusion architectures, relying primarily on System-in-Package (SiP) technology, these chips integrate drive circuits, signal conditioning, digital interfaces, and power management units onto a single chip, while also incorporating passive components. This significantly reduces the number of external components, not only shrinking the PCB footprint but also effectively shielding against electromagnetic interference, thereby enhancing the reliability of photovoltaic equipment systems. Furthermore, the integrated design can incorporate intelligent sensing capabilities by integrating over-temperature, over-current, and over-voltage detection modules within the chip, enabling real-time fault monitoring and rapid response, thereby further enhancing the safety and stability of photovoltaic energy conversion systems.

By 2025, the application scenarios for analog chips in the photovoltaic sector will continue to expand. Beyond traditional photovoltaic inverters and power conversion system, their use in distributed photovoltaic systems and integrated photovoltaic-storage projects will advance steadily, driving sustained growth in demand. As the global energy transition deepens and China's photovoltaic industry continues to develop, analog chips, as core supporting components for new energy photovoltaic equipment, are expected to see sustained market demand growth. This presents new development opportunities for domestic analog chip manufacturers and drives the industry toward high-end and specialized upgrades.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Industrial Automation

In 2025, under the dual effects of the rigid demand for manufacturing transformation and upgrading and the continuous intensification of policies, China's industrial automation market presented a structural growth trend amidst a "weak recovery". According to statistics from the China Research and Intelligence (CRI) Industry Research Institute, the global industrial automation market is expected to grow steadily at a CAGR of approximately 5.5%, and the market size is expected to exceed USD300 billion by 2030; promoted by the policies of the "15th Five-Year Plan", the CAGR of the Chinese market is expected to approach 8%, making it the world's largest single market with a scale exceeding USD100 billion by 2030. This growth is driven by the synergistic resonance between technological and industrial advancements: On one hand, the deep integration of artificial intelligence and robotics stands out as the most significant highlight. AI agents are extensively permeating quality inspection, process optimization, and other stages. Coupled with the large-scale adoption of collaborative robots, this has significantly enhanced production line flexibility and efficiency, even enabling "lights-out production" in some benchmark factories. On the other hand, domestic substitution is accelerating from localized breakthroughs to comprehensive expansion. Domestic brands are steadily eroding foreign market share in medium-and low-voltage frequency converters, servo systems, and other sectors, while achieving breakthroughs in certain high-end equipment. Concurrently, the localization rate of core products like industrial robots, servo systems, and PLCs continues to rise. Leveraging technological iteration and solution capabilities, local brands are further expanding their market presence.

Driven by the convergence of policy support, technological breakthroughs, and market demand, China's industrial automation market is poised for further recovery. Long-term core growth drivers will center on the following structural opportunities: First, the growth of "AI+" related industries will continue to drive demand for automation equipment in high-end sectors such as semiconductors and electronics manufacturing; second, pilot production lines for solid-state batteries and the expansion of lithium-ion battery production will usher in a new cycle of equipment investment; third, the development of new forms of productive capacity, exemplified by the low-altitude economy and embodied intelligence, will open up entirely new growth opportunities for the industry. Additionally, the global expansion of industrial control solutions will become a key long-term growth driver for enterprises, with leading domestic companies accelerating their global footprint to drive incremental revenue growth.

MANAGEMENT DISCUSSION AND ANALYSIS

4. AI Servers

In 2025, the AI server market will continue its strong growth momentum. According to data from Fortune Business Insights, the global AI server market is projected to reach US\$194.62 billion in 2025 and is expected to grow to US\$262.22 billion by 2026, with a compound annual growth rate of 34.73% from 2024 to 2034. By 2034, the market size is projected to reach US\$2,847.32 billion. China holds a dominant position in the Asia-Pacific region, accounting for approximately 14% of the global AI server market share.

As AI server performance improves and functionality expands, the application of analog chips in AI servers will become more widespread and in-depth, particularly in critical areas such as power management, signal conversion, communication interfaces, and thermal management. In the field of power management, AI servers require efficient power management systems to ensure a stable power supply and energy conservation, and analog chips play a crucial role in this regard. For example, power converters and voltage regulators convert the input voltage to the voltages required by various internal server components. Regarding signal conversion, the various sensors and interfaces in AI servers rely on analog chips for signal conversion and processing. Devices such as analog-to-digital converters (ADCs) and digital-to-analog converters (DACs) facilitate the conversion between analog and digital signals, enabling data acquisition and output. Furthermore, AI servers require high-speed, reliable communication interfaces to connect various devices and networks. Analog chips handle signal amplification, filtering, and transmission in these applications, such as Ethernet physical layer chips and fiber optic communication modules. In thermal management, as the power density of AI servers increases and liquid cooling technology rapidly gains traction, the demand for analog chips – including temperature sensors and fan drivers – continues to grow. In the future, as AI technology continues to advance and market demand rises, the AI server market will expand further, inevitably placing higher demands on the performance and reliability of analog chips.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Humanoid Robots

According to forecasts by the Gaogong Industry Institute (GGII), the global sales volume of humanoid robots is expected to reach 12.4 thousand units in 2025, with a market size of RMB6.339 billion. By 2030, sales volume will approach 340 thousand units, with a market size exceeding RMB64 billion, and by 2035, sales volume will surpass 5 million units, with a market size exceeding RMB400 billion. Among these, the Chinese market is expected to reach a sales volume of 7,300 units in 2025, with a market size approaching RMB2.4 billion; by 2030, sales volume will reach 162.5 thousand units, with a market size exceeding RMB25 billion. It is expected that by 2031, humanoid robots will enter a period of rapid volume growth, with sales volume expected to reach around 2 million units by 2035, at which time the Chinese humanoid robot market size is expected to approach RMB140 billion.

Analog chips play a critical role in humanoid robots, being widely applied across multiple core areas such as power management, signal conversion and processing, communication interfaces, sensor signal processing, as well as motor drive and control. In terms of sensor signal processing, signals generated by devices such as temperature sensors, pressure sensors, inertial measurement units, and magnetic sensors all require processing by analog chips to achieve data collection and conversion. With the continuous advancement of AI, 5G communications, and IoT technologies, the intelligence and automation levels of robots will further improve, and application scenarios will become increasingly broad. This will undoubtedly drive sustained growth in demand for analog chips, particularly in areas such as high-performance power management, high-speed signal conversion and processing, and high-precision sensor signal processing. In addition, the diversified development trend of the robot market will create more application opportunities for analog chips. Robot application scenarios in fields such as healthcare, education, and home services all provide a vast market space for analog chips.

MANAGEMENT DISCUSSION AND ANALYSIS

II. MAIN BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

(I) Overview of Main Business

The Company is a high-performance, high-reliability analog and mixed-signal chip company. With the mission of “Sense & Drive the Future, Build a Green, Smart and Connected World with Semiconductors”, the Company adheres to the corporate values of “Robust, Reliable, Keep Learning, Persist in Long-term Value”, and is committed to providing chip-level solutions for the connection between the digital world and the physical world.

The Company focuses on organizing product development around downstream application scenarios, concentrating on three core product categories: sensor products, signal chain chips, and power management chips. We provide a comprehensive portfolio of semiconductor products and solutions, which are widely applied in the automotive electronics, energy and industrial automation, and consumer electronics sectors. Currently, we can provide over 3,900 product models available for sale.

During the Reporting Period, there were no material changes to the Company’s main business.

(II) Overview of Main Products and Services

The Company’s products cover three major product categories: sensor products, signal chain chips, and power management chips, which are widely applied in the automotive electronics, energy and industrial automation, and consumer electronics sectors. Among these, energy and industrial automation primarily refer to industrial applications related to energy systems, covering all stages from power generation, transmission, and distribution to end-use electricity consumption, including PV and energy storage, digital power supply, industrial control, and smart grid. The specific details of the Company’s products are as follows:

Sensor Products	Signal Chain Chips	Power Management Chips
Products <ul style="list-style-type: none"> • Magnetic sensors • Pressure sensors • Temperature and humidity sensors 	Products <ul style="list-style-type: none"> • Sensor signal conditioning chips • Interface • MCU • Isolators • General signal chain 	Products <ul style="list-style-type: none"> • Gate drivers • Audio amplifiers • LED drivers • Power path protection • Motor drivers • Power devices • Power supply

Application Sectors		
 Automotive Electronics <ul style="list-style-type: none"> ■ Smart Connectivity/Driving/Cockpit ■ Body Control and Lighting ■ Chassis and Safety ■ Fuel/Hybrid Vehicle Powertrain ■ Inverter/Powertrain ■ Battery Management System ■ OBC/DC-DC/PDU ■ Thermal Management System 	 Energy and Industrial Automation <ul style="list-style-type: none"> ■ Photovoltaic and Wind Power ■ Smart Grid ■ Energy Storage System ■ Residential Energy Storage ■ Charging Pile ■ Uninterruptible Power Supply ■ Server Power Supply ■ Telecom Power Supply ■ Industrial Motor Drive ■ Industrial Automation ■ Robots 	 Consumer Electronics <ul style="list-style-type: none"> ■ White Appliances, Home Appliances ■ Mobile Phones, PAD, and Peripherals ■ Health and Care (Portable Medical Devices) ■ Drone ■ Portable Electronic Products ■ Data Storage ■ Computers and Peripheral Equipment ■ Audio-Video Entertainment ■ 3D Printing Robot Vacuum Cleaner

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Sensor Products

The Company's sensor products primarily include magnetic sensors, pressure sensors, and temperature and humidity sensors. Details are as follows:

Product Category	Key Products	Characteristics
Magnetic sensors	Integrated current sensors, linear current sensors, wheel speed sensors, angle sensors, industrial encoders, switches and latches, and linear position sensors	Based on Hall, AMR, TMR, BFC, and VHS technologies, providing a comprehensive portfolio of high-precision magnetic sensor solutions for current sensing, angle detection, and position measurement. Widely used in automotive electronics, industrial control, medical electronics, home appliances, and consumer electronics markets.
Pressure sensors	Gauge pressure sensors, absolute pressure sensors, differential pressure sensors	Primarily operating on the piezoresistive effect of silicon and utilizing advanced MEMS micro-fabrication processes, capable of achieving micro-low pressure detection (-100kPa to 400kPa) across a wide temperature range. The pre-calibrated design significantly simplifies customer system integration. Widely used in automotive electronics, industrial control, medical electronics, and white goods.
Temperature and humidity sensors	Analog output temperature sensors, digital output temperature sensors, temperature and humidity sensors	Primarily utilizing the temperature effect of transistor PN junctions and integrating high-precision signal conditioning circuits. Their ultra-high output accuracy and extremely low power consumption allow for wide application in industrial, medical, portable devices, home appliances, wearable devices, as well as computers and servers. Versatile packaging options are broadly suitable for various environments and devices.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Signal Chain Products

Signal chain chips are used throughout the signal path from input to output in a system, encompassing the entire process of signal collection, amplification, transmission, and processing, primarily including linear products, isolator products, converter products, interface products, etc. The Company's signal chain products cover sensor signal conditioning chips, isolators, interfaces, general signal chains, and MCUs within the signal chain sub-segments. Details are as follows:

Product Category	Key Products	Characteristics
Sensor signal conditioning chips	MEMS microphone ASICs, thermopile sensor ASICs, PIR sensor ASICs, pressure sensor ASICs, magnetic sensor ASICs	Integrating various self-designed circuit modules into a single chip, capable of achieving multiple functions such as sensor signal sampling, amplification, ADC conversion, sensor calibration, temperature compensation, and output signal adjustment. Performance and cost are significantly optimized. Serving as the core component of sensor systems, they are widely used in automotive electronics, industrial automation, smart homes, and TWS earphone consumer electronics scenarios.
Isolator products	Digital isolators, isolated interfaces, isolated power modules, isolated sampling products	Based on CMOS processes, utilizing capacitive coupling technology and changes in the internal electric field of capacitors to achieve digital signal transmission. Additionally, building on standard digital isolation chips, the Company has successively developed ultra-wide-body isolators and "isolation+" products. "Isolation+" products integrate multiple types of digital isolation chips such as power and interfaces, enabling simultaneous power, interface, and signal isolation. Featuring high integration, low cost, and compact size, they are widely used in automotive electronics, energy and industrial automation, and consumer electronics.

MANAGEMENT DISCUSSION AND ANALYSIS

Product Category	Key Products	Characteristics
Interface	CAN/LIN interfaces, I ² C interfaces, SerDes interfaces	Interface chips feature communication functions based on general and specific protocols, widely applied for signal transmission between electronic systems to enhance system performance and reliability.
General signal chain chips	Voltage references, amplifiers, data converters	Standard analog signal chain chips based on operational amplifiers (including general-purpose op-amps, precision op-amps, current amplifiers, etc.), general voltage references, general comparators, general analog switches, and discrete ADCs/DACs. Widely used as fundamental components of analog circuits in industrial and automotive applications.
MCU	Real-time control MCU/DSP, general-purpose MCU, embedded processor MCU+	Real-time control MCUs/DSPs utilize high-frequency, high-performance ARM cores combined with proprietary math acceleration cores, along with dedicated peripherals optimized for real-time control, to enhance system control real-time performance; MCU+ products, on the other hand, emphasize the high integration of analog peripherals and application-specific optimization. A single small MCU core integrates power management, interfaces, and analog circuits for motor drive power and driver stages, or signal processing front-end circuits for sensors. These products are applicable in scenarios such as photovoltaic energy storage, power modules, servo drives, automotive electronics, and smart home systems.

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Power Management Products

Power management chips handle power conversion, distribution, detection, and other power management responsibilities within electronic equipment systems. They are critical components that evolve in tandem with electronic product technology and application upgrades, featuring a wide variety of types. The Company's power management products primarily include gate drivers, power supplies, LED drivers, motor drivers, audio amplifiers, and power path protection. Details are as follows:

Product Category	Key Products	Characteristics
Gate drivers	Isolated gate drivers, non-isolated gate drivers	Designed to drive power devices such as MOSFETs, IGBTs, SiC, and GaN, capable of amplifying logic signals from the control unit (MCU), including boosting voltage levels and enhancing current output capacity to achieve fast switching of power devices. Widely used in switching power supply and motor control designs across industrial, communication, and NEV sectors.
Motor drivers	BDC motor drivers, relay and solenoid drivers, stepper motor drivers	Designed to drive various motor loads such as BDC, Stepper, Relay, Valve, and BLDC. Under logic signal inputs from the MCU, they switch and activate outputs to drive various motor loads according to system requirements. Widely applied in motor control designs in industrial, automotive, and other fields.
Audio amplifiers	Audio power amplifiers	Designed to amplify weak pre-stage signals and drive speakers to produce sound. Primarily focusing on automotive-grade, high-power Class D audio amplifiers supporting comprehensive diagnostic and protection functions such as load short circuit, open circuit, and overcurrent protection.

MANAGEMENT DISCUSSION AND ANALYSIS

Product Category	Key Products	Characteristics
Power devices	SiC diodes and MOSFETs	Core components for controlling and converting electric energy in electronic systems, playing a crucial role in medium and high-power applications. Silicon Carbide (SiC) material, due to its inherent wide bandgap characteristics and excellent thermal conductivity, enables devices based on this material to deliver superior performance in high-efficiency energy conversion, fast switching speeds, high voltage endurance, and low conduction loss. Widely suitable for NEVs, PV, and energy storage systems.
LED drivers	Linear LED drivers, switching LED drivers	Supporting complete diagnostic protection, high constant current accuracy, and strong thermal dissipation. Primarily used in applications such as automotive tail lights, headlights, and interior ambient lighting.
Power supply	DC-DC, LDOs, voltage monitors, SBC, PMIC	Designed specifically for automotive battery-powered applications, it supplies power to MCUs and CAN/LIN transceivers in standby systems, thereby reducing system power consumption and extending battery life.
Power path protection	High/low-side switches, electronic fuses	Suitable for driving various load types, including resistive, capacitive, and inductive loads, and supporting comprehensive diagnostic protection features. Primarily used in body control modules, vehicle control units, power distribution controllers, and BMS.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Discussion and Analysis of Operations

The Company focuses on main business development, organizing product development around downstream application scenarios, concentrating on three core product directions: sensor products, signal chain chips, and power management chips. We provide an extensive range of semiconductor products and solutions widely applied in automotive electronics, energy and industrial automation, and consumer electronics, currently offering over 3,900 product models available for sale. The Company's operating status during the Reporting Period is as follows:

1. Operating Performance

In 2025, the Company achieved an operating revenue of RMB3,367.8 million, representing a year-on-year increase of 71.8%; the net loss attributable to shareholders of the listed company for the current period was RMB228.9 million, and the net loss attributable to shareholders of the listed company after deducting non-recurring profit or loss was RMB286.3 million. The Company's operating revenue grew from RMB717.1 million in the first quarter to RMB1,002.3 million in the fourth quarter, achieving consecutive quarter-on-quarter revenue growth for eleven quarters, and the overall operating results were in a trend of rapid growth. Specific details are as follows:

During the Reporting Period, with the steady growth in demand in the downstream automotive electronics sector, the volume of the Company's related products in such sector continued to ramp up; the energy and industrial automation sector showed an overall recovery trend, among which most customers in the PV and energy storage and industrial automation sectors resumed normal demand, and the demand from server power supply customers grew rapidly driven by AI; the consolidation of MagnTek enriched the Company's product matrix, and its business contribution had a positive impact on the revenue growth for the current period.

The main reasons for the improvement in the net loss attributable to shareholders of the listed company and the net loss attributable to shareholders of the listed company after deducting non-recurring profit or loss for the current period are: 1) On the revenue side, the recovery of downstream market demand, the volume increase of new products, and the consolidation of MagnTek drove a significant increase in the Company's shipment volume and operating revenue; 2) On the expense side, the Company continued to deepen lean management and organizational efficiency improvement, resulting in a decrease in the proportion of overall expenses to operating revenue, which promoted the improvement of profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Research and Development

The Company consistently adhered to technological innovation and R&D investment. In 2025, R&D expenses were RMB794.6 million, representing a year-on-year increase of 47.2%, which was primarily due to the Company focuses on the accumulation of talent and technology, continuously investing resources in R&D, talent building, and other aspects; as the Company's scale expanded, the total amount of R&D investment increased overall, primarily due to the increase in R&D personnel and their average compensation. As of the end of December 2025, the number of the Company's R&D personnel was 655, representing a year-on-year increase of 17.0%; in 2025, the average remuneration of the Company's R&D personnel was RMB836,000 per person, representing a year-on-year increase of 23.8%. Specific details are as follows:

- (1) **Sensor Products.** In the field of magnetic sensors, the Company's R&D for several core products within the magnetic sensor product line progressed smoothly according to plan during the Reporting Period. Specifically, the development of current sensors based on closed-loop locking technology is proceeding well. The R&D for ultra-low jitter wheel speed sensors is advancing steadily and is about to enter the mass production induction phase. Additionally, the project for second-generation inductive proximity switch dedicated chips is also making smooth progress. Furthermore, the Company is advancing the R&D of two high-precision vernier absolute encoder chips based on two different technical principles of Hall-effect magnetic sensing and eddy current induction. These products integrate the Company's long-standing proprietary non-linear self-calibration algorithms, which significantly optimize installation adaptability and user experience for customers. This has allowed the Company to establish a parallel technical layout consisting of both magnetic and inductive encoders. This portfolio covers diverse requirements ranging from general control to high-precision motion control, providing position feedback solutions for application scenarios such as servo motors, stepper motors, and robot joints. In the automotive sector, development is progressing smoothly for automotive 3D angle sensors that support micro-power modes and wake-up functions. Meanwhile, R&D for a new generation of differential Hall automotive-grade angle sensors – featuring optimized anti-external magnetic field harmonic performance and dual-channel synchronization is also moving forward steadily, further enriching the Company's automotive angle sensor product matrix.

In the pressure sensor direction, the absolute pressure sensor resistant to harsh media has been successfully introduced to mass production, meeting increasingly stringent environmental emission requirements. In the temperature and humidity sensor direction, the development of products integrating next-generation temperature control and calibration technology proceeded as expected, with relevant samples meeting all design and application performance requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

- (2) Signal Chain Products. In the isolator product direction, during the Reporting Period, the Company's isolator product line continued to undergo iterative upgrades, launching several brand-new products. Among them, the next-generation digital isolators achieved significant cost optimization while reaching the highest automotive EMC levels for EMI performance, and have been deployed on a large scale in the NEV sector. The Company simultaneously launched "miniaturized + fine-pitch wide-body" three-channel digital isolators, next-generation isolated CAN chips, and wide-voltage isolated voltage sampling chips, comprehensively covering application needs from compact layouts to high-voltage sampling scenarios. During the Reporting Period, the Company's interface product line continued to expand its automotive-grade product portfolio, launching the first Mini SBC and a high-performance domestically produced CAN chip to meet automakers' application needs; in the high-speed interface direction, the automotive video SerDes interface chip completed DV validation at top-tier automotive customers. This chip utilizes a fully domestic supply chain, complies with the national standard HSMT protocol, supports interoperability, and features a transmission rate of up to 6.4 Gbps, making it widely applicable in automotive ADAS and intelligent cockpit systems.

In the general signal chain direction, since the third quarter of 2024, the Company successively launched two major categories of products: general-purpose operational amplifiers and current-sensing operational amplifiers. As of December 31, 2025, the Company has achieved large-scale mass production of over 20 products in this category, serving more than 200 customers cumulatively.

For automotive-specific MCU+ analog products, the Company's NovoGenius series completed its product layout across three major automotive intelligent terminal application nodes in 2025. These include the NSUC16xx series for automotive terminal node motors and actuators, the NSUC15xx series for automotive interior ambient lighting, and the NSUC18xx series for automotive terminal intelligent sensors (such as ultrasonic radars and rain/light sensors). The NSUC16xx and NSUC15xx series both achieved large-scale mass production and vehicle deployment in 2025; the NSUC18xx series completed client-side sample delivery and test introduction in the fourth quarter of 2025. These product series are expected to gradually become a new business growth driver for the Company in the coming years.

The Company's MEMS microphone ASIC product line business achieved steady growth, with full-year product shipments exceeding 1.6 billion units in 2025. The Company has gradually grown into a significant market participant within this sub-sector. Going forward, the Company will continue to increase R&D investment in higher signal-to-noise ratio and lower power consumption silicon microphone ASIC products to further consolidate and enhance market competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS

- (3) Power Management Products. During the Reporting Period, the Company's driver product line achieved multi-category large-scale deployment and market expansion. In the isolated gate driver field, since entering mass production in the first quarter of 2025, the shipment volume of the Company's second-generation smart isolated gate driver chips has achieved continuous and steady growth; the first-generation functional safety isolated gate driver chips continuously secured new vehicle model design wins from OEMs, with cumulative shipments reaching hundreds of thousands of units. The large-scale mass production of these two major product series further enhanced the Company's market share and industry competitiveness in the automotive main drive sector. In the non-isolated gate driver field, GaN driver chips for automotive LiDAR applications and high-voltage GaN driver chips for AI server power supply applications have both achieved bulk shipments; medium/low-voltage GaN co-packaged products have completed sample testing for target customers in the AI power supply sector.

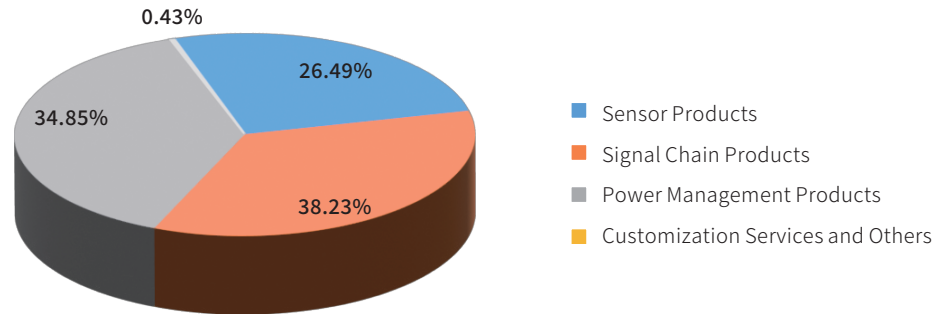
In the motor driver product field, the market share of the Company's first-generation multi-channel integrated half-bridge driver chips and multi-channel BDC pre-driver chips continued to increase; low-side driver chips and multi-channel configurable high/low-side driver chips have entered the large-scale mass production stage. In the audio amplifier product field, the Company achieved breakthroughs in key technologies and products: its first 4-channel 75W Class D audio amplifier has entered the large-scale mass production phase and completed small-batch validation with several leading automotive customers; the 4-channel 150W Class D audio amplifier has completed client-side design validation and entered the small-batch validation phase.

In the LED driver direction, the market share of LED driver chips for automotive tail light applications continued to increase; Boost converter chips, constant current source step-down chips, and matrix control chips targeting automotive headlight lighting solutions have initiated client sample delivery. The R&D and deployment of these all-new LED driver products have significantly enhanced the Company's overall solution coverage capabilities in automotive lighting, further strengthening customer loyalty. In the power supply direction, the market share of the Company's automotive-grade general power supply 40V and 6V LDOs, as well as 40V and 6V step-down DC-DCs, continued to grow; the first SBC for supplying power to ECU systems and MCUs, as well as the first PMIC designed specifically for automotive cameras, have both initiated sample delivery, further achieving product coverage for core automotive power nodes. In the power path protection direction, the high-side switch series continued to expand, with relevant products achieving mass production and being introduced into the supply chains of several leading automakers.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the revenue structure of the Company's products is as follows:

2025 Product Structure



3. Market Applications

In 2025, the automotive electronics market maintained high prosperity throughout the year. The production and sales scale of the domestic NEV industry hit record highs. The trends of automotive electrification and intelligence transformation continued to deepen, with the penetration rate of L2 auxiliary driving exceeding 60%, and the accelerated popularization of 800V high-voltage platforms and 1000V architectures, driving high-speed growth in the automotive electronics business. Leveraging its deep cultivation in the automotive sector, the Company has established a comprehensive automotive chip product portfolio. We provide a complete range of chip products covering sensor products, signal chain chips, and power management chips across NEV battery, motor and electronic control systems, automotive lighting, electronic control, body domain control, fuel vehicle powertrains, thermal management, intelligent cockpits, and chassis safety. These include digital isolators, isolated drivers, isolated sampling, sensors, LED drivers, general interfaces, power path protection, wheel speed sensors, motor drivers, Class D audio amplifiers, real-time control MCUs, automotive SoC chips, SerDes interfaces, etc., supporting customer system innovation with one-stop solutions. During the Reporting Period, the Company's shipment volume in the automotive electronics sector reached 750 million units, with cumulative shipments exceeding 1.418 billion units. The Company will continue to drive product iteration through technological innovation, deepen collaborative cooperation with leading customers, and continuously enhance its market share and industry influence in the automotive electronics chip sector.

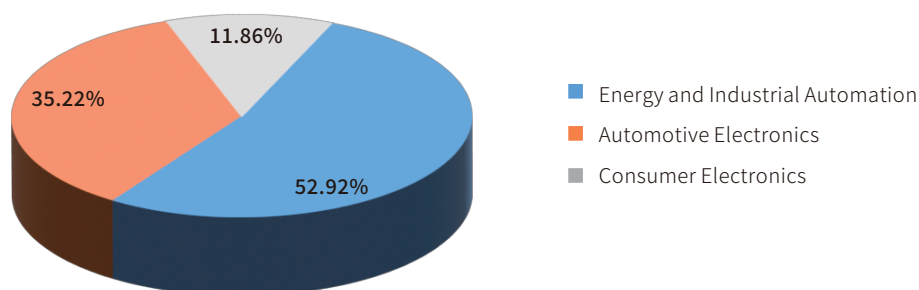
MANAGEMENT DISCUSSION AND ANALYSIS

In the energy and industrial automation sector, the industrial control field experienced steady growth alongside the recovery of the manufacturing industry, presenting an overall trend of “low inventory + mild recovery”, with continuous recovery in demand for industrial automation equipment and motor drives. The photovoltaic and new energy sector benefited from multiple dividends such as industry policy optimization, technological upgrades, and the release of end-user demand; annual demand showed a continuous recovery trend, and the industrial chain development ecosystem continued to optimize. The power module sector achieved significant growth, fundamentally benefiting from robust downstream demand such as AI servers. The Company provides drivers, isolation chips, MCUs, and other products for server power supply Stage 1 and Stage 2 PSUs; currently, some products have achieved mass production shipments among domestic and international server power supply customers. For humanoid robots, the Company’s magnetic encoders enable fine motion control in dexterous hands; various sensors, power products, and interfaces facilitate perception and communication functions; and the power battery BMS system can also utilize the Company’s power products, current sensors, temperature sensors, etc. Overall, the energy and industrial automation market demonstrated a clear recovery trend this year.

Simultaneously, the consumer electronics market continued to recover, with smart phones, wearable devices, and smart homes driving demand for MEMS sensors, while markets such as 3D printing, drones, and robot vacuums all demonstrated high prosperity.

From the perspective of revenue structure by downstream application, revenue from the automotive electronics sector accounted for 35.2%, a slight decrease compared to 36.9% in the same period last year. Revenue from the energy and industrial automation sector accounted for 52.9%, a slight increase compared to 49.5% in the same period last year. The Company’s revenue share in the consumer electronics sector was 11.9%, a slight decrease compared to 13.6% in the same period last year.

Proportion of Downstream Application Sectors in 2025



MANAGEMENT DISCUSSION AND ANALYSIS

4. Internal Management

In terms of strategic supply chain layout, the Company continued to deepen its dual-circulation supply chain layout and collaboration mechanisms, promoting diversified partnerships. On the wafer manufacturing end, we continuously strengthened process capability building and technological iteration, building a competitive moat in core technology areas. In the packaging and testing sector, by vertically integrating supply chain resources, we enhanced coordinated management over packaging and testing processes, driving foundry cost optimization and efficiency improvements. Concurrently, we actively expanded the domestic main materials supplier system, steadily increased the localization ratio of key materials, and enhanced the independent controllability of the supply chain. Guided by strategic foresight and operational resilience, and relying on close collaboration with core suppliers, we effectively supported the rapid ramp-up of business scale and market response speed through refined operations, proactive capacity planning, and dynamic inventory strategies.

Regarding operations and management, we continued to optimize the matrix organizational management model, strengthening cross-departmental collaboration and resource coordination. We improved management efficiency through AI point tools and procurement digitalization, effectively assisting in reducing procurement costs and optimizing resource allocation. The Company consistently focuses on the agility, security, and sustainability of the supply chain, deepening strategic mutual trust and technological co-advancement with partners to build a more resilient and highly collaborative global supply chain system, thereby solidifying the foundation for maintaining competitive advantages in a complex and volatile market environment.

In terms of system certification, the Company successfully passed the IATF16949 supporting site certification, marking the comprehensive alignment of our quality management with top-tier international automotive supply chain standards and institutionalizing our delivery capabilities for automotive-grade products. Furthermore, the functional safety management system passed the rigorous audit by TÜV Rheinland (Germany), officially obtaining the ISO 26262 ASIL D “Defined-Practiced” level certification. Some core chips achieved autonomous control of Level C or above, shaking off external reliance in key processes, and realizing a improvement in core supply chain autonomy, effectively mitigating the risk of supply chain volatility.

By elevating its system building capabilities in R&D management, quality assurance, and process construction, the Company has laid a solid foundation for the global delivery of safety-critical chips in automotive electronics and other fields.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Talent Development

The Company has consistently regarded organizational talent development and the construction of talent team as core strategies for sustainable growth, and is committed to building a learning organization and a global talent system to inject core momentum into the Company's long-term development.

During the Reporting Period, the Company continued to advance talent development project at all levels, including programs for new graduates, high-potential business backbone development, transition plans for newly promoted managers, and management leadership programs, among others, and hosted its first Leadership Summit. In addition, the Company launched its first round of technical expert nominations and certifications and continued to enhance its internal knowledge-sharing mechanisms. By the end of 2025, the number of internal training instructors had grown to over 200 with a total of 238 employee training sessions conducted, covering nearly 7,177 person-times and achieving 100% employee coverage.

During the Reporting Period, the Company successfully completed the integration of the MagnTek business and its personnel, ensuring a smooth transition and continuity in the relevant business operations. Meanwhile, to support the strategic expansion of its overseas business, the Company took proactive action to build a global talent system. During the Reporting Period, it conducted targeted recruitment and overseas assignments in countries such as Japan, South Korea, and Germany, bringing in professionals with cross-cultural backgrounds. Furthermore, the Company has established a comprehensive employee incentive mechanism. It continues to develop and optimize tiered and categorized incentive systems. By implementing short-, medium-, and long-term incentives and differentiated incentives across multiple business areas, the Company links employee performance-based compensation to corporate growth, thereby fully mobilizing employees' work enthusiasm and creativity.

6. Capital Operations

The Company was listed and commenced trading on the Main Board of the Hong Kong Stock Exchange on December 8, 2025. H Share's Chinese abbreviation is "納芯微" and its English abbreviation is "NOVOSENSE", with the stock code "2676". The total number of H Shares offered in the Global Offering was 20,095,000 shares (after the exercise of the over-allotment option on January 2, 2026), with an offer price of HK\$116 per share. Through this H-share listing, the Company brought in multiple national-level, industry-specific, and financial cornerstone investors, including the National Integrated Circuit Industry Investment Fund Phase III, BYD's wholly-owned subsidiary Golden Link, Sanhua Holding's wholly-owned subsidiary Haoyide International, Perseverance Asset Management, 3W Fund, Xiaomi's wholly-owned subsidiary Green Better, and Dream'ee HK Fund. This further enhanced the Company's comprehensive competitiveness, deeply advanced its internationalization strategy, and enabled better utilization of the international capital market to enrich and diversify financing channels.

MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF CORE COMPETITIVE STRENGTHS

1. Core Technology and Research and Development Advantages

(1) Abundant Core Technology Reserves

As an integrated circuit design enterprise, the Company possesses specialized research and development capabilities in analog chip design and deep expertise in subsequent manufacturing processes, including packaging configuration and testing software development, allowing us to establish a comprehensive end-to-end system from chip definition to chip design and delivery. Through years of research and development accumulation, based on signal chain technology, the Company has carried out independent research and development in the analog and mixed-signal fields, forming multiple core technologies across five major areas: sensors, signal chains, power and drive, and third-generation power semiconductors. These are widely applied in various self-developed analog and mixed-signal chip products, with the core technical indicators of major products reaching or outperforming those of international competitors.

(2) Outstanding Non-standard Product Design Capabilities

To meet the application requirements of downstream customers, the Company can customize and develop corresponding products according to customers' parameters, such as developing sensor products such as wheel speed sensors and side airbag pressure sensors, and power management products such as low-side driver chips, satisfying the diverse product usage needs of downstream automotive customers. In addition, the Company can design chips, provide customized packaging and testing methods based on customer needs, and deeply participate in the design and setup of customers' product verification and testing processes, providing customers with multi-stage services from chip design and product adaptation to mass calibration. Leveraging our understanding of the industry and technical accumulation, the Company has helped multiple downstream customers successfully enter the qualified supply systems of target automotive manufacturers.

2. Quality Control Advantages

The Company attaches great importance to product reliability and consistently adheres to high standards of quality requirements. Guided by the "robust and reliable" quality policy, the Company insists on strict quality control from product research and development to production to provide customers with stable and reliable products. With customer satisfaction as the ultimate goal, the Company honors its commitments to customers, continuously improves products and services, and strives to become a trusted company. Adhering to the quality management philosophy of "quality is embedded from the design stage and extends throughout the entire product lifecycle", the Company has built a comprehensive quality management system, and ensured its implementation and execution through the construction of organizational capacity and IT-driven process systems to continuously pursue a "zero-defect" quality goal. In the field of automotive-grade products, the Company has established a comprehensive automotive-grade quality management system covering the entire product lifecycle. This system centers on cross-departmental synergy, automotive-grade quality frameworks, product design and development under automotive standards, production process control, and AEC-Q series reliability certification to meet the diverse requirements of automotive-grade customers.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Product Category Advantages

After years of continuous development, the Company can provide a comprehensive suite of products from signal collection to processing and transmission, possesses a product matrix from power supply, drive to power path protection, and covers a variety of sensor products such as magnetic, pressure, and temperature and humidity sensors. The Company has built an extensive product portfolio around downstream application scenarios, with product coverage capabilities ranging from consumer-grade and industrial-grade to automotive-grade. The Company continues its research and development efforts and developed or launched multiple new products across the three main product directions during the Reporting Period, including, in terms of sensors, high-precision vernier absolute encoder chips (Hall/eddy current dual tech paths), automotive 3D angle chips, ultra-low jitter wheel speed sensors, and harsh environment resistant absolute pressure sensor; and in terms of signal chain chips, next-generation digital isolators, isolated CAN chips, automotive SerDes interface chips, automotive-specific MCUs (NovoGenius series), and general signal chain; and in terms of power management chips, second-generation smart isolated gate driver chips, functional safety isolated gate driver chips, GaN driver chips (for LiDAR/AI servers), multi-channel integrated half-bridge driver chips, Class D audio amplifiers, and automotive-specific PMICs and SBCs.

4. Customer Resource Advantages

Leveraging solid technical research and development strength and excellent product reputation, the Company has gained the recognition of numerous industry-leading benchmark customers. In addition, the Company possesses extensive experience in the definition, development, and mass production of analog chips, sensors, and special MCUs for the automotive OEM market. Compared to companies in other sectors, automotive customers have longer certification cycles and stricter testing, with higher requirements for product technology and quality. The Company's automotive-grade chips have been deployed in large scale by a vast number of mainstream automotive OEMs and automotive Tier-1 suppliers. Gaining certification from industry benchmark customers also facilitates the Company's commercial expansion among customers in the same field, further widening its leading advantage.

5. Supply Chain Advantages

In terms of wafer manufacturing, the Company has maintained long-term and stable cooperative relationships with major suppliers. In terms of chip packaging and testing, the Company has cooperated deeply with major packaging and testing suppliers for many years, forming stable packaging and testing processes. The Company has purchased dedicated testing equipment and handed them over to certain testing suppliers for chip testing, securing exclusive production capacity. At the same time, with the rapid growth of the business scale, the Company has built its own packaging and testing factory to conduct in-house packaging and testing for pressure sensors and customized products. This ensures the Company's capacity needs and controls costs, reducing the impact of industry capacity fluctuations on product output and supply cycles of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. OUTLOOK FOR THE COMPANY'S FUTURE DEVELOPMENT

Development Strategies of the Company

The Company focuses on the technology field of analog and mixed-signal chips. In the future, the Company will continue to focus on the three major product categories of sensor products, signal chain chips and power management chips to continuously break through technical bottlenecks in product development, focus on targeted industries and leading customers for sustained application innovation, and enrich product categories to strive to become a leading provider of comprehensive chip solutions in the energy and industrial automation and automotive electronics sectors.

Key Operating Priorities in 2026

In 2026, the Company will consistently adhere to the operating philosophy of long-termism, anchor the goal of becoming a "leading provider of comprehensive chip solutions in the energy and industrial automation and automotive electronics sectors", and take "centered on customers and based on organizational capabilities" as its core thread. Focusing on five core directions, namely, sustained technological innovation, cost optimization, deepening layout in core downstream sectors, cultivating major customer cooperation, strengthening supply chain management and construction of organizational efficiency improvement, the Company will drive the upgrade of the product matrix from "domestic substitution" to "industry-leading", deepen its layout in high-value tracks, and optimize cost and product structure to achieve steady revenue growth and continuously improve profitability. The specific operating plans are as follows:

I. Sustained Technological Innovation and Cost Optimization

In 2026, the Company will focus on two key areas, technological innovation and cost optimization, to systematically advance preliminary research on new technologies and upgrade its R&D system, thereby continuously strengthening its competitive edge in products and providing solid support for product development and market expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

(i) *Technological Innovation*

The Company will continue to deepen innovation and iteration of its two core technology platforms, "Isolation+" and sensors, and increase investment in preliminary research for these platforms. We will advance the mass production of the next-generation isolation process platform, drive the iteration and expansion of Hall-effect devices, and develop next-generation magnetic sensor processes to build a competitive moat through core technologies. In the BCD process field, we will introduce the first-generation automotive-grade BCD process platform into mass production and promote the innovation and iteration of the second-generation automotive-grade BCD process platform, enhancing product competitiveness through the synergistic optimization of design and process; Deepen cooperation with wafer foundries, optimize high-side process platforms, and create highly reliable products.

Focusing on application innovation, the Company leverages differentiated solutions to develop customized products tailored to downstream customers' specific needs, while continuously iterating on core flagship products; advance the platform-based development of highly integrated SoCs and automotive-grade chips, focusing on core requirements such as functional safety, high-voltage isolation, and high-precision sensing to enhance product integration and reliability, shorten R&D cycles, and reduce R&D costs.

(ii) *Cost Optimization*

By focusing on cost control objectives, the Company has met its cost optimization target by implementing certain cost-reduction measures and realizing rapid reuse of technological achievements. Specifically, these efforts include: reducing the cost of related products through mass production on the next-generation isolation process platform; implementing cost-reduction optimizations in packaging processes and narrow scribe line technology based on isolation processes to increase technology reuse rates and lower R&D and production costs; and, during the iteration of the BCD process platform, creating a process platform that offers both performance and cost advantages through joint design-process optimization, thereby further optimizing the product cost structure.

In addition, the Company will continue to drive the upgrading of its R&D system and the development of technical capabilities to provide a robust framework for the efficient execution of product development. We will establish a technical management system centered on circuit design, engineering, and system application platforms to systematically advance the development of technical capabilities. We will continue to strengthen key technical capabilities such as functional safety, physical simulation, and the application of AI tools to solidify our technological foundation and enhance R&D efficiency and product development quality.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Focusing on Product R&D and Market Expansion to Continuously Optimize Business Layout

In 2026, the Company will continue to concentrate resources on new product R&D while continuously optimizing and upgrading products for mature markets.

Leveraging high-growth markets such as automotive electronics, photovoltaic storage, and smart grids, the Company will continue to advance product development, continuously refine its full-scenario product portfolio, seize opportunities to increase the localization rate of analog chips, and build a tiered market and business portfolio to lay a solid foundation for long-term sustainable development. In terms of core product R&D, the Company will concentrate resources to ensure the development progress of key new products, including functionally safe DC motor drivers, next-generation functionally safe gate drivers, real-time control MCUs, next-generation automotive motor control SoCs, next-generation automotive-grade high-side switches, automotive switching power supplies, AI power stage modules, magnetic-based position and angle sensors, next-generation CAN interfaces, and automotive SerDes interfaces.

The Company will continue to focus on the core markets of the broader energy sector and electrification scenarios for new energy vehicles, steadily expanding market share for its leading products such as isolators and current sensors, enhancing its capabilities in providing all-scenario solutions, comprehensively improving product competitiveness, and consolidating and expanding its competitive edge in core businesses. At the same time, we will continue to focus on the automotive lighting and thermal management markets, accelerating customer adoption and mass production. We will refine our product portfolio of automotive lighting chips and thermal management system chips to increase market penetration and customer coverage. We will also vigorously expand into the smart cockpit and ADAS markets, accelerating customer validation and mass production of products such as in-vehicle SerDes interface chips, cockpit domain chips, and ADAS sensor chips.

The Company will closely monitor industry technology and market trends, actively expand into emerging fields such as smart devices, AI server power supplies, humanoid robots, and industrial 48V systems, advance the R&D of related specialized chips and their adoption by customers, seize development opportunities in these new sectors, and continuously broaden the scope of product applications.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Deepening Customer Synergy and Cooperation, and Improving Market System Construction

The Company adheres to a strategy of industry-focused development, consistently placing the customer at the center of its operations, and continuously deepening collaborative partnerships with key domestic and international clients. We are constantly optimizing our market service system and vigorously enhancing market penetration and application promotion of our products in key sectors such as automotive electronics, the energy and industrial automation, and consumer electronics. We have established robust mechanisms for rapid response to customer needs and closed-loop problem resolution. By leveraging models such as joint innovation and customized development, we precisely meet customers' differentiated needs, thereby continuously strengthening customer trust and loyalty. We are deepening strategic partnerships with leading domestic automakers, international Tier 1 suppliers, and high-quality clients in the industrial and new energy sectors. This initiative drives the Company's transformation from a chip supplier to system-level solutions provider, steadily increasing our product's market share and value contribution within our core client ecosystems.

We will continue to optimize our sales management system, enhance the professional capabilities of our FAE technical team, strengthen end-to-end technical support for complex system-level products, and ensure the rapid rollout and promotion of new products; we will also refine our omnichannel sales strategy to achieve in-depth coverage of downstream customers across multiple scenarios and tiers. By ensuring the A+H dual capital platform, we will accelerate our global market expansion, improve our overseas operations and service systems, and actively expand cooperation with leading overseas automakers, industrial clients, and international Tier 1 suppliers to advance product certification and mass production adoption overseas. We will continue to strengthen our overseas bases in Japan, South Korea, Germany, and other regions, refine our regional layout based on demand, and establish localized sales, technical support, and customer service systems to comprehensively enhance our response efficiency and overall service capabilities in overseas markets.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Strengthening End-to-End Supply Chain Management to Build a Secure and Resilient Supply Assurance System

Facing a complex and rapidly evolving market environment, the Company remains steadfast in strengthening its comprehensive supply chain management capabilities. Through close collaboration with key suppliers, as well as refined operations, proactive capacity planning, and dynamic inventory strategies, the Company has effectively supported the rapid expansion of its business scale and continued market growth.

In terms of strategic supply chain planning, the Company continues to deepen comprehensive cooperation with strategic suppliers. Through long-term supply-demand coordination, joint process innovation, and the establishment of dedicated production lines, the Company is continuously enhancing the overall competitiveness of its supply chain. In the wafer manufacturing segment, the Company is continuously strengthening process capabilities and advancing technological innovation to build competitive barriers in core technology areas. In the packaging and testing segment, the Company is vertically integrating supply chain resources, strengthening collaborative management in packaging and testing, and driving optimization of foundry costs and improvements in operational efficiency. At the same time, the Company continues to actively expand its network of domestic suppliers for key materials, steadily increasing the proportion of domestically sourced critical materials to enhance supply chain autonomy and control. Leveraging a dual-circulation supply chain strategy, the Company ensures the continuity of supply chain operations.

In terms of operational management, the Company continues to optimize its matrix organizational model, strengthen cross-departmental collaboration and resource coordination, and enhance management efficiency through AI-powered tools and the digital transformation of procurement, thereby supporting procurement cost optimization and the efficient allocation of resources.

The Company remains committed to prioritizing supply chain agility, security, and sustainability. We are deepening strategic trust and technical collaboration with our partners to build a highly resilient, globally integrated supply chain system characterized by efficient coordination. At the same time, we are continuously strengthening refined supply chain management, improving inventory control systems, and scientifically coordinating material planning and inventory levels to enhance operational efficiency and cost control capabilities, thereby providing a solid and reliable supply chain foundation for the Company's sustained and healthy business development.

MANAGEMENT DISCUSSION AND ANALYSIS

V. Optimizing Organizational Mechanisms and Building Leadership

To promote the sustainable development of the Company's operations, in 2026, the Company will continue to optimize team structure to enhance the operational efficiency of the management team, and comprehensively advance organizational capability building to realize the transition from core team-driven to organization-driven and support the Company's long-term steady development with continuously improving organizational capabilities. The Company will establish and improve core manager systems and incentive and constraint management systems to strengthen the leadership and execution of the management team; optimize incentive mechanisms for sales, research and development, and general projects to fully stimulate employees' working enthusiasm and creativity; and simultaneously establish a sound long-term incentive mechanism for mid-to-senior level managers to attract and retain outstanding talents and build a solid talent foundation for the Company's development.

In terms of business process optimization and organizational efficiency enhancement, the Company will continuously optimize normalized reform operation mechanisms by establishing a process metrics system, and implementing a tiered process audit mechanism. By constantly mapping and optimizing business processes, the Company will promptly identify and resolve pain points and difficulties in business processes, lower operating costs, and improve operational efficiency. Furthermore, the Company will further perfect the operational mechanisms of process decision-making organizations at all levels, and optimize the operation and management processes of general projects to elevate the standardization level and execution efficiency of project management and ensure smooth and efficient advancement of all businesses of the Company.

Risk Factors

1. Risk of Significant Decline in Performance or Loss

The net loss attributable to shareholders of the listed company for the current period was RMB228.9 million, and the net loss attributable to shareholders of the listed company after deducting non-recurring profit or loss was RMB286.3 million; the main reasons for the improvement in the net loss attributable to shareholders of the listed company and the net loss attributable to shareholders of the listed company after deducting non-recurring profit or loss for the current period are: 1) On the revenue side, the recovery of downstream market demand, the volume increase of new products, and the consolidation of MagnTek drove a significant increase in the Company's shipment volume and operating revenue; 2) On the expense side, the Company continued to deepen lean management and organizational efficiency improvement, resulting in a decrease in the proportion of overall expenses to operating revenue, which promoted the improvement of profitability.

The Company's main business, core competitiveness, and key financial indicators have not experienced any material adverse changes, which is consistent with industry trends. If downstream terminal market demand continues to decline, market competition intensifies, macroeconomic prosperity goes in a downturn, national industrial policies change, or the Company's customer development fails to meet expectations in the later stage, the Company's performance may face the risk of continuous decline or loss.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Core Competitiveness Risks

(1) *Risk of Insufficient Continuous Technological Innovation Capability*

The Company is primarily engaged in the R&D, design, and sales of analog chips, and belongs to the IC design industry. The IC design industry is a typical technology-intensive industry, and continuous technological innovation is an important means for the Company to maintain its competitive advantage in the market. With the intensification of market competition and the continuous enrichment of terminal customers' product application scenarios, the Company needs to continuously optimize existing products and develop new technologies and products based on technological development trends and terminal customer needs to maintain technological innovation and product competitiveness.

If the Company cannot accurately judge future market development trends, maintain core technological advantages, and launch competitive new products, while new technologies and products launched by competitors meet market needs, the Company will gradually lose market competitiveness, adversely affecting its future continuous development and operations.

(2) *Risk of Shortage and Loss of R&D Talent*

IC design enterprises are characterized as being technology-intensive, and R&D personnel are the core elements for maintaining technological development and product advantages. With the continuous growth of industry scale, competition for core technical talent among IC design enterprises is becoming increasingly fierce. If the Company cannot effectively stabilize its core technical team, provide competitive remuneration, and maintain the introduction and cultivation of new talent, there may be risks of talent loss or shortage, which will adversely affect the Company's continuous R&D capabilities.

(3) *Risk of Core Technology Leakage*

Through years of accumulation by a professional R&D team, the Company has formed multiple core technologies across five major areas including sensors, signal chains, power and drive, and third-generation power semiconductors. The Company has signed confidentiality agreements with core technical personnel and applied for patents, computer software copyrights, and IC layout designs for the intellectual property formed by core technologies. Given that the Company still has multiple products and technologies in the R&D stage, and needs to provide relevant data and chip layouts to suppliers during the production process, if there is a loss of core technical personnel or improper custody by suppliers, there may be risks of core technology leakage or theft by others.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Operating Risks

(1) *Risk of High Concentration in Outsourced Processing and Suppliers*

During the Reporting Period, the Company mainly adopted the fabless model commonly used in the IC design industry, with wafer fabrication, chip packaging, and chip testing all completed by outsourced vendors. Constrained by technological level, capital scale, and other factors, there is a limited number of wafer and packaging and testing suppliers globally that meet the Company's requirements for technology, supply volume, and foundry costs. The Company's wafer manufacturing and packaging and testing foundry services are mainly entrusted to well-known vendors in the industry, resulting in high procurement concentration. If there are material changes in the business operations, capacity constraints, or cooperative relationship changes with the Company's major suppliers, it may result in suppliers being unable to ship sufficient quantities in a timely manner, or cause the Company's procurement costs to increase, which may adversely affect the Company's profitability and operating results.

(2) *Management Risk Brought by the Expansion of Business Scale*

With the continuous development of the Company's business and the implementation of projects funded by raised proceeds, the Company's revenue and asset scale will further expand, product categories will increase, and the number of employees will correspondingly increase. This will raise higher requirements for the Company's operation management, quality control, resource integration, market development, internal control, and financial standardization. If the Company cannot optimize and elevate its organizational model, management systems, and management level in a timely manner alongside the expansion of business scale, it will face management risks brought by the expansion of business scale to a certain extent, which will adversely affect profitability.

(3) *Operating Risk under the Distribution Model*

Sales of the Company's products are partly realized through distributor channels. Although agreements have been signed to regulate their marketing and sales behaviors, the Company has limited control over their daily operating activities and cannot fully guarantee their consistent compliance with agreement stipulations and relevant laws and regulations.

If a distributor engages in misconduct, such as making unauthorized false representations to end customers, infringing third-party intellectual property rights, or committing illegal or non-compliant acts like commercial bribery in business activities, it may lead to the Company facing claims and litigation from end customers or third parties. Regardless of whether such claims are reasonable, handling such disputes may consume substantial financial and managerial resources of the Company and adversely affect the Company's reputation and normal operations.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Financial Risks

(1) *Risk of Inventory Impairment*

With the continuous expansion of the Company's business scale, the inventory scale rises accordingly. If future market demand changes or differs significantly from the Company's forecast, or if the Company cannot optimize inventory management levels along with the increase in inventory, it may lead to sluggish product sales and inventory backlog, thus requiring an increase in inventory impairment provision, which will adversely affect the Company's operating results.

(2) *Risk of Gross Margin Fluctuation*

During the Reporting Period, the gross profit margin of the Company's various products and the overall gross profit margin exhibited a certain degree of fluctuation. The level of the Company's product gross margin is mainly affected by factors such as product selling price fluctuations and product mix changes. If future sales prices decline due to the Company's inability to maintain technological advantages or intensified market competition, or if costs rise due to increased procurement prices, it may lead to a decrease in gross margin, bringing a certain risk to the Company's profitability.

(3) *Risk of Exchange Rate Fluctuation*

With the advancement and implementation of the Company's global diversification strategy, the proportion of procurement and sales businesses settled in foreign currencies continues to rise. Exchange rate movements will affect the value of assets, liabilities, and overseas entities denominated in foreign currencies, and indirectly cause changes in the Company's earnings or cash flows during a certain period. With the deepening of the market-oriented exchange rate reform, the exchange rate between the RMB and other convertible currencies fluctuates significantly, posing exchange rate fluctuation risks in the foreign exchange settlement process.

(4) *Goodwill Risk*

A significant amount of goodwill was recognized in the Company's financial statements. As of December 31, 2025, the carrying amount of the Company's goodwill was RMB545.5 million, mainly due to the acquisition of equity interests in MagnTek and the investment in Rsentech.

According to accounting standards for business enterprises, goodwill must be tested for impairment at least annually, and its value assessment relies on the management's estimates and judgments of a series of key parameters such as future cash flows, growth rates, and discount rates. If major adverse changes occur in the future macroeconomic environment, market environment, industry competition, or the Company's own operating conditions, causing the actual profitability or forecasted data of the relevant asset groups to fall below the assumptions on which the aforementioned assessments are based, the Company may need to make large impairment provisions for such goodwill.

Once recognized, goodwill impairment losses shall not be reversed in subsequent accounting periods. This will directly reduce the current period's profit and have a material adverse impact on the Company's asset status, financial condition, and operating results.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Industry Risks

Competitors for the Company's main products are leading foreign enterprises established early, with large revenue scales and high brand influence, such as TI, ADI, Infineon, Allegro, Melexis and Renesas. The Company still has a certain gap with the aforementioned companies in revenue scale, product richness, and technological accumulation. If the Company cannot maintain its technological and cost-effectiveness advantages in niche product fields in the future, and cannot timely launch products that better match market demand in terms of function, performance, reliability, etc., it will face more intense competition during customer development, and there is a risk of its market share being squeezed by the aforementioned foreign manufacturers utilizing their first-mover advantages.

The semiconductor industry in which the Company operates exhibits cyclical fluctuation characteristics. Affected by multiple factors such as technological iteration, product lifecycles, and changes in supply and demand, the industry has historically experienced multiple cyclical downturns. Recessions are typically characterized by a sudden drop in demand, rapidly falling product selling prices, insufficient capacity utilization, and rising inventory levels and impairment risks. Such macroeconomic factors are beyond the Company's control and may make it difficult for the Company to quickly adjust inventory to adapt to demand changes, adversely affecting product pricing. If the Company fails to accurately forecast or effectively respond to industry fluctuations, the Company's operating and financial conditions may be negatively impacted.

6. Macroeconomic Environment Risks

(1) *Macroeconomic Environment and Industry Risks*

The application fields of the Company's chip products are extremely broad, covering numerous industries such as automotive electronics, industrial control, PV and energy storage, motor control, communication, home appliances, medical, and consumer electronics. Therefore, the Company's business development will inevitably be affected by macroeconomic fluctuations. If the macroeconomic situation fails to meet expectations or major adverse changes occur in the Company's downstream niche markets, it may adversely affect the Company's operating results.

(2) *Risk of International Trade Friction*

During the Reporting Period, the Company's end customers included many well-known domestic and overseas enterprises. If international trade friction further intensifies, it may lead to restrictions on procurement by the Company's major customers, thereby affecting the Company's sales of various products to them and exerting a certain adverse impact on the Company's operating results. Meanwhile, during the Reporting Period, the Company mainly procured wafer manufacturing and packaging and testing from domestic and overseas top-tier suppliers. These suppliers may be affected by international trade policies, which in turn could affect their supply of wafers and packaging and testing to the Company, thereby exerting a certain adverse impact on the Company's production and operations.

MANAGEMENT DISCUSSION AND ANALYSIS

7. Other Major Risks

Risk of consistently large share-based payment amounts caused by equity incentives. During the Company's rapid development stage, to attract and retain outstanding talent and fully mobilize the enthusiasm of the Company's employees, the Company established multiple employee shareholding platforms and carried out multiple equity incentives, resulting in a substantial increase in the Company's share-based payment expenses. Although equity incentives help stabilize the personnel structure and retain core talent, the related share-based payment expenses will have a certain impact on the Company's operating results.

V. SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Company did not hold any significant investments, nor did it make any material acquisitions or disposals of subsidiaries, associates and joint ventures.

On June 21, 2024, our Company entered into the Partnership Interest Transfer Agreement to acquire 13.5% partnership interest in Shanghai Lairui Enterprise Management Partnership (Limited Partnership) (上海萊睿企業管理合夥企業(有限合夥)) ("**Shanghai Lairui**"), which in turn holds a 17.6% equity interest in Shanghai MagnTek Microelectronics Inc. (上海麥歌恩微電子股份有限公司) ("**MagnTek**"), and 43.8% partnership interest in Shanghai Liuci Enterprise Management Partnership (Limited Partnership) (上海留詞企業管理合夥企業(有限合夥)) ("**Shanghai Liuci**"), which in turn holds a 19.8% equity interest in MagnTek. On October 14, 2024, our Company entered into a supplemental agreement to the Partnership Interest Transfer Agreement, pursuant to which our Company and Suzhou Naxing acquired all the remaining partnership interests in Shanghai Lairui and Shanghai Liuci. On June 21, 2024, our Company entered into the Equity Transfer Agreement, whereby our Company acquired 62.7% equity interest in MagnTek from QST Corporation Limited (上海矽睿科技股份有限公司) ("**QST**") and 5.6% equity interest in MagnTek from Shanghai Lairui. On October 18, 2024, the Company gained the control and consolidated the results of MagnTek. MagnTek's core business is the design and manufacture of high-performance magnetic sensors, which are highly complementary to the product portfolio of the Company and will further enhance our sensor product portfolio. By integrating technical R&D, downstream customer, and supply chain resources, we aim to achieve synergies, optimize our product structure, and enhance our overall market competitiveness and long-term sustainability. Therefore, the Board believes that the acquisition of MagnTek offers strong performance and promising prospects.

The financial performance commitment period for this equity transfer is 2024, 2025 and 2026. The transferors committed that the target company would record a net profit of RMB39.12 million for the year 2024, a net profit of RMB51.54 million for the year 2025, and a net profit of RMB75.68 million for the year 2026. If the target company's accumulated actual net profit during the financial performance commitment period is lower than the total committed net profit mentioned above (i.e., RMB166.34 million), the parties agree that the transferee shall not be required to pay the transferor the fourth installment of the transfer consideration as stipulated in the equity transfer agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

As of December 31, 2025, the fulfillment of the relevant financial performance commitments is as follows:

Unit: RMB'0,000 Currency: RMB

Commitment Background	Commitment Party	Commitment Period	Performance Metric	Committed Amount	Actual Achieved Amount	Completion Rate (%)
Commitments related to the financial performance of MagnTek	QST Corporation Limited	From 2024 to 2026, and from the closing date of this partnership interest transfer to the date when the transferor fulfills the financial performance commitments or profit compensation as stipulated in this agreement	Net profit	16,634	13,881.1	83.5

FINANCIAL REVIEW

The following table sets forth the absolute amounts from the Company's consolidated statements of profit or loss for 2025 and 2024:

	2025 RMB'000	2024 RMB'000
Revenue	3,367,823	1,960,274
Cost of sales	(2,289,590)	(1,410,928)
Gross profit	1,078,233	549,346
Sales and marketing expenses	(260,896)	(188,942)
Administrative expenses	(305,712)	(286,872)
Research and development expenses	(794,603)	(539,992)
Impairment loss on trade receivables	(6,997)	(13,466)
Other net income	77,074	98,529
Operating loss	(212,901)	(381,397)
Finance costs	(22,671)	(16,435)
Share of impairment losses and provisions of associates	(5,623)	(6,323)
Loss before income tax	(241,195)	(404,155)
Income tax expense	12,321	1,277
Loss for the year	(228,874)	(402,878)
Attributable to: owners of the Company	(228,874)	(402,878)

FINANCIAL REVIEW

REVENUE

The table below sets forth the absolute amounts and percentages of the Company's revenue by business for 2025 and 2024:

	For the year ended December 31				Change
	2025		2024		
	RMB'000	% of Revenue	RMB'000	% of Revenue	
Sensor Products	891,977	26.5%	273,981	14.0%	225.6%
Signal Chain Chips	1,287,693	38.2%	963,251	49.1%	33.7%
Power Management Chips	1,173,695	34.9%	703,171	35.9%	66.9%
Others ⁽¹⁾	14,458	0.4%	19,871	1.0%	-27.2%
Total	3,367,823	100.0%	1,960,274	100.0%	71.8%

Note:

(1) Primarily included our revenue from customization services and sales of ancillary components.

In 2025, the Company generated revenue of RMB3.37 billion, representing a year-on-year increase of 71.8%.

By business segment, Sensor Products achieved a revenue of RMB892 million, representing a year-on-year increase of 225.6%, mainly because the consolidation of MagnTek enriched the Company's product matrix, having a positive impact on the revenue growth of magnetic sensor products; signal chain chips achieved a revenue of RMB1.29 billion, representing a year-on-year increase of 33.7%, mainly due to the growth in demand in the downstream automotive electronics and energy and industrial automation sectors; power management chips achieved a revenue of RMB1.17 billion, representing a year-on-year increase of 66.9%, mainly due to the fact that the Company's power management products achieved large-scale mass production across multiple categories and expanded their market presence, resulting in a significant year-on-year increase in sales revenue; Revenue from other business amounted to RMB 0.1 billion, representing a year-over-year decrease of 27.2%.

GROSS PROFIT AND GROSS PROFIT MARGIN

The table below sets forth the Company's absolute gross profit amounts and gross profit margins for 2025 and 2024 by business:

	For the year ended December 31		Change
	2025	2024	
	RMB'000	RMB'000	
Amount before impairment loss of inventories			
Sensor Products	411,101	119,994	242.6%
Signal Chain Chips	457,269	362,126	26.3%
Power Management Chips	300,478	157,636	90.6%
Others ⁽¹⁾	8,346	1,226	580.8%
Subtotal	1,177,194	640,982	83.7%
Impairment Loss of Inventories	(98,961)	(91,636)	
Gross profit and gross profit margin	1,078,233	549,346	96.3%
	32.0%	28.0%	

Note:

(1) Primarily included our revenue from customization services and sales of ancillary components.

In 2025, the Company's gross profit margin was 32.0%, representing a year-on-year increase of 4.0 percentage points, mainly because the product matrix was further enriched this year, the sales of high gross margin product portfolios were strengthened, and the product structure was further optimized; meanwhile, by deepening supply chain integration and operational management efficiency, the cost advantage was continuously strengthened.

FINANCIAL REVIEW

SELLING AND MARKETING EXPENSES

The table below sets forth the Company's selling and marketing expenses and percentages of revenue for 2025 and 2024:

	For the year ended December 31				
	2025		2024		Change
	RMB'000	% of Revenue	RMB'000	% of Revenue	
Selling and Marketing Expenses	260,896	7.7%	188,942	9.6%	38.1%

In 2025, the Company's selling and marketing expenses reached RMB260.9 million, representing a year-on-year increase of 38.1%. The selling and marketing expense ratio was 7.7%, representing a year-on-year decrease of 1.9 percentage points. This was primarily due to the accumulation of resource investments in market expansion, talent development, and other areas, which led to an increase in employee compensation within sales expenses compared to the same period last year. Consequently, while the overall selling expenses grew, the growth rate of sales expenses remained lower than that of revenue growth.

ADMINISTRATIVE EXPENSES

The table below sets forth the Company's administrative expenses and percentages of revenue for 2025 and 2024:

	For the year ended December 31				
	2025		2024		Change
	RMB'000	% of Revenue	RMB'000	% of Revenue	
Administrative Expenses	305,712	9.1%	286,872	14.6%	6.6%

In 2025, the Company's administrative expenses amounted to RMB305.7 million, representing a year-on-year increase of 6.6%. The administrative expense ratio stood at 9.1%, representing a year-on-year decrease of 5.5 percentage points. This administrative expenses remained relatively stable during this period. The primary reason for the change was the expansion of the Company's scale, while the Company continued to strengthen its management team, the headcount of administrative personnel increased, leading to higher total remuneration costs. However, the growth rate of these expenses remained lower than that of total revenue.

FINANCIAL REVIEW

RESEARCH AND DEVELOPMENT EXPENSES

The table below sets forth the Company's research and development expenses and percentages of revenue for 2025 and 2024:

	For the year ended December 31				Change
	2025	% of	2024	% of	
	RMB'000	Revenue	RMB'000	Revenue	
Research and Development Expenses	794,603	23.6%	539,992	27.5%	47.2%

In 2025, the Company's research and development expenses reached RMB794.6 million, representing a year-on-year increase of 47.2%. The research and development expenses ratio was 23.6%, representing a year-on-year decrease of 3.9 percentage points. This is primarily because the Company places a strong emphasis on expanding its product portfolio and deepening its core technologies. In order to capitalize on long-term growth opportunities, attract and retain key talent, continuously refine its product portfolio, and thereby lay a solid foundation for future revenue growth, the Company has consistently allocated resources to areas such as R&D investment and talent development, resulting in an increase in total R&D expenses.

OTHER NET INCOME

The Company's other income decreased from RMB98.5 million in 2024 to RMB77.1 million in 2025, primarily due to the continuous appreciation of the RMB and the depreciation of the U.S. dollar in 2025, which resulted in a significant increase in foreign exchange losses for the current period compared to the previous period.

FINANCE COSTS

The Company's finance cost increased from RMB16.4 million in 2024 to RMB22.7 million in 2025, which was primarily due to the Company's expanding business scale and increased working capital requirements. Loan expenses increased from RMB15.6 million in 2024 to RMB22.0 million in 2025.

FINANCIAL REVIEW

LOSS FOR THE YEAR

The Company's loss for the year decreased from RMB402.9 million in 2024 to RMB228.9 million in 2025, representing a year-on-year decline of 43.2%. With steady growth in demand from the downstream automotive electronics sector, the automotive electronics-related products of the Company have continued to see rising sales volumes; the energy and industrial automation sector has shown signs of recovery, with most customers in the photovoltaic and energy storage and industrial automation sectors returning to normal demand levels, while demand from server power supply customers has grown rapidly driven by AI; the consolidation of MagnTek has enriched the Company's product portfolio, and its business contributions have had a positive impact on revenue growth for the current period. Therefore, the loss for 2025 decreased significantly.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets out the absolute amount of the consolidated statements of financial position for the years ended December 31, 2025 and 2024:

	December 31, 2025 RMB'000	December 31, 2024 RMB'000
Total non-current assets	3,503,922	2,985,423
Total current assets	6,177,578	4,688,153
Total assets	9,681,500	7,673,576
Total non-current liabilities	1,014,811	969,400
Total current liabilities	1,051,926	757,062
Total liabilities	2,066,737	1,726,462
Net current assets	5,125,652	3,931,091
Net assets	7,614,763	5,947,114
Share capital	161,597	142,529
Treasury shares	(127,664)	(14,907)
Reserves	7,563,249	5,814,722
Total equity attributable to equity shareholders of the Company	7,597,182	5,942,344
Non-controlling interests	17,581	4,770
Total equity	7,614,763	5,947,114

FINANCIAL REVIEW

The Company's total non-current assets increased from RMB2,985.4 million as of December 31, 2024 to RMB3,503.9 million as of December 31, 2025, primarily due to an increase in property, plant, and equipment, as well as an increase in financial assets at fair value through profit or loss.

The Company's total current assets increased from RMB4,688.2 million as of December 31, 2024 to RMB6,177.6 million as of December 31, 2025, primarily due to the increase in cash and cash equivalents and inventory.

The Company's total non-current liabilities increased from RMB969.4 million as of December 31, 2024 to RMB1,014.8 million as of December 31, 2025, primarily due to the increase in interest-bearing borrowings.

The Company's total current liabilities increased from RMB757.1 million as of December 31, 2024 to RMB1,051.9 million as of December 31, 2025, primarily due to the increase in trade and other payables.

The Company's net assets increased from RMB5,947.1 million as of December 31, 2024 to RMB7,614.8 million as of December 31, 2025, primarily due to the Global Offering.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The following table sets forth selected information from our cash flows for 2025 and 2024:

	2025 RMB'000	2024 RMB'000
Net cash (used in)/generated from operating activities	(626,627)	95,054
Net cash generated from/(used in) investing activities	229,019	(1,099,795)
Net cash generated from financing activities	1,864,105	266,812
Net increase/(decrease) in cash and cash equivalents	1,466,497	(737,929)
Cash and cash equivalents at the beginning of the year	1,012,215	1,751,191
Effect of foreign exchange rate changes	(14,385)	(1,047)
Cash and cash equivalents at the end of the year	2,464,327	1,012,215

In 2025, the Company's net cash used in operating activities was RMB626.6 million. On the one hand, the Company adjusted its inventory levels in response to increased order volumes and changes in market expectations, resulting in a year-over-year increase of RMB1,728.5 million in cash paid for purchases of goods and services, representing a 147.26% year-on-year increase, which outpaced the growth rate of cash received from sales of goods and services; on the other hand, the Company continued to invest in talent development, leading to a 40.83% year-over-year increase in cash outflows for employee compensation and benefits; The combined effect of these two factors caused net cash flow from operating activities to turn negative.

FINANCIAL REVIEW

In 2025, the Company's net cash generated from investing activities was RMB229.0 million, primarily consisting of net cash received from the purchase and disposal of financial assets totaling RMB849.9 million, a part of which was offset by payment for the purchase of property, plant, and equipment, as well as intangible assets, totaling RMB402.4 million and payment for the acquisition of subsidiaries totaling RMB153.9 million.

In 2025, the Company's net cash generated from financing activities was RMB1,864.1 million, primarily consisting of proceeds of RMB1,915.0 million from the Global Offering and payments of RMB112.8 million for share repurchases (including transaction commissions and other fees).

LIQUIDITY AND FINANCIAL RESOURCES

The Company maintains sufficient cash and cash equivalents to ensure financial flexibility. The Company's cash and cash equivalents primarily consist of cash at bank and on hand, demand deposits held with banks, and other highly liquid short-term investments. The table below sets forth the absolute amounts of the Company's cash and cash equivalents as of December 31, 2025 and 2024:

	December 31, 2025 RMB'000	December 31, 2024 RMB'000
Cash at bank and on hand	2,378,379	1,013,077
Deposits held with other financial institutions	87,248	2
Total	2,465,627	1,013,079

As of December 31, 2025, the Company's cash and cash equivalents totaled RMB2,465.6 million, comprising RMB428.2 million, HKD1,131.3 million, USD140.5 million, EUR1.6 million, JPY168.4 million, and KRW1,458.1 million.

The Company's cash and cash equivalents increased from RMB1,013.1 million as of December 31, 2024, to RMB2,465.6 million as of December 31, 2025, primarily due to proceeds received from the Global Offering.

	December 31, 2025 RMB'000	December 31, 2024 RMB'000
Bank loans	967,049	825,518
Other borrowings	–	28,285
Less: amount included under "current liabilities"	115,537	62,382
Total	851,512	791,421

FINANCIAL REVIEW

The Company's current borrowings increased from RMB62.4 million as of December 31, 2024, to RMB115.5 million as of December 31, 2025, primarily due to the increase in bank borrowings caused by the growth of the Company's business and the rising demand for working capital and capital expenditures on property, plant, and equipment.

The Company's non-current borrowings increased from RMB791.4 million as of December 31, 2024, to RMB851.5 million as of December 31, 2025, primarily due to business expansion, increased liquidity requirements, and the corresponding increase in bank loans.

As of December 31, 2025, the Company's total interest-bearing borrowings amounted to RMB967.0 million, of which RMB941.4 million were denominated in RMB and US\$3.5 million were denominated in US dollars;

Of the Company's interest-bearing borrowings, RMB17.0 million were fixed-rate borrowings with interest rates ranging from 2.7% to 4.8%.

The Company does not expect any significant changes in the financing available to fund its operations in the future.

The Company maintains a sound capital ratio to support its business and manages its asset structure through the gearing ratio. The table below sets forth the absolute amounts of total assets and total liabilities, as well as the gearing ratio, as of December 31, 2025 and December 31, 2024:

	December 31, 2025	December 31, 2024
Total assets (RMB'000)	9,681,500	7,673,576
Total liabilities (RMB'000)	2,066,737	1,726,462
Gearing ratio	21.3%	22.5%

The Company's gearing ratio (defined as the ratio of total liabilities to total assets) decreased from 22.5% as of December 31, 2024 to 21.3% as of December 31, 2025, primarily due to an increase in monetary assets resulting from the Global Offering of the Company during the Reporting Period.

As of December 31, 2025, monetary assets accounted for more than 40% of the Company's total current assets. Taking into account the Company's available financial resources, including cash and cash equivalents, available bank financing, cash flows from operating activities, and net proceeds from the Global Offering, the Company has sufficient liquidity to sustain operations for at least 12 months.

FINANCIAL REVIEW

CAPITAL COMMITMENTS

The following table sets forth the absolute amounts of the Company's capital commitments as of December 31, 2025 and 2024:

	December 31, 2025 RMB'000	December 31, 2024 RMB'000
Contracted for acquisition of property, plant and equipment	201,878	38,913

As of December 31, 2025, the Company's capital commitments amounted to RMB 201.9 million, primarily consisting of long-term asset purchase agreements entered into to ensure production capacity in response to the rapid growth of the Company's business scale.

CAPITAL EXPENSES

The table below sets forth the absolute amounts of the Company's capital expenses for 2025 and 2024:

	2025 RMB'000	2024 RMB'000
Payment for the purchase of property, plant, and equipment, and intangible assets	402,390	397,026
Net cash paid for the acquisition of subsidiaries	153,945	740,432
Payment for the purchase of associates	20,000	28,000
Total	576,335	1,165,458

The Company's capital expenditure includes payment for the purchase of property, plant and equipment and intangible assets, net cash paid for the acquisition of subsidiaries, and payment for the purchase of associates. The Company's capital expenditure decreased from RMB1,165.5 million in 2024 to RMB576.3 million in 2025, mainly due to the capital expenditure of RMB740.4 million for the acquisition of MagnTek in October 2024; excluding the impact of the purchase of equity interests in subsidiaries and associates, the Company's capital expenditure experienced less changes year-on-year. As downstream demand gradually recovers, the analog chip and sensor industries are poised to seize new development opportunities, and the Company continues to invest capital to meet operational needs.

The Company expects to fund its future capital expenses using its own funds and proceeds from the H share offering. For details regarding the proceeds from the H share offering, please refer to the H share prospectus.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of December 31, 2025, the Group did not have any plans for material investments or capital assets.

CONTINGENT LIABILITIES

As of December 31, 2025, the Company had no material contingencies that need to be disclosed.

FOREIGN EXCHANGE RISK

As at December 31, 2025, the Group's financial instruments bearing interest at floating rates were cash at bank (excluding time deposits). Due to the relatively short maturity of these balances, the cash flow interest rate risk arising from changes in market interest rates is considered not material. As at December 31, 2025 and 2024, the Group's financial instruments bearing interest at fixed rates included time deposits, bank loans and other borrowings, and lease liabilities measured at amortized cost; changes in market interest rates do not expose the Group to fair value interest rate risk. Overall, the Group's exposure to interest rate risk is not material. During the Reporting Period, the Group did not use any financial instruments to hedge against any foreign exchange risks.

PLEDGE OF ASSETS

As of December 31, 2025, the net book value of collateral pledged or mortgaged by the Company to secure bank borrowings was RMB1,222.7 million, primarily consisting of buildings and equity.

Save as disclosed above, the Group had no other material asset pledges as of December 31, 2025.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2025, the Company had not entered into and did not expect to enter into any off-balance sheet arrangements.

FINANCIAL REVIEW

USE OF PROCEEDS

During the Reporting Period, the Company's use of funds raised from its A share offering was as follows:

Pursuant to the Approval on the Registration of the Initial Public Offering of Suzhou Novosense Microelectronics Co., Ltd.. (CSRC Permit [2022] No. 427) issued by the China Securities Regulatory Commission on March 1, 2022, the Company was approved to publicly issue 252.7 million shares of RMB ordinary shares at an issue price of RMB230.0 per share, for a total fundraising amount of RMB5.81 billion; After deducting underwriting and sponsorship fees, issuance registration fees, and other issuance expenses totaling RMB0.23 billion (excluding VAT), the net proceeds amounted to RMB5.58 billion. These funds have been fully received and verified by Pan-China Certified Public Accountants LLP, which issued the "Tianjin Verification [2022] No. 148" "Capital Verification Report" on April 19, 2022.

In 2025, the Company utilized RMB730 million of the A share proceeds. As of the end of the Reporting Period, a cumulative total of RMB5.74 billion of the A share proceeds had been utilized, with the details of such utilization as follows:

Item	Planned use of net proceeds RMB million	Net amount used as of December 31, 2025 RMB million
Signal chain chip development and system application project	439.0	406.4
R&D center construction project	89.0	87.5
Working capital replenishment	222.0	222.0
Over-raised funds	4,831.2	5,026.5
Total	5,581.2	5,742.4

As of December 31, 2025, the net proceeds used exceeded net proceeds allocated for use, which is primarily due to the fact that net proceeds used include interest earned on raised funds and cash management income.

During the Reporting Period, the use of proceeds from the Company's H Shares is as follows:

Approved by the "Notice of Filing for Overseas Issuance and Listing of Suzhou Novosense Microelectronics Co., Ltd." (Guo He Han [2025] No. 1817) (國合函[2025]1817號文《關於蘇州納芯微電子股份有限公司境外發行上市備案通知書》) issued by the CSRC, the Company issued H Shares and was listed on the Main Board of the Stock Exchange of Hong Kong on December 8, 2025. A total of 19,068,400 H Shares with a nominal value of RMB1.00 each were issued under the Hong Kong Public Offering and the International Offering at an Offer Price of HK\$116.0 per share. Subsequently, on January 2, 2026, the Company issued 1,026,600 H Shares with a nominal value of RMB1.00 each pursuant to the Over-allotment Option at an Offer Price of HK\$116.0 per share. The Company issued a total of 20,095,000 H Shares this time. After deducting the issuance expenses directly attributable to the issuance of new shares, the net proceeds were HK\$2,210 million (equivalent to approximately RMB2,010 million, of which the net proceeds from the issuance of H Shares on December 8, 2025, were approximately RMB1,910 million, and the net proceeds from the issuance of H Shares pursuant to the Over-allotment Option on January 2, 2026, were approximately RMB100 million; the net proceeds available per share were approximately RMB100.0).

FINANCIAL REVIEW

According to the Company's H Share prospectus, approximately 18% of the net proceeds from this H Share issuance will be used for enhancing the foundational R&D capabilities and manufacturing process platforms, approximately 22% will be used to further enrich our product portfolio, approximately 25% will be used for expanding the overseas sales network and promoting our products in overseas markets, approximately 25% will be used for strategic investments and/or acquisition, and approximately 10% will be used for working capital and general corporate uses. As of December 31, 2025, there is no change in the use of proceeds disclosed in the H Share prospectus.

As of December 31, 2025, the details of the use of net proceeds from this H Share issuance are set out as follows:

Purposes	Percentage of net proceeds	Net proceeds RMB million	Utilized amount during the Reporting Period RMB million	Utilized amount as of December 31, 2025 RMB million	Unutilized amount as of December 31, 2025 RMB million	Expected timetable of full utilization of the remaining net proceeds ^(Note)
Enhancing our foundational R&D capabilities and manufacturing process platforms	18%	343.0	0	0	343.0	Before December 31, 2030
Further enrich our product portfolio	22%	419.3	0	0	419.3	Before December 31, 2030
Expanding our overseas sales network and promoting our products in overseas markets	25%	476.5	0	0	476.5	Before December 31, 2030
Strategic investments and/or acquisition	25%	476.4	0	0	476.4	Before December 31, 2030
Working capital and general corporate uses	10%	190.6	0	0	190.6	Before December 31, 2030
Total	100%	1,905.8	0	0	1,905.8	

Note: The expected timeline for utilizing the unutilized amount is based on the Group's best estimate of future market conditions, which may be subject to change based on the development of current and future market conditions.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CULTURE AND VALUES

With the mission of “Sense & Drive the Future, Build a Green, Smart and Connected World with Semiconductors”, the Company adheres to the corporate values of “Robust, Reliable, Keep Learning, Persist in Long-term Value”, and is committed to providing chip-level solutions for the connection between the digital world and the physical world.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance.

The Board believes that high standards of corporate governance are essential for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency.

The Company has adopted the code provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules as the basis of the Company’s corporate governance practices.

As the H Shares of the Company were listed on the Stock Exchange on December 8, 2025, the Corporate Governance Code only applied to the Company from the Listing Date of the H Shares. The Board considers that, during the period from the Listing Date to December 31, 2025, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code, save as disclosed in this report.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. We do not have a separate chairman and general manager, and Mr. Wang Shengyang currently performs these two roles. The Board believes that, in view of his experience, personal profile and understanding of our business operations, Mr. Wang Shengyang is the Director best suited to identify strategic opportunities and vesting the roles of both chairman and general manager in Mr. Wang Shengyang can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. The Board believes that vesting the roles of both chairman and general manager in the same person facilitates the execution of the Group’s business strategies and maximizes effectiveness of its operation. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and independent non-executive Directors. The Board considers that the balance of power and authority under the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and general manager of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

CORPORATE GOVERNANCE REPORT

DIRECTORS AND SENIOR MANAGEMENT

General information and biographies of the Directors and senior management members of our Company during the period from the Listing Date to the date of this annual report are as follows:

Name	Gender	Age	Position	Current/Former
Mr. Wang Shengyang	Male	42	Executive Director, chairman of the Board and general manager	Current
Mr. Sheng Yun	Male	44	Executive Director, deputy general manager and head of research and development	Current
Mr. Wang Yifeng	Male	42	Executive Director and deputy general manager	Current
Mr. Jiang Chaoshang	Male	38	Executive Director, Employee Director and secretary to the Board	Current
Mr. Wu Jie	Male	42	Non-executive Director	Current
Dr. Hong Zhiliang	Male	80	Independent non-executive Director	Current
Dr. Chen Xichan	Female	42	Independent non-executive Director	Current
Mr. Wang Ruwei	Male	55	Independent non-executive Director	Current
Ms. Du Linlin	Female	36	Independent non-executive Director	Current
Ms. Zhu Ling	Female	36	Finance director	Current

As of the date of this annual report, the biographies of the Directors and senior management members of our Company are as follows:

DIRECTORS

Mr. Wang Shengyang, aged 42, is our Director, chairman of the Board, general manager. Mr. Wang joined our Group as our Director and general manager in May 2013, was appointed as our chairman of the Board and general manager in September 2013 and was redesignated as our executive Director on April 11, 2025, effective on the Listing Date. He is primarily responsible for the overall management, strategic planning and decision-making for key business and operational matters of our Group. Mr. Wang has been the executive Director and general manager of Shanghai Naxi Microelectronics Co., Ltd (上海納矽微電子有限公司), a subsidiary of our Group, since June 2016, responsible for the overall management and strategic planning.

Mr. Wang obtained a master's degree in electronics and communications engineering from Peking University (北京大學) in Beijing, the PRC, in July 2009.

Mr. Sheng Yun, aged 44, is our Director, deputy general manager, head of research and development. Mr. Sheng joined our Group in May 2013. He has been a Director of the Company since September 2013 and was redesignated as an executive Director on April 11, 2025, effective on the Listing Date. He has also been our head of research and development of the Company since May 2013 and a deputy general manager of the Company since August 2020. He was a supervisor of the Company from May 2013 to September 2013. He is primarily responsible for the decision-making for key business and operational matters and leading the overall research and development of our Group.

Mr. Sheng obtained a master's degree in microelectronics and solid-state electronics from Fudan University (復旦大學) in Shanghai, the PRC, in June 2008.

CORPORATE GOVERNANCE REPORT

Mr. Wang Yifeng, aged 42, is our Director and deputy general manager. In September 2013, Mr. Wang joined our Group as our supervisor and sales director until March 2016. He served as our secretary to the Board from March 2016 to August 2020. Mr. Wang was appointed as our Director and deputy general manager in March 2016 and was redesignated as an executive Director on April 11, 2025, effective on the Listing Date. He is primarily responsible for the strategic planning and decision-making for key business and operational matters of our Group.

Mr. Wang obtained a master's degree in electronics and communications engineering from Peking University (北京大學) in Beijing, the PRC, in July 2009.

Mr. Jiang Chaoshang, aged 38, is our Director and secretary to the Board. Mr. Jiang joined our Group as our head of the office of the secretary to the Board in February 2020 until July 2020. He has served as the secretary to the Board since August 2020. Mr. Jiang was appointed as our Director in November 2020, and was redesignated as an executive Director on April 11, 2025, effective on the Listing Date. He has served as an employee director of the Company since November 2025. He is primarily responsible for the strategic planning and decision-making for key business and operational matters and overseeing the capital market operation and securities affairs of our Group.

Mr. Jiang worked at Soochow Securities Co., Ltd. (東吳證券股份有限公司), a securities company listed on the Shanghai Stock Exchange (stock code: 601555.SH), as a project manager and business director successively from July 2011 to January 2020.

Mr. Jiang obtained an MBA degree from Soochow University (蘇州大學) in Suzhou, Jiangsu Province, the PRC, in July 2022.

Mr. Wu Jie, aged 42, is our Director. Mr. Wu joined our Group as our Director in August 2020 and was redesignated as a non-executive Director on April 11, 2025, effective on the Listing Date. He is primarily responsible for providing advice on the operation and management of our Group.

Mr. Wu worked at Guangdong Midea Refrigeration Equipment Co., Ltd.* (廣東美的製冷設備有限公司), a subsidiary of Midea Group Co., Ltd. (美的集團股份有限公司), a manufacturer of household electrical appliances, motors and their parts listed on Shenzhen Stock Exchange (stock code: 000333.SZ) and HKEX (stock code: 00300.HK), as an engineer and manager from July 2005 to December 2011. He served as a deputy general manager at Guangdong Hai Wu Technology Co., Ltd. (廣東海悟科技有限公司), a company primarily engaged in the manufacturing of electrical machinery and equipment, from January 2013 to September 2017. He has been the vice president of investment, rotating general manager and partner successively at Shenzhen Hengxin Huaye Equity Investment Fund Management Co., Ltd. (深圳市恒信華業股權投資基金管理有限公司) since September 2017.

Mr. Wu held directorship in Shanghai Pret Composites Co., Ltd. (上海普利特複合材料股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 002324.SZ) from May 7, 2021, to September 13, 2022.

Mr. Wu obtained an MBA degree from Peking University (北京大學) in Beijing, the PRC, in July 2020.

CORPORATE GOVERNANCE REPORT

Dr. Hong Zhiliang, aged 80, has been our independent Director since August 2020, and was appointed as an independent non-executive Director on April 11, 2025, effective on the Listing Date. He is primarily responsible for providing independent advice on the operations and management of our Group.

Dr. Hong has been a professor in the field of integrated circuit design of Fudan University (復旦大學) since 1991. He has been the executive director at Shanghai Hongbo Micro-Electronic Co., Ltd. (上海洪博微電子有限公司) since July 2003. He has also been serving as an independent director at Fengjia Technology (Shanghai) Co., Ltd. (奉加科技(上海)股份有限公司) since January 2023.

Dr. Hong holds or held independent directorship in several listed companies, including:

Sino Wealth Electronic Ltd. (中穎電子股份有限公司, 300327.SZ) from December 2016 to December 2022;

3PEAK INCORPORATED (思瑞浦微電子科技(蘇州)股份有限公司, 688536.SH) since December 2019 to January 2025;

Shanghai Bright Power Semiconductor Co., Ltd. (上海晶豐明源半導體股份有限公司, 688368.SH) since May 2020; and

Infotmic Co., Ltd. (盈方微電子股份有限公司, 000670.SZ) from December 2019 to January 2024.

Dr. Hong obtained a doctorate degree in electronics from Swiss Federal Institute of Technology Zurich in Swiss in June 1985. In January 1986, Dr. Hong joined the postdoctoral research station at Fudan.

Dr. Chen Xichan, aged 42, has been our independent Director since August 2020, and was appointed as an independent non-executive Director on April 11, 2025, effective on the Listing Date. She is primarily responsible for providing independent advice on the operations and management of our Group.

Dr. Chen was a lecturer and associate professor at Rongzhi College of Chongqing Technology and Business University (now known as Chongqing Finance and Economics College) (重慶工商大學融智學院(現重慶財經學院)) from July 2010 to March 2018. In July 2019, she was appointed as a lecturer and associate professor at the Department of Accounting of Dongwu Business School, Soochow University (蘇州大學東吳商學院會計系). Subsequent to that, she has been working as a lecturer, associate professor and assistant to the dean successively at the School of Internal Audit, Nanjing Audit University (南京審計大學內部審計學院) since October 2023.

Dr. Chen obtained a doctoral degree in management from Chongqing University (重慶大學) in Chongqing, the PRC, in June 2019, and postdoctoral certificate from Soochow University (蘇州大學) in Suzhou, Jiangsu Province, the PRC, in January 2023.

CORPORATE GOVERNANCE REPORT

Mr. Wang Ruwei, aged 55, has been our independent Director since August 2020, and was appointed as an independent non-executive Director on April 11, 2025, effective on the Listing Date. He is primarily responsible for providing independent advice on the operations and management of our Group.

Mr. Wang worked at the Suzhou International Exchange Center (蘇州市國際交流中心), currently known as Suzhou Foreign Affairs Translation Center (蘇州市外事翻譯中心), an institution under the Foreign Affairs Office of Suzhou Municipal People's Government (蘇州市人民政府外事辦公室), as a staff member from August 1992 to July 2003. He served as the deputy director and director of the law enforcement division of Suzhou Industrial Park Urban Management Bureau (蘇州工業園區城市管理局執法處) from August 2003 to August 2012. He has been also a lawyer at Beijing Yingke Law Firm (Suzhou Office)(北京市盈科(蘇州)律師事務所) since November 2018.

Mr. Wang obtained a bachelor's degree in international politics from Fudan University(復旦大學) in Shanghai, the PRC in July 1992. He obtained a legal professional qualification certificate in September 2002.

Ms. Du Linlin (former name Du Lin (杜琳)), aged 36, was appointed as our independent non-executive Director on April 11, 2025. She is primarily responsible for providing independent advice on the operations and management of our Group.

Ms. Du served as an analyst at the Corporate Finance Department of BOCI Securities Limited (中銀國際證券有限公司), currently known as BOC International (China) Co., Ltd. (中銀國際證券股份有限公司), a securities company listed on the Shanghai Stock Exchange (stock code: 601696.SH), from July 2014 to September 2015. Subsequently, she assumed the positions of the secretary to the board and director of the investment and financing department successively at Gosun Holding Co., Ltd. (高升控股股份有限公司), a cloud infrastructure service provider previously listed on the Shenzhen Stock Exchange (stock code: 000971) from November 2015 to May 2018. She was then the investment operation director at the Cloud and Smart Industry Business Group of Tencent Technology (Shenzhen) Company Limited (騰訊科技(深圳)有限公司), a subsidiary of Tencent Holdings Limited, which is listed on the HKEX (stock code: 00700.HK), from June 2018 to December 2023, where she was responsible for leading the post-investment management of various investee companies by (i) regularly reviewing operating reports, financial statements and audit reports; (ii) participating in building internal control systems and business and financial systems; (iii) leading the accounting teams in performing financial due diligence; and (iv) providing financial analysis and supporting decision-making through the use of financial metrics. Since December 2023, she has been serving as the vice president at the investment management department of China Merchants Venture Capital Management Co., Ltd. (招商局創新投資管理有限責任公司).

Ms. Du obtained a masters degree of economics from Renmin University of China (中國人民大學) in Beijing, PRC in June 2014, majoring in public finance. Ms. Du has been a member of the Chinese Institute of Certified Public Accountants since April 2014.

Save as otherwise disclosed in this report, there are no other changes in the information of Directors and Chief Executive Officer that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE REPORT

SENIOR MANAGEMENT

Ms. Zhu Ling, aged 36, has been our finance director since November 2014. She is primarily responsible for financial operations and capital management of our Group.

Prior to joining our Group, Ms. Zhu worked at Singatron Electronic (China) Co., Ltd. (信音電子(中國)股份有限公司), a company primarily engaged in the development, manufacturing and sales of connectors and listed on the Shenzhen Stock Exchange (stock code: 301329.SZ) from April 2012 to July 2014. Prior to that, she worked at Suzhou Zhaoke Electronics Co., Ltd. (蘇州兆科電子股份有限公司, currently known as Legend Union (Dalian) Tourism Development Group Co., Ltd. (聯程合眾(大連)旅遊項目開發股份有限公司)), from August 2010 to March 2012.

Ms. Zhu completed her undergraduate study in accounting at Xiamen University (廈門大學) through online education in June 2022. She graduated from Jiangsu Radio & Television University (now known as Jiangsu Open University) (江蘇廣播電視大學(現江蘇開放大學)) in Nanjing, Jiangsu Province, the PRC, in July 2010, majoring in accounting and statistical accounting.

To the best knowledge of the Company, none of the Directors or senior management members has any financial, business, family, or other material/relevant relationships with each other.

JOINT COMPANY SECRETARIES

Ms. Wang Yifei, securities affairs representative of the Company, was appointed as one of the Company's joint company secretaries on March 26, 2025, effective on the Listing Date.

Ms. Wang joined our Group as a legal specialist in June 2020 until April 2022. Since April 2022, she served as the securities affairs representative of the Company, responsible for assisting the secretary to the Board to deal with the securities affairs of our Company. Before joining our Group, she worked at Soochow Securities Co., Ltd. (東吳證券股份有限公司), a securities company listed on the Shanghai Stock Exchange (stock code: 601555.SH), as a project manager, lawyer and vice president of business successively from July 2015 to May 2020. She obtained a master's degree in law from Soochow University (蘇州大學) in Suzhou, Jiangsu Province, the PRC, in June 2015. She obtained a legal professional qualification certificate in March 2014.

Mr. Cheng Ching Kit was appointed as joint company secretary on March 26, 2025, effective as of the Listing Date.

Mr. Cheng Ching Kit is currently an vice president of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specializing in corporate services, and he has over 13 years of experience in the company secretarial profession since December 2012. He is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

In addition, he holds a bachelor of commerce degree in finance from the University of Queensland, Australia, and a master of laws degree in Chinese law from the University of Hong Kong.

CORPORATE GOVERNANCE REPORT

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code set out in Appendix C3 to the Hong Kong Listing Rules as its code of conduct regarding securities transactions by the Directors.

The Directors have complied with the Model Code throughout the period from the Listing Date to December 31, 2025.

The Company has also established the “Measures for the Administration of Information Disclosure” and the “Measures for the Compliance Management of Inside Information and Stock Trading” (collectively referred to as the “**Regulations on Information Disclosure**”) for securities transactions by employees who are likely to be in possession of inside information of the Company or its securities due to their position or employment, on terms no less exacting than the Model Code. Since the H Shares of the Company were listed on the Stock Exchange on December 8, 2025, the Model Code became applicable to the Company from the Listing Date of the H Shares. There was no incident of non-compliance with the Regulations on Information Disclosure by any employees of the Company from the Listing Date to December 31, 2025.

BOARD OF DIRECTORS

The Board is the leading body of the Company. It operates effectively and assumes responsibilities for leadership and monitoring, collectively managing and supervising the Company’s affairs to promote its development. Directors take decisions objectively in the best interests of the Company.

The Board currently comprises nine Directors, consisting of four executive Directors, one non-executive Director, and four independent non-executive Directors. The composition of the Board and the biographical information of each Director are set out in the section headed “Directors and Senior Management” under the Corporate Governance Report.

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Hong Kong Listing Rules in March 2025, and (ii) understands his or her obligations as a director of a listed issuer under the Hong Kong Listing Rules.

During the year ended December 31, 2025, none of the directors is deemed to have any interest in a business (other than the Group’s business) that competes or is likely to compete, directly or indirectly, with the Company’s business, which would be required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business. The Board includes a balanced composition of executive Directors, non-executive Director and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively make independent judgement.

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

During the year ended December 31, 2025, the Board at all times met the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive Directors representing not less than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Board Independence Evaluation

To promote more objective and effective board decision-making, the Company has established the Rules of Procedure for the Board of Directors and the Working Rules of the Independent Directors and other systems, so as to ensure that independent views and opinions of all Directors can be conveyed to the Board.

- The Rules of Procedure for the Board of Directors and Working Rules of the Independent Directors and other systems provide guidance for the duty performance of each Director to ensure standard operation and scientific decision-making by the Board, and stipulate actions to be taken by the Directors to avoid any conflict of interests;
- The Board of the Company consists of nine members; five of them are non-executive Directors, including four independent non-executive Directors in accordance with the SSE and the Hong Kong Listing Rules of Hong Kong Stock Exchange with a balanced composition so that there is a strong independent element on the Board;
- Before nomination of candidates for new independent non-executive Directors, the Nomination Committee will make a comprehensive assessment on their independence, working experience and professional skills, etc. It will also assess ongoing independence of the existing independent non-executive Directors and their time commitment for their performance of duties on an annual basis. According to Article 6 of the Measures for the Administration of Independent Directors of Listed Companies, all independent non-executive Directors are required to confirm in writing that they meet the independence requirements on an annual basis;
- The chairman holds a meeting with independent non-executive Directors annually without the presence of other Directors;
- The Company convenes meetings attended by all independent non-executive Directors from time to time to consider relevant matters stipulated in the Measures for the Administration of Independent Directors of Listed Companies, or study other matters of the Company as necessary; and
- The specific committees under the Board may, in the course of performing their duties, engage intermediaries to provide professional advice for their performance of duties at the expenses of the Company.

The Company believes that the above measures and policies have been effectively implemented from January 1, 2026.

CORPORATE GOVERNANCE REPORT

Appointment and Re-election of Directors

Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive Directors shall not hold office for more than six consecutive years pursuant to the relevant PRC laws and regulations.

Particulars of Directors' Service Contracts and Appointment Letters

The Company have entered into a service contract or appointment letter with each of the Directors. The principal particulars of these service contracts and appointment letters comprise (a) the term of the service; (b) subject to termination in accordance with their respective term; and (c) a dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with Articles of Association of the Company and the applicable laws, rules and regulations from time to time.

None of the Directors has or is proposed to have a service contract with any member of our Group which is not determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

All the Directors shall ensure appropriate understanding of the business and operations of the Company and be aware of Director's responsibilities and obligations under the Hong Kong Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Reading material on relevant topics would be provided to Directors where appropriate.

All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended December 31, 2025, all Directors participated in training sessions including Directors' duties and responsibilities, corporate governance, the Hong Kong Listing Rules compliance. In addition, relevant reading materials including legal and compliance have been provided to the Directors for their reference and studying.

CORPORATE GOVERNANCE REPORT

The training records of the Directors for the year of 2025 are summarized as follows:

Directors	Type of Training ^{Note}
Executive Directors	
Mr. WANG Shengyang	A/B
Mr. SHENG Yun	A/B
Mr. WANG Yifeng	A/B
Mr. JIANG Chaoshang	A/B
Non-executive Director	
Mr. WU Jie	A/B
Independent Non-executive Directors	
Dr. HONG Zhiliang	A/B
Dr. CHEN Xichan	A/B
Mr. WANG Ruwei	A/B
Ms. DU Linlin	A/B

Note: Types of Training:

- A. Attending training sessions, including but not limited to briefings, seminars, conferences and workshops
- B. Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Board Meetings

The Board conducts regular meetings at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Responsibilities and Contributions of the Board and the Management

The Board should assume responsibility for leadership and monitoring of the Company, and is collectively responsible for managing and supervising the Company's affairs.

The Board directly (and indirectly through its committees) leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that the Group has sound internal control and risk management systems in place.

All Directors (including non-executive Director and independent non-executive Directors) have brought valuable business experience, knowledge and professionalism from diverse backgrounds to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and bringing effective independent judgement on corporate actions and operations so as to maintain a balance on the Board.

CORPORATE GOVERNANCE REPORT

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Convening of Board Meetings and Attendance of Directors

During the year of 2025, the Board convened 8 meetings to consider and approve, amendments to the Articles of Association, periodic reports, etc.; discussed and proposed various resolutions to be submitted at the general meeting. Board meetings of the Company were permitted to be held via telephone or other electronic communication means.

The table below sets out the attendance rates of Directors at Board meetings during 2025:

Directors	Number of Board Meetings Attended/Held
Executive Directors	
Mr. WANG Shengyang	8/8
Mr. SHENG Yun	8/8
Mr. WANG Yifeng	8/8
Mr. JIANG Chaoshang	8/8
Non-executive Director	
Mr. WU Jie	8/8
Independent Non-executive Directors	
Dr. HONG Zhiliang	8/8
Dr. CHEN Xichan	8/8
Mr. WANG Ruwei	8/8
Ms. DU Linlin	6/6 ^{note}

Note: Ms. DU Linlin was appointed as a director of the Company in April 2025. This number represents the number of board meetings she has attended and chaired since her appointment.

From January 1, 2026 onwards, in addition to regular Board meetings, the chairman of the Board will hold one meeting with the independent non-executive Directors without the presence of other Directors annually.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established four Board Committees in accordance with the relevant laws and regulations in Mainland China, the Articles of Association and the code of corporate governance practices under the Hong Kong Listing Rules, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy and ESG Committee.

All Board Committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board Committees are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Company have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Hong Kong Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group and provide advice and comments to the Board. The Audit Committee comprises three members, namely Ms. DU Linlin, Mr. WANG Ruwei and Dr. CHEN Xichan, all of whom are independent non-executive Directors, with Ms. DU Linlin as the chairperson of the Audit Committee and is the Director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules.

During the year of 2025, the Audit Committee held 6 meetings to review and approve the resolution on the Company's periodic reports, the appointment of auditor, etc..

The Audit Committee also met the domestic and overseas auditors 2 times in total without the presence of the executive Directors.

The table below sets out the attendance rates of Audit Committee members at meetings during the year 2025:

Independent Non-executive Directors	Number of Audit Committee Meetings Attended/Held
Ms. DU Linlin	4/4 ^{note}
Mr. WANG Ruwei	6/6
Dr. CHEN Xichan	6/6

Note: Ms. DU Linlin was appointed as a director of the Company in April 2025. This number represents the number of Audit Committee meetings she has attended and chaired since her appointment.

CORPORATE GOVERNANCE REPORT

Remuneration and Appraisal Committee

We have established the Remuneration and Appraisal Committee with written terms of reference in compliance with Rule 3.25 of the Hong Kong Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules. The primary duties of the Remuneration and Appraisal Committee are to review and make recommendations to the Board on the terms of remuneration packages to our Directors and other senior management. The Remuneration and Appraisal Committee comprises three members, namely Dr. HONG Zhiliang, Dr. CHEN Xichan and Ms. DU Linlin, all of whom are independent non-executive Directors, with Dr. HONG Zhiliang as the chairperson of the Remuneration and Appraisal Committee.

During the year of 2025, the Remuneration and Appraisal Committee held 3 meetings to review and approve the resolution on compensation plans for the Company's directors and senior management.

The table below sets out the attendance rates of Remuneration and Appraisal Committee members at meetings during 2025:

Independent Non-executive Directors	Number of Remuneration and Appraisal Committee Meetings Attended/Held
Dr. HONG Zhiliang	3/3
Dr. CHEN Xichan	3/3
Ms. DU Linlin	1/1 ^{note}

Note: Ms. DU Linlin was appointed as a director of the Company in April 2025. This number represents the number of Remuneration and Appraisal Committee meetings she has attended and chaired since her appointment.

The remuneration of the senior management (excluding executive Directors) by band during the Reporting Period is set out below:

Remuneration	Number of Individuals
Less than RMB1,000,000	0
RMB1,000,001 to RMB1,500,000	1

The remuneration of each Director and the chief executive are set out in note 8 and 9 to the consolidated financial statements.

For the year ended December 31, 2025, no emolument was paid by our Group to any Directors or any of the five highest paid individuals as inducement to join or upon joining our Group as compensation for loss of office. For the year ended December 31, 2025, none of the Directors has waived or agreed to waive any emoluments.

CORPORATE GOVERNANCE REPORT

Remuneration Policy of Directors and Senior Management

The remuneration of Directors and senior management is reviewed by the Board Remuneration and Appraisal Committee and approved by the Board, and implemented after the deliberation of general meeting.

According to the Salary Management System for the Directors and Senior Management which has been approved by the Company, the remuneration of Directors and senior management consists of basic payments, performance-related payments, and mid-to-long-term incentive income. Basic payment is determined based on the responsibility, risk and pressure of Directors and senior management. Performance-related annual payment is related to the Company's operating results, the assessment result of target responsibility system, and the performance evaluation structure of their own department. The remuneration system for Directors and senior management serves the Company's operation strategy, and shall be adjusted with the Company's operating conditions in order to meet the Company's development requirements. The basis for adjusting the remuneration of Directors and senior management are as follows: (1) wage growth in the industry; (2) inflation; (3) corporate earnings; (4) organizational structure adjustment; and (5) individual adjustment due to a change in position.

Remuneration Policy of Employees

According to its actual operating conditions and fully considering the characteristics of the region and industry it operates in, the Company is committed to building a systematic and comprehensive remuneration and benefits guarantee system for its employees. The Company has formulated the Remuneration Management System to establish a scientific and reasonable remuneration system, aligning the remuneration level with the Company's performance and employees' individual contributions, promoting internal fairness, and fully exerting its role in attracting, motivating, and retaining talent. The Company conducts remuneration management adhering to the principles of fairness, competitiveness, motivation, economy, and rationality, and strictly complies with the relevant laws, regulations, and policies of the national and local governments regarding statutory benefits such as social insurance, housing provident funds, and statutory annual leave.

On the basis of statutory benefits, the Company continuously improves its market-competitive supplementary benefits system, providing all employees with welfare items such as paid welfare annual leave, supplementary commercial insurance, team-building funds, holiday gifts, and employee birthday congratulatory payments, providing strong support for the Company to attract and retain talent.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and other senior management. The Nomination Committee comprises three members, namely Mr. WU Jie, non-executive Director, and independent non-executive Directors Mr. WANG Ruwei and Ms. DU Linlin, with Mr. WANG Ruwei as the chairperson of the Nomination Committee.

During the year of 2025, the Nomination Committee held 2 meetings to review and approve the resolution on election of independent non-executive directors, the appointment of the company secretary, and the appointment of the Company's authorized representative.

CORPORATE GOVERNANCE REPORT

The table below sets out the attendance rates of Nomination Committee members at meetings during 2025:

Directors	Number of Nomination Committee Meetings Attended/Held
Mr. WANG Ruwei	2/2
Ms. DU Linlin	N/A ^{note}
Mr. WU Jie	2/2

Note: Ms. DU Linlin was appointed as a director of the Company in April 2025. No meetings of the Nomination Committee have been held since her appointment.

In assessing the Board composition, the Nomination Committee would take into account certain aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

Strategy and ESG Committee

We have established a Strategy and ESG Committee with written terms of reference. The primary duties of the Strategy and ESG Committee are to research on making recommendations to our Board on our long-term development strategies and major investment decisions. The Strategy and ESG Committee comprises five members, namely Mr. WANG Shengyang, Mr. SHENG Yun and Mr. WANG Yifeng, executive Directors, Mr. WU Jie, non-executive Director, and Dr. HONG Zhiliang, independent non-executive Director, with Mr. WANG Shengyang as the chairperson of the Strategy and ESG Committee.

During the year of 2025, the Strategy and ESG Committee held 4 meetings to review and approve the resolution on the Company's H share issuance and listing, ESG reports, etc..

The table below sets out the attendance rates of Strategy and ESG Committee members at meetings during the year 2025:

Directors	Number of Strategy and ESG Committee Meetings Attended/Held
Mr. WANG Shengyang	4/4
Mr. SHENG Yun	4/4
Mr. WANG Yifeng	4/4
Mr. WU Jie	4/4
Dr. HONG Zhiliang	4/4

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

Board diversity

Our Company has adopted a Board Diversity Policy which sets out the approach for achieving the Board diversity. Our Company recognizes 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 our ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of our Company, the Nomination Committee will consider a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, place of residence, professional experience, skills, knowledge, length of service and regulatory requirements. The Company currently has two female Directors on the Board and will continue to work towards enhancing the gender diversity of the Board. Our Directors have a balanced mix of knowledge and skills, and we have five non-executive Directors, including four independent non-executive Directors, with different industry backgrounds. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our Board Diversity Policy. Pursuant to the Board Diversity Policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board targets to maintain at least the current level of female representation, and will continue to seek opportunities to increase the proportion of female members over time as and when suitable candidates are identified. In considering the Board's successors to ensure the Board diversity, the Nomination Committee would engage independent professional search firm(s) to help identify potential candidates for non-executive Directors, as and when appropriate.

The Nomination Committee will review the Board Diversity Policy at least annually and monitor the implementation to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as of December 31, 2025:

	Female	Male
Board	22%	78%
Senior management	20%	80%
All employees	34%	66%

The Group is dedicated to increasing female representation in senior management and across the workforce. The Board considers that the current gender diversity in senior management and across the workforce meets the business needs.

CORPORATE GOVERNANCE REPORT

Based on business development and operational requirements, the Company fully considers factors such as skills, age, and gender diversity when recruiting employees and is committed to maintaining a balanced workforce in terms of skills, age, and gender.

The Company is not aware of any factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

Director Nomination Policy

In accordance with the nomination policy of the Company, candidates will be considered from a wide range of backgrounds and on merit based on objective criteria. The Nominating Committee shall screen and review candidates for directors and senior management positions, as well as their qualifications, and make recommendations to the Board of Directors regarding the following matters:

- (1) Identifying individuals suitably qualified to become Directors and selecting the relevant individuals nominated for directorship;
- (2) Making recommendations to the board on the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive;
- (3) Assessing the independence and ability of independent non-executive directors to perform their duties effectively;
- (4) Removing directors;
- (5) Appointing or dismissing senior management; and
- (6) Other matters as provided for by laws, administrative regulations, the provisions of the China Securities Regulatory Commission, the Hong Kong Listing Rules, and the Articles of Association.

During the period from the Listing Date to December 31, 2025, there was no change in the composition of the Board. The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, compliance with the Model Code and the Regulations on Information Disclosure, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Risk Management and Internal Control

The Company have in place a robust risk management and internal control system. The Company have adopted and continue to improve our internal control mechanisms, consisting of policies and procedures tailored to business operations of the Company, to safeguard business operations and assets of the Company at all times. The Board of the Company is collectively responsible for establishing and implementing such risk management mechanisms and overseeing overall risk management of the Company.

CORPORATE GOVERNANCE REPORT

Risk Management System

The Company has established a Risk Control Center, which comprises the Internal Audit Department, the Internal Control Department, and the Compliance Department, to strengthen internal control and ensure the effectiveness of the Company in finance, operations, compliance, risk management, etc. The Risk Control and Compliance Center reports to the Audit Committee quarterly on the key points of risk identification for every quarter, and explains in detail the measures taken by the Group and subsequent improvements. During the Reporting Period, the Risk Control and Compliance Center conducted a review on the effectiveness of the Company's risk management, risk identification and internal control to the Audit Committee. In addition, it also discussed the risk management and internal control systems with the members of the Audit Committee and reviewed the effectiveness of the risk management and internal control systems. Furthermore, during the Reporting Period, the Company's Risk Control and Compliance Center continued to advance risk management and internal control work, organized and coordinated various departments to carry out risk identification, analysis, evaluation and response work, and dynamically managed and updated the Company's risk list to ensure that all kinds of major risks were identified and managed effectively in a timely manner, forming a risk management culture of proactive and steady operation.

The Company's Risk Control and Compliance Center has reviewed the Group's risk management and internal control work for 2025. The Risk Control and Compliance Center concluded that there were no material and significant deficiencies in internal control over financial reporting, and no material and significant deficiencies in internal control over non-financial reporting were found. The Audit Committee and the Board of the Company have reviewed the effectiveness of the Group's risk management and internal control systems for 2025, and the Board considers that the current risk management and internal control systems of the Group are effective and adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. In addition, the domestic auditor also issued an internal control audit report, considering that the Group has maintained effective internal control over financial reporting in all material respects in accordance with the Basic Standard for Enterprise Internal Control and relevant regulations as of December 31, 2025. The Company will further improve the risk management and internal control systems of the Group in accordance with the requirements of internal control under the Listing Rules, so as to ensure that the Group is in an effective and proper control state in all aspects such as finance, operation, compliance and risk management during its continuous development, thereby protecting shareholders' interests.

Inside Information Disclosure Policy

The Company have developed and implemented the Insider Information Registrant Management System, which stipulates that (a) the Company and its Directors, senior management and relevant insiders shall take necessary measures to minimize the number of personnel with knowledge of inside information before public disclosure, strictly control the scope of knowledge and the transmission process of inside information, simplify the decision-making process, shorten the decision-making time, and at the same time prevent irrelevant personnel from accessing inside information; and (b) before the Company announces periodic reports, the Company's financial personnel and other relevant personnel with knowledge shall not leak, submit or make public the Company's preliminary results, results forecast, quarterly reports, interim reports, annual reports and relevant information to external parties, nor shall they transmit, post or discuss in any form on the Company's internal website, forums, bulletin boards or other media. The Administrative Measures for Information Disclosure established by the Company clarifies that: (i) a Shareholder or actual controllers holding more than 5% of the shares of the Company should take the initiative to inform the Board of the Company of any significant changes in their shareholding or control over the Company and cooperate with the Company in fulfilling the disclosure obligations; (ii) the Directors and senior management of the Company shall perform their duties faithfully and diligently to ensure that the information disclosed is true, accurate, complete, timely, and fair; and (iii) the Directors, senior management and other personnel with access to disclosable information due to their work shall be obliged to keep strictly confidential such undisclosed information which may have significant impact on the share price of the Company.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements with the support of the accounting and finance team.

The Directors have prepared the consolidated financial statements in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The consolidated financial statements of the Company are prepared on a going concern basis, the Directors are of the view that they give a true and fair view of the financial position, operating performance and cash flow of the Group for the year ended December 31, 2025, and the disclosure of other financial information and report therein complies with relevant legal requirements.

The statement of the external auditor of the Company about their reporting responsibilities for the Company's consolidated financial statements for the year ended December 31, 2025 is set out in the Independent Auditor's Report of this annual report.

External Auditors and Their Remuneration

The Company has not changed its domestic auditor in the past three years. Since the issuance of H Shares and the listing on the Main Board of the Hong Kong Stock Exchange on December 8, 2025, the Company has not changed its overseas auditor.

The Company has appointed Pan-China Certified Public Accountants LLP and KPMG respectively as the Company's domestic and overseas auditors for the year 2025.

During the year ended December 31, 2025, the remuneration paid/payable to the Company's external auditors was disclosed in Note 6 to the consolidated financial statements. The audit services comprise of the audit of the consolidated financial statements for the year 2025 and the audit-related services conducted by the Company's domestic and overseas auditors for the Company (with the remuneration of RMB2.50 million), and the statutory audit services for the Group's certain subsidiaries; the non-audit services mainly consist of the ESG advisory services provided by the overseas auditor (with the remuneration of RMB195,000).

JOINT COMPANY SECRETARIES

Ms. Wang Yifei and Mr. Cheng Ching Kit have been serving as the Company's joint company secretaries since the Listing Date. Mr. Cheng Ching Kit is currently an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specializing in corporate services. The primary contact person of Mr. Cheng Ching Kit at the Company is Ms. Wang Yifei.

For the year ended December 31, 2025, Ms. Wang Yifei and Mr. Cheng Ching Kit have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Hong Kong Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of General Meeting

Shareholders individually or jointly holding more than 10% of the shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting, and such request shall be made in writing. The Board shall, in accordance with the laws, administrative regulations and the Articles of Association, furnish a written reply stating whether it agrees with the convening of the extraordinary general meeting within 10 days after receiving such request.

In the event that the Board agrees to convene an extraordinary general meeting, the notice of the meeting shall be issued within 5 days after the Board passes the relevant resolution. Any changes to the original request made in the notice shall be approved by the relevant Shareholders.

In the event that the Board does not agree to convene an extraordinary general meeting or does not furnish any reply within 10 days after receiving such request, Shareholders individually or jointly holding more than 10% of the shares of the Company shall be entitled to propose to the Audit Committee to convene an extraordinary general meeting, and such request shall be made in writing.

In the event that the Audit Committee agrees to convene an extraordinary general meeting, the notice of the meeting shall be issued within 5 days after receiving such request. Any changes to the original request made in the notice shall be approved by the relevant Shareholders.

Failure of the Audit Committee to issue the notice of general meeting within the prescribed time limit shall be deemed that the Audit Committee will not convene and preside over a general meeting, and Shareholders individually or jointly holding more than 10% of the Company's shares for more than 90 consecutive days are entitled to convene and preside over a general meeting on their own initiatives.

Where the Audit Committee or Shareholders decide(s) to convene a meeting, records shall be filed with the stock exchange of the place where the Company's shares are listed simultaneously. Prior to announcement on the resolutions passed at the general meeting, the shareholding of the Shareholders convening such meeting shall not be less than 10%.

For the general meetings convened by the Audit Committee or Shareholders on their own initiatives, the Board and its secretary will cooperate with the convening of such meetings. The Board shall provide the register of members as at the date of shareholding registration. For the general meetings convened by the Audit Committee or the Shareholders on their own initiatives, the necessary expenses in relation to the meetings shall be borne by the Company.

CORPORATE GOVERNANCE REPORT

Proposals of General Meetings

When the Company convenes a general meeting, the Board, the Audit Committee, as well as Shareholder(s) individually or jointly holding more than 1% of the shares of the Company, shall be entitled to put forward proposals to the Company.

Shareholder(s) individually or jointly holding more than 1% of the shares of the Company may raise provisional proposals and submit the same in writing to the convener 10 days prior to the date of the general meeting. The convener shall issue a supplemental notice of the general meeting within 2 days after receiving such proposal, announce the content of the provisional proposal, and submit the provisional proposal to the general meeting for consideration. If the securities regulations and rules of the places where the Company's shares are listed require the general meeting to be postponed as a result of the supplemental notice, the convening of the general meeting shall be postponed in accordance with the requirements of such securities regulations and rules.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company normally will not deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:

Office of the Board Secretary, No.9, Dongdangtian Alley, Suzhou Industrial Park, Jiangsu Province, China

Email:

ir@novosns.com

For the avoidance of doubt, Shareholders must deliver and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at +86 (512) 6260 1802 823.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To safeguard Shareholder interests and rights, a separate resolution should be proposed for each substantially separate issue at a general meeting (including the election of individual Director). All resolutions put forward at general meetings will be voted on by poll pursuant to the Hong Kong Listing Rules, the Rules Governing the Listing of Stocks on the STAR Market of the Shanghai Stock Exchange and poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange and the Shanghai Stock Exchange after each general meeting.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. Effective from January 1, 2026, the Board will review the implementation and effectiveness of the shareholder communication policy on an annual basis.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(1) Corporate Communication

"Corporate Communication" as defined under the Hong Kong Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' reports, annual accounts together with the auditor's reports and their summary financial reports, where applicable; (b) the interim reports and summary interim reports, where applicable; (c) the quarterly reports; (d) notices of meeting; (e) listing documents; (f) circulars; and (g) proxy forms. The Corporate Communication of the Company will be published on the Hong Kong Stock Exchange's website (www.hkexnews.hk) in a timely manner as required by the Hong Kong Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Hong Kong Listing Rules. Shareholders and non-registered holders of the Company's securities shall have the right to choose the language (either in English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

(2) Announcements and Other Documents pursuant to the Hong Kong Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Articles of Association) on the Hong Kong Stock Exchange's website in a timely manner in accordance with the Hong Kong Listing Rules.

CORPORATE GOVERNANCE REPORT

(3) Corporate Website

Any information or documents of the Company posted on the Hong Kong Stock Exchange's website will also be published on the Company's website (www.novosns.com). Other corporate information about the Company's business developments, goals and strategies, corporate governance and risk management will also be available on the Company's website.

(4) General Meetings

The annual general meetings and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Hong Kong Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any).

During 2025, the Company held a total of three extraordinary shareholders' meetings and one annual shareholders' meeting. The following table sets out the attendance rate of the Directors at general meetings during the year 2025:

Director	Number of general meetings attended/held
Executive Directors	
Mr. Wang Shengyang	4/4
Mr. Sheng Yun	4/4
Mr. Wang Yifeng	4/4
Mr. Jiang Chaoshang	4/4
Non-executive Director	
Mr. Wu Jie	
Independent non-executive Directors	
Dr. Hong Zhiliang	4/4
Dr. Chen Xichan	4/4
Mr. Wang Ruwei	4/4
Ms. Du Linlin	3/3 ^{Note}

Note: Ms. Du Linlin was appointed as a Director of the Company in April 2025. The number here represents the shareholders' meetings attended and held subsequent to her appointment.

CORPORATE GOVERNANCE REPORT

(5) Shareholders' Enquiries

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, via calling its hotline at +852 2862 8555, or going in person to its public counter at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company normally will not deal with verbal or anonymous enquiries. Shareholders may send any written enquiries to the Board by email or by post as set out in the section headed "Contact Details".

(6) Other Investor Relations Communication Platforms

Investor/analysts briefings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums etc. will be launched as and when necessary to promote communication with Shareholders and investors. Directors and employees of the Company who contact or communicate with investors, analysts, the media or other external related parties must comply with the disclosure obligations and requirements of the Listing Rules and the relevant policies of the Company.

During the year, the Company released information to Shareholders in a timely and comprehensive manner through corporate communications, and updated the Company's news, major events and activities on the Company's website in a timely manner. The Company also actively communicated with investors through other meetings and individual meetings.

Amendments to Constitutional Documents

During the period from the Listing Date to the year ended December 31, 2025, the Company has not amended its Articles of Association. The Company amended its Articles of Association on January 7, 2026 to reflect the updated registered capital of the Company, and details of such amendments are set out in the announcement dated January 7, 2026. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Hong Kong Stock Exchange's website.

CORPORATE GOVERNANCE REPORT

PROFIT DISTRIBUTION POLICY

The Company does not have any predetermined dividend payout ratio or formal dividend policy. In accordance with the Company's Articles of Association, and pursuant to the provisions of the Company Law and the No. 3 Guideline for the Supervision of Listed Companies – Cash Dividend Distribution of Listed Companies (《上市公司監管指引第3號 – 上市公司現金分紅》), the Company has adopted a general annual dividend policy, under which the Company may declare dividends by way of cash dividends, stock dividends, or a combination of cash and stock dividends. The Company gives priority to cash dividends. Subject to meeting certain conditions, the Company shall distribute cash dividends in an amount of not less than 10% of the distributable profit realized for the year after making the required provisions for statutory reserves. The aforementioned specific conditions include: (i) the distributable profit realized by the Company for the year is positive; (ii) the accumulated distributable profit of the Company is positive; (iii) the auditing institution issues a standard unqualified audit report on the Company's financial report for the year; (iv) the Company has sufficient capital, and its profitability and cash flow can sustain continuous operations and long-term development; (v) there are no significant investment plans or major capital expenditure events occurring within the next 12 months; and (vi) there are no other major special circumstances approved by the general meeting of shareholders of the Company under which cash dividends may not be distributed.

In accordance with relevant laws, regulations, and provisions of the Company's Articles of Association, including the No. 3 Guideline for the Supervision of Listed Companies – Cash Dividend Distribution of Listed Companies (2025 Revision) (《上市公司監管指引第3號 – 上市公司現金分紅》) and the Shanghai Stock Exchange STAR Market Listed Companies Self-Regulatory Supervision Guidance No. 1 – Standardized Operations (《上海證券交易所科創板上市公司自律監管指引第1號 – 規範運作》), the Company's net profit attributable to shareholders of the parent company for the 2025 fiscal year was negative, and the retained earnings as of the end of the interim period in the parent company's financial statements were negative. These circumstances qualify as grounds for not distributing profits. Taking into comprehensive consideration the Company's profitability, development strategy, development plans, and capital requirements, and to ensure the Company's sustained, stable, and healthy development, the Company, after careful study and discussion, proposes not to distribute profits for the 2025 fiscal year, not to pay cash dividends, not to issue bonus shares, and not to increase share capital from capital reserves. For further details, please refer to the Announcement on the 2025 Profit Distribution Plan (《關於2025年度利潤分配方案的公告》) disclosed by the Company on the Shanghai Stock Exchange website on March 31, 2026.

REPORT OF THE DIRECTORS

The underlying sections in this annual report mentioned herein form part of this Report of the Directors.

I. PRINCIPAL ACTIVITIES

Novosense is an analog chip provider in China. Operating with the fabless model, Novosense offers a comprehensive portfolio of high-performance and reliable products and solutions for application sectors such as (i) automotive electronics, (ii) energy and industrial automation and (iii) consumer electronics. Novosense's three core product categories – sensor products, signal chain chips and power management chips – form a complete chain that covers (i) sensing, (ii) signal processing and (iii) system power supply and power drive. These products play a critical role in enabling the connection and interaction between the physical and digital worlds. There were no material changes in the principal nature of the Group's business during the Reporting Period.

For further description and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including description of the Group's response to major risks and uncertainties and forecast for the future development of the Group's business are set out in the "Management Discussion and Analysis" of this annual report.

II. DIVIDEND

The Board of Directors does not recommend the payment of any final dividend for the year ended December 31, 2025. For the year ended December 31, 2025, the Company had not paid or proposed any dividend (2024: nil).

The Board is not aware of any Shareholders who have waived or agreed to waive any dividend.

III. CHANGES IN SHARE CAPITAL AND DEBENTURES

Details on the changes in the Company's share capital and share capital of share classes for the year ended December 31, 2025 are set out in "Changes in Shares and Information on Shareholders" of this annual report.

IV. PRE-EMPTIVE RIGHT

The Company's shareholders are not entitled to have pre-emptive rights according to the provisions of Chinese law and the Articles of Association.

V. ISSUE AND LISTING OF SECURITIES

For the details of the Company's issue of shares during the Reporting Period, please refer to "Changes in shares" under "Changes in Shares and Information on Shareholders" of this annual report.

Save as disclosed above, there is no other issue and listing of securities of the Company during the Reporting Period.

REPORT OF THE DIRECTORS

VI. REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended December 31, 2025, the Company repurchased a total of 733,956 A Shares and held as treasury Shares (the “**Repurchased Shares**”) on the Shanghai Stock Exchange for an aggregate consideration of RMB112,744,745 (excluding commissions and additional fees). The repurchase was conducted with the intention to be fully used for employee share ownership plans or equity incentives at an appropriate time in the future. Details of the Repurchased Shares are as follows:

Date of Repurchase	Number of A Shares Repurchased	Price Per A Share Paid		Aggregate Consideration
		Highest Price <i>RMB</i>	Lowest Price <i>RMB</i>	
December 8, 2025	344,547	157.5	153.9	53,742,811
December 10, 2025	201,477	153.5	148.9	30,670,543
December 11, 2025	187,932	151.8	149.3	28,331,391
Total	733,956			112,744,745

On the Listing Date, the Company held 118,216 A Shares as treasury Shares. After repurchasing A Shares in December 2025, the Company held 852,172 A Shares as treasury Shares as at December 31, 2025. As at December 31, 2025, the Company did not hold any treasury shares that were H Shares.

Save as disclosed above, neither the Company nor any of its subsidiaries had repurchased, redeemed or sold any of the Company’s listed securities (including the sale or transfer of any treasury Shares) during the Reporting Period.

VII. RESERVES AND DISTRIBUTABLE RESERVES

For changes in the Company’s reserves and distributable reserves, please refer to the “Consolidated statement of changes in equity” under the consolidated financial statements and note 31 of this annual report.

VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

The Group is committed to promoting long-term positive ESG impacts for stakeholders (including customers, suppliers, and the communities affected by our operations). The Board of the Group oversees the ESG strategy to ensure that we operate in an ethical and responsible manner and in compliance with all applicable laws. Driven by the current global sustainable development trend, the Group is dedicated to establishing a comprehensive ESG governance framework, incorporating ESG into the overall strategy and long-term planning of the Group, and integrating it into major decision-making and daily operations, striving to actively fulfill social responsibilities and promote environmental protection while creating economic benefits, to ensure that business development is aligned with sustainable development goals.

The Company has complied with mandatory disclosure requirements and “comply or explain” provisions set out in the ESG Reporting Guide for the year. For the details, please refer to the 2025 Environmental, Social and Governance (ESG) Report issued by the Company.

For details of corporate governance, please also refer to “Corporate Governance Report” in this annual report.

IX. CHARITABLE EXPENSES

During the Reporting Period, the Group’s charitable expenditures were as follows: (1) In May 2025, the Company made its second donation of supplies to disadvantaged children (including orphans, children with serious illnesses or severe disabilities, and those from low-income families) at the Ren’ai School in Suzhou Industrial Park (蘇州園區仁愛學校), with the donated supplies valued at RMB9,500. (2) In September 2025, the Company participated in the Liver Transplant Project under the “Chip-Liver Baby Program” (芯肝寶貝計劃) of the China Soong Ching Ling Foundation and donated RMB100,000 to support liver transplant surgeries for pediatric patients from financially disadvantaged families. (3) In December 2025, the Company launched its third “Farmers’ Assistance Campaign,” purchasing oranges from disabled fruit farmers to distribute to employees, with the total amount of assistance reaching RMB78,000.

X. COMPLIANCE WITH LAWS AND REGULATIONS

The Board is responsible for the review and supervision of the Company’s compliance with policies and procedures in relation to laws and regulatory requirements with the assistance of the Company’s risk control and compliance center, legal affairs center and securities affairs center. The Company has formulated compliance procedures to ensure compliance with laws and regulations applicable to the Company.

The Company has always persisted in operating in compliance with laws and regulations and followed the national laws and regulations and provisions issued by regulatory authorities. In 2025, the Company has continued to enhance its internal control and management, improved the regulations and institutions and procedures of compliance management and business management; promptly implemented the requirements made by regulators and self-regulatory organizations during the Company’s operation, constantly strengthened publicity and training in fields like laws and compliance culture and raised every business department’s awareness of prevention of compliance risks in the process of conducting business.

The Company believe that the Group has acted in compliance with the laws and regulations of the jurisdictions where the Company operate in all material aspects, the overall compliance of operation and management activities is sound and compliance risk management operates normally during the year.

REPORT OF THE DIRECTORS

XI. DIRECTORS AND SENIOR MANAGEMENT

From the Listing Date to the date of this annual report, the general information and biographies of the Directors and members of the senior management of the Company are set out in “Directors and Senior Management” of the “Corporate Governance Report” of this annual report.

XII. EMPLOYEES

The following table sets forth the breakdown of our employees by profession as at December 31, 2025:

Profession	Number of professionals
R&D	655
Sales and marketing	239
Production and operations	223
Quality control	98
Financial	27
General management	103
Total	1,345

For details of the employee’s remuneration policy of our Company, please refer to “Remuneration Policy of Employees” set out in the “Corporate Governance Report” of this annual report.

With “reliability, trustworthiness, continuous learning, and commitment to long-term value” as its core values, the Company places great emphasis on talent development and skill enhancement, and continuously refines its training and professional development mechanisms. The Company has established a diversified learning system, with training courses divided into two main categories: specialized and general. The content focuses on three key dimensions, professional competence, leadership, and general competencies, and is delivered through a blended online and offline model. Employees can independently select courses based on their individual development stage and business needs, ensuring fairness and accessibility in development opportunities. At the same time, the Company places great emphasis on internal knowledge retention and succession, establishing robust internal knowledge-sharing mechanisms. We invite employees with extensive knowledge and deep practical experience to distill and share their business insights and expertise, thereby efficiently promoting knowledge accumulation and sharing. By continuously advancing capability development and the operation of learning platforms, the Company actively fosters a strong learning organization culture. This approach continuously enhances employees’ resilience and the organization’s learning capacity, providing a solid human capital foundation for stable business operations, compliance management, and long-term value creation. Ultimately, this enables the mutual growth and collaborative development of both employees and the Company.

For details of the employees of the Company, please refer to 2025 Environmental, Social and Governance (ESG) Report published by the Company.

XIII. MAJOR CUSTOMERS AND SUPPLIERS

Major sales customers of the Company

Total sales amount to the top five customers (Unit: RMB'000)	941,254
Proportion of total sales amount to the top five customers in total annual sales	28.0%
Proportion of sales amount to related parties among the top five customers' sales in total annual sales	0%

Information on the top 5 customers of the Company

No.	Name of customer	Sales amount (RMB'000)	Proportion in total annual sales
1	Customer A	274,983	8.2%
2	Customer B	192,386	5.7%
3	Customer C	180,181	5.4%
4	Customer D	162,011	4.8%
5	Customer E	131,693	3.9%
Total		941,254	28.0%

Other explanations on major customers

There was no related relationship between the Company and the top five customers. None of the Directors or their close associates, senior management, core technical personnel, shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), de facto controllers or other related parties had any beneficial interests in the top five customers.

Major suppliers of the Company

Total purchase amount from the top five suppliers (Unit: RMB'000)	2,136,955
Proportion of total purchase amount from the top five suppliers in total annual purchases	82.1%
Proportion of purchase amount from related parties among the top five suppliers' purchases in total annual purchases	0%

REPORT OF THE DIRECTORS

Information on the top 5 suppliers of the Company

No.	Name of supplier	Purchase amount (RMB'000)	Proportion in total annual purchases
1	Supplier A	867,262	33.3%
2	Supplier B	653,604	25.1%
3	Supplier C	370,302	14.2%
4	Supplier D	152,855	5.9%
5	Supplier E	92,932	3.6%
Total		2,136,955	82.1%

Other Information of Major Suppliers

There was no related relationship between the Company and the top five suppliers. None of the Directors or their associates, senior management, core technicians, Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), de facto controller or other related parties of the Company had any beneficial interests in the top five suppliers.

XIV. RELATIONS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company is committed to fostering an inclusive and equitable workplace. The Company embrace diversity in hiring, provide equal employment opportunities and strictly prohibit discrimination based on gender, age, race, religion or physical status. The Company's recruitment process ensures fair assessment of candidates based solely on their qualifications and experience. We encourage employees and applicants to raise concerns, which are promptly addressed in line with the Company's commitment to fairness and respect. The Company hold regular roundtables where the Company's management and employees engage in face-to-face interactions to discuss business updates and promptly address employee queries. The Company also hold townhall meetings to share industry trends, business updates, vital achievements by various internal departments and exchange of corporate value and culture.

The Company always focus on our customers, adhering to the cooperative philosophies of sincerity, transparency, professionalism, and efficiency. We deeply understand and respond swiftly to customer demands, continuously delivering safe, reliable, and cost-effective products and solutions for customers. The Company value long-term trust relationships with our customers, strictly abiding by the principles of business ethics and compliance. Through ongoing investments in products, technology, services, and information security, we achieve mutually beneficial and sustainable long-term growth with our customers.

REPORT OF THE DIRECTORS

The Company have implemented a comprehensive supply chain management system that encompasses the entire lifecycle of supplier engagement, including inspection, admission, performance evaluation, auditing and exit. The Company's supplier evaluation process incorporates (i) TQRDC (Technology, Quality, Response, Delivery and Cost) criteria, with additional (ii) ESG dimensions to ensure sustainability, social responsibility, and (iii) security, including cybersecurity, information security, and employee safety. The Company enter into long-term strategic partnerships with key suppliers to ensure upstream material traceability, and actively promote localization of supply chains through detailed assessments and domestic sourcing efforts. The Company conduct quarterly ESG performance reviews on suppliers covering ethics, environmental compliance, occupational health, and hazardous substance control, and engage with key suppliers annually to review carbon emissions and set improvement targets.

XV. SUMMARY OF THE RESTRICTED SHARE INCENTIVE PLANS

During the Reporting Period, the Company's existing Restricted Share Incentive Plans included the 2022 Restricted Share Incentive Plans and the 2023 Restricted Share Incentive Plans. Given that no further restricted shares will be granted under the above Restricted Share Incentive Plans after the listing of the Company's H shares, the terms of such Restricted Share Incentive Plans are not subject to the provisions of Chapter 17 of the Hong Kong Listing Rules.

1. Purpose

The purpose of the Restricted Share Incentive Plans is to further improve the Group's long-term incentive mechanism, attract and retain outstanding talents, fully mobilize the enthusiasm of the Group's employees and enable all parties to jointly focus on the long-term development of the Group. The Restricted Share Incentive Plans are implemented to align the interests of our Shareholders with the interests of our Group and employees.

2. Participants

The participants of our 2022 Restricted Share Incentive Plan include our directors, senior management and core technical staff and key employees. The participants of our 2023 Restricted Share Incentive Plan include our core technical staff and key employees.

Participants in the aforementioned Restricted Share Incentive Plan do not include independent directors and former supervisors.

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3. Source and Maximum Number of Shares

For our 2022 Restricted Share Incentive Plan, the underlying A Shares are the A Shares to be issued by our Company to the grantee under our 2022 Restricted Share Incentive Plan. For our 2023 Restricted Share Incentive Plan, the underlying A Shares are the A Shares to be issued by our Company and/or repurchased by our Company from the secondary market. The restricted Shares are subject to a vesting period and will only be vested upon fulfilling the vesting conditions stipulated. The maximum number of restricted Shares that can be granted under each of the Restricted Share Incentive Plans is as follows:

Restricted Share Incentive Plan	Maximum number of restricted Shares to be granted under the Plan
2022 Restricted Share Incentive Plan	4,200,000 ^註
2023 Restricted Share Incentive Plan	3,800,000

Note: The maximum number of restricted Shares to be granted under the Plan was initially 3,000,000. Among the 3,000,000 restricted Shares, 229,272 restricted Shares (the “**2022 Retained Restricted Shares**”) were reserved for grant. In June 2023, pursuant to the 2022 profit distribution and capitalization of capital reserves plan, the maximum number of restricted Shares to be granted has been adjusted to 4,200,000. Among the 4,200,000 restricted Shares, the number of 2022 Retained Restricted Shares has been adjusted to 320,981.

4. Date of Grant and Term of the Restricted Share Incentive Plans

The date on which the restricted Shares are granted shall be determined by the Board after the approval of the Restricted Share Incentive Plans by the Shareholders’ meeting and shall be a trading day. Under the Company’s Restricted Share Incentive Plans, the grant of restricted Shares, excluding the 2022 Retained Restricted Shares, shall be completed and announced within 60 days after the approval of such plans by the Shareholders’ meeting.

The 2022 Restricted Share Incentive Plan shall be effective from the date of the initial grant of restricted Shares under such plan up to the date when all of the restricted Shares granted under the plans have been vested or void and lapsed, provided that the term of the plan shall not exceed 72 months.

The 2023 Restricted Share Incentive Plan shall be effective from the date of the grant of restricted Shares under such plan up to the date when all of the restricted Shares granted under the plans have been vested or void and lapsed, provided that the term of the plan shall not exceed 48 months.

5. Lock-up for Directors and Senior Management

If the grantee is a Director or a member of senior management of our Company,

- (1) during their employment with our Company, the Shares to be transferred in each year shall not exceed 25% of the total Shares he or she holds, and no Share held by such Director or senior management can be transferred within six months after the termination of his or her employment with our Company;
- (2) income gained through (i) sale of Shares within six months of purchase of Shares; or (ii) purchase of Shares within six months of sale of Shares, shall belong to our Company and will be forfeited by the Board;
- (3) the grantee is also subject to the lock-up requirements under applicable laws and regulations; and
- (4) if there is any change in the applicable laws and regulations on the lock-up requirements, the grantee shall comply with the amended laws and regulations.

6. Conditions to the Grant of Restricted Shares

The restricted Shares under the Restricted Share Incentive Plans shall be granted to selected participants subject to the fulfillment of the following conditions:

- (i) with respect to our Company, none of the following circumstances having occurred:
 - (1) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the accountant with respect to our Company's accountant's report for the most recent fiscal year;
 - (2) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the accountant with respect to the internal control of the financial report for the most recent fiscal year;
 - (3) our Company has not distributed dividends in accordance with the laws and regulations, our Articles of Association or our public commitment within the last 36 months after its listing;
 - (4) applicable laws and regulations prohibit the implementation of share incentive; or
 - (5) other circumstances determined by the CSRC; and

REPORT OF THE DIRECTORS

- (ii) with respect to a grantee, none of the following circumstances having occurred:
 - (1) the grantee has been regarded as an inappropriate person by the stock exchange within the last 12 months;
 - (2) the grantee has been regarded as an inappropriate person by the CSRC and its local office within the last 12 months;
 - (3) the grantee has received administrative penalty or been prohibited from entering into the securities market by the CSRC and its local office due to material non-compliance with applicable laws and regulations within the last 12 months;
 - (4) the grantee is not qualified to serve as a director or senior management according to the PRC Company Law;
 - (5) the grantee is prohibited from participating in any share incentive of listed companies according to applicable laws and regulations; or
 - (6) other circumstances determined by the CSRC.

7. Vesting of Restricted Shares

The restricted Shares shall be vested when (i) the conditions set out under paragraph (g) above are fulfilled; (ii) the grantee has served our Group for more than 12 months; and (iii) the annual assessment and performance targets as set out under the respective Restricted Share Incentive Plans are achieved.

The restricted Shares will be vested in accordance with the vesting schedule as set out under the Restricted Share Incentive Plans as follows:

- (1) under the 2022 Restricted Share Incentive Plan, the vesting schedule for the restricted Shares is (i) 25% to be vested between the first year and the second year from the date of the initial grant/reserved; (ii) 25% to be vested between the second year and the third year from the date of the initial grant/reserved; (iii) 25% to be vested between the third year and the fourth year from the date of the initial grant/reserved; and (iv) 25% to be vested between the fourth year and the fifth year from the date of the initial grant/reserved; and
- (2) under the 2023 Restricted Share Incentive Plan, the vesting schedule for the restricted Shares is (i) 40% to be vested between the first year and the second year from the date of grant; (ii) 30% to be vested between the second year and the third year from the date of grant; and (iii) 30% to be vested between the third year and the fourth year from the date of grant.

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The number of restricted Shares granted and/or vested and/or the grant prices shall be adjusted upon the occurrence of certain events, including increase in the share capital by way of capitalization of capital reserves, distribution of dividends, subdivision of shares, placing and share reduction. Our Company may void the granted but unvested restricted Shares upon occurrence of certain events as set out in the Restricted Share Incentive Plans, including but not limited to the termination of employment of the grantees with our Company.

8. Determination of Grant Prices

The grant prices of the restricted Shares were determined by way of independent pricing, taking into comprehensive consideration factors such as the effectiveness of the incentive plans and the impact of the Company's share-based payment expenses. It reasonably determined the scope of the grantees and the number of equity interests granted, followed the principle of matching incentives with constraints, and reflected the actual incentive needs of our Company.

9. Unvested Restricted Shares

As of the date of this report, a total of 8,000,000 restricted Shares had been granted under the 2022 Restricted Share Incentive Plan and the 2023 Restricted Share Incentive Plan of our Company. Following the review by the Board of our Company, a total of 2,507,521 restricted Shares have vested; a total of 3,350,442 restricted Shares were lapsed due to reasons such as the failure of the grantees to meet their performance assessment targets and the failure to achieve the annual assessment and performance targets for the relevant year; and the remaining 2,142,037 restricted Shares remained unvested, representing approximately 1.33% of the total number of issued shares of our Company (excluding treasury shares).

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10. Changes in the Number of Restricted Shares during the Reporting Period and Validity Period of the Scheme

Name and category of the participant	Number of unvested restricted shares as at January 1, 2025 (share)	Number of vested restricted shares during the Reporting Period (share)	Lapsed during the Reporting Period ⁽¹⁾ (share)	Number of unvested restricted shares as at December 31, 2025 (share)	Grant price (RMB/share)	Weighted average closing price of relevant Shares immediately before the vesting date (RMB/share)	Date of grant	Validity period of the Plan
Director								
Jiang Chaoshang	9,800	0	4,900	4,900	68	N/A	2022/6/21	2022/6/21–2026/6/20
Non-director employees								
2022 Restricted Share Incentive Plan	2,067,874	0	1,033,933	1,033,941	68	N/A	Initial grant 2022/6/21 Reserved grant 2022/10/25	2022/6/21–2026/6/20 and 2022/10/25–2026/10/24
2023 Restricted Share Incentive Plan	2,206,392	0	1,103,196	1,103,196	49	N/A	2023/9/18	2023/9/18–2026/9/17

Note:

- (1) The reason for the lapse is failure to reach the performance target for the year.
- (2) The vesting arrangements followed the vesting schedule under the Restricted Share Incentive Plans as disclosed above.
- (3) Save as disclosed above, no restricted Shares had been granted to (i) Directors, chief executive or substantial shareholders of the Company, or their respective associates; (ii) participant with options and awards granted and to be granted in excess of the 1% individual limit; or (iii) related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of Shares in issue.

During the Reporting Period, the number of Shares that may be issued in respect of the Shares granted under the 2022 and 2023 Restricted Share Incentive Plans amounting to 2,142,037 (as of December 31, 2025, a total of 2,507,521 restricted Shares were vested; a total of 3,350,442 restricted Shares were lapsed; and 2,142,037 restricted Shares remained unvested) divided by the weighted average number of Shares of the relevant class in issue (excluding treasury Shares) for 2025 was 1.50%.

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XVI. SIGNIFICANT CONTRACTS

During the Reporting Period, the Company or any of its subsidiaries did not have any significant contract with controlling shareholders or its subsidiaries, and there are no significant contracts of services provided by the controlling shareholders or its subsidiaries to the Company or subsidiaries.

XVII. EQUITY-LINKED AGREEMENT

Other than the Restricted Share Incentive Plans, the Company had not entered into or participated in any equity-linked agreements that will or may result in the Company issuing Shares during the year ended December 31, 2025.

XVIII. CONNECTED TRANSACTIONS

The Company did not engage in any material transactions with its connected persons during the FY 2025. The directors have reviewed the Group's connected transactions for the FY 2025 and are not aware of any connected transactions that require disclosure under the Listing Rules.

Details of the Group's related-party transactions during the Reporting Period are set out in Note 34 to the consolidated financial statements contained in this report. For the year ended December 31, 2025, there was no related party transaction or continuing related party transaction set out in Note 34 to the consolidated financial statements which constitutes discloseable connected transaction or discloseable continuing connected transaction under Chapter 14A of the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with the disclosure requirements under the Listing Rules in force from time to time.

XIX. MANAGEMENT CONTRACT

During the Reporting Period, no contracts were subsisted (other than the service contracts with any Directors or any of the full-time employees of the Company), and pursuant to which, the management and administration of the whole or any substantial part of the business of the Company were undertaken by any individual or entities.

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XX. TAX RELIEF

(1) A Shareholders

In accordance with provisions of the “Notice on Relevant Issues of Implementation of Individual Income Tax Policy of Dividends and Bonus Differentiation of Listed Companies” (Cai Shui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) and the “Notice on Relevant Issues of Individual Income Tax Policy of Dividends and Bonus Differentiation of Listed Companies” (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), for dividends and bonuses of individual investors received from listed companies from the date when individual investors acquire shares of the company till the equity registration date, if shareholding period is more than one year, individual income tax will be exempted; if shareholding period is not more than one year (including one year), the listed company will not withhold and remit individual income tax and the amount of tax payable will be calculated on the transfer of shares by an individual investor based on the period of holding the shares.

As for shareholders of resident enterprises, income tax of cash bonuses will be paid by themselves.

Listed companies will withhold and remit enterprise income tax at the tax rate of 10% for qualified foreign institutional investors (QFII) in accordance with provisions of the “Notice on Relevant Issues Regarding the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII” (Guo Shui Han [2009] No. 47) (《關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47號)). If the QFII shareholders intend to claim the preferential treatment as stipulated in tax treaties (arrangements) for their dividend and bonus incomes, they may by themselves, or may entrust a withholding agent on their behalf to, apply to the competent tax authority of the listed company for the treatment as stipulated in such tax treaties.

Pursuant to the provisions under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No.81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) issued by the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission, for dividends and bonus incomes received by investors (including enterprises and individuals) in the Hong Kong market from investing in A Shares listed on the SSE, the implementation of differentiated tax policies based on period of shareholding is suspended before Hong Kong Securities Clearing Co., Ltd. meets the conditions of providing identification, terms of shareholding and other specific data of investors to China Clearing, and the income taxes thereof are withheld and paid by the listed company at the rate of 10%, which should be duly declared to the competent tax authority. For Hong Kong investors who are tax residents from another country and that country has entered into a tax treaty with the PRC stipulating a tax rate of lower than 10% for dividends, those enterprises or individuals may by themselves, or may entrust a withholding agent on their behalf to, apply to the competent tax authority of the listed company for the treatment as stipulated in such tax treaties, after review by the competent tax authority, a tax refund shall be issued for the difference between the tax already collected and the tax due as calculated based on the tax treaty rate.

(2) H Shareholders

In accordance with the provisions of the “Notice of the State Administration of Taxation on Individual Income Tax Collection Issues Following the Repeal of the Document with the Number of Guo Shui Fa [1993] No. 045” (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), withholding and remitting obligor will withhold and remit individual income tax as per item of “interest, dividends and bonus income” for dividends and bonuses income of overseas resident individual shareholders from the domestic non-foreign-funded enterprises by issuing shares in Hong Kong. When the domestic non-foreign-funded enterprise issues shares in Hong Kong, its overseas resident individual shareholders will enjoy relevant tax preference in accordance with the tax convention signed by China and the country stated in the residential identity and tax arrangement of Mainland China and Hong Kong (Macau). In general, the tax rate for dividend is 10% in accordance with relevant tax convention and provisions on tax arrangement. To simplify tax collection and management, when a domestic non-foreign funded enterprise that has issued shares in Hong Kong distributes dividends and bonuses, individual income tax will be generally withheld and remitted at the tax rate of 10% and application is not necessary. If the tax rate for dividends does not fall within 10%, the following provisions shall apply: (1) for residents from countries which have entered into tax treaties with a tax rate of lower than 10%, the withholding agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the competent tax authorities, the excess tax amounts withheld will be refunded; (2) for residents from countries which have entered into tax treaties with a tax rate of higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the effective tax rate under the treaties when distributing dividends without application; (3) for residents from countries without tax treaties or otherwise, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividends.

In accordance with the provisions of the “Notice on Relevant Issues that PRC Resident Enterprises Distribute Dividends to Overseas Non-resident Enterprise Shareholders of H shares and Withhold and Remit Enterprise Income Tax” (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), when PRC resident enterprises distribute dividends for 2008 and future years to overseas non-resident enterprise shareholders of H-shares, they will withhold and remit enterprise income tax at the tax rate of 10%.

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In accordance with provisions of the “Notice on Tax Policies about Inter-communication Pilot of Shenzhen-Hong Kong Stock Exchange Mechanism” (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), “Announcement on the Continued Implementation of Individual Income Tax Policies Regarding the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect Mechanisms and the Mainland-Hong Kong Mutual Recognition of Funds” (Ministry of Finance Announcement No. 93 of 2019) (《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》(財政部公告2019年第93號)) and “Notice on Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect Mechanism,” (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) H-share companies will withhold individual income tax at the tax rate of 20% for dividend and bonus of individual investors in Mainland China who invest in H-shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. Individual income tax will be collected in accordance with the above provisions for dividends and bonuses income of the securities investment fund in Mainland China which invests in listed shares of the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. H-share companies will not withhold dividend and bonus income tax for dividends and bonuses of enterprise investors in Mainland China who invest in listed shares of the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect and income tax will be paid by the enterprises themselves. Dividends and bonuses income obtained by resident enterprises in Mainland China as they have continuously held H-shares for 12 months will be exempted from enterprise income tax according to laws.

Under the current practice of the Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Shareholders of the Company will pay relevant taxes and/or enjoy tax concession in accordance with the above provisions.

XXI. SUFFICIENT PUBLIC FLOAT

As of the date of this annual report, based on the available information and to the best knowledge of the Directors, the Company’s public float satisfies the requirements for minimum public float under Rule 19A.13A(2) of the Hong Kong Listing Rules.

XXII. EVENTS AFTER THE REPORTING PERIOD

In January 2026, 521,686 A Shares were repurchased by the Company and are held as treasury Shares. Except as disclosed above and in the section headed “CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS” of this annual report, there were no other material subsequent events since the end of the Reporting Period.

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XXIII. PERFORMANCE OF UNDERTAKINGS

Undertakings of the Company's actual controller, Shareholders, related parties, acquirer, the Company and other parties fulfilled during the Reporting Period and as of the end of the Reporting Period are as follows:

Backgrounds of undertaking	Type of undertaking	Party(ies) giving the undertaking	Details of undertaking	Date of giving undertaking	Any period for performance	Term	Whether timely performed and strictly performed	Detailed reasons for not performing timely, if applicable	Next steps if undertakings were not performed timely
Undertakings related to initial public offering	Restricting the sale of shares	Controlling shareholders or de facto controllers: Wang Shengyang, Sheng Yun and Wang Yifeng	See note (1) for details	May 18, 2021	Yes	36 months from the listing date of the Company, and 2 years from expiration of the lock-up period	Yes	N/A	N/A
	Restricting the sale of shares	Ruixi Information Consulting, Naxin No.1, Naxin No.2 and Naxin No.3	See note (2) for details	May 18, 2021	Yes	36 months from the listing date of the Company, and 2 years from expiration of the lock-up period	Yes	N/A	N/A
	Restricting the sale of shares	Directors and officers (excluding the de facto controllers) directly or indirectly holding shares in the Company	See note (3) for details	May 18, 2021	Yes	36 months from the listing date of the Company, and 2 years from expiration of the lock-up period	Yes	N/A	N/A
	Restricting the sale of shares	Supervisors directly or indirectly holding shares in the Company	See note (4) for details	May 18, 2021	Yes	12 months from the listing date of the Company	Yes	N/A	N/A
	Restricting the sale of shares	Core technical personnel directly or indirectly holding shares in the Company	See note (5) for details	May 18, 2021	Yes	12 months from the listing date of the Company and 2 years after his/her resignation and 4 years from expiration of the lock-up period	Yes	N/A	N/A
	Others	Controlling shareholders or de facto controllers: Wang Shengyang, Sheng Yun and Wang Yifeng	See note (6) for details	May 18, 2021	Yes	Long-term	Yes	N/A	N/A

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Backgrounds of undertaking	Type of undertaking	Party(ies) giving the undertaking	Details of undertaking	Date of giving undertaking	Any period for performance	Term	Whether timely and strictly performed	Detailed reasons for not performing timely, if applicable	Next steps if undertakings were not performed timely
	Others	Ruixi Information Consulting, Naxin No.1, Naxin No.2 and Naxin No.3	See note (7) for details	May 18, 2021	Yes	Long-term	Yes	N/A	N/A
	Others	Other shareholders holding over 5% of shares in the Company	See note (8) for details	May 18, 2021	Yes	Long-term	Yes	N/A	N/A
	Others	The Company, controlling shareholders, de facto controllers (Wang Shengyang, Sheng Yun and Wang Yifeng), salaried directors (excluding independent non-executive directors), executive officers	See note (9) for details	May 18, 2021	Yes	3 years from the listing date of the Company	Yes	N/A	N/A
	Others	The Company, controlling shareholders, de facto controllers (Wang Shengyang, Sheng Yun and Wang Yifeng)	See note (10) for details	May 18, 2021	No	Long-term	Yes	N/A	N/A
	Others	The Company, controlling shareholders, de facto controllers (Wang Shengyang, Sheng Yun and Wang Yifeng), Directors and senior management	See note (11) for details	May 18, 2021	No	Long-term	Yes	N/A	N/A

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Backgrounds of undertaking	Type of undertaking	Party(ies) giving the undertaking	Details of undertaking	Date of giving undertaking	Any period for performance	Term	Whether timely and strictly performed	Detailed reasons for not performing timely, if applicable	Next steps if undertakings were not performed timely
	Others	The Company, controlling shareholders, de facto controllers (Wang Shengyang, Sheng Yun and Wang Yifeng)	See note (12) for details	May 18, 2021	Yes	3 years from the listing date of the Company	Yes	N/A	N/A
	Others	The Company, controlling shareholders, de facto controllers (Wang Shengyang, Sheng Yun and Wang Yifeng), Directors, supervisors and senior management	See note (13) for details	May 18, 2021	No	Long-term	Yes	N/A	N/A
	Others	The Company, controlling shareholders, de facto controllers (Wang Shengyang, Sheng Yun and Wang Yifeng), Directors, supervisors, senior management and core technical personnel	See note (14) for details	May 18, 2021	No	Long-term	Yes	N/A	N/A
	Others	The Company	See note (15) for details	May 18, 2021	No	Long-term	Yes	N/A	N/A
	Others	The Company, controlling shareholders, de facto controllers (Wang Shengyang, Sheng Yun and Wang Yifeng)	See note (16) for details	May 18, 2021	No	Long-term	Yes	N/A	N/A

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Backgrounds of undertaking	Type of undertaking	Party(ies) giving the undertaking	Details of undertaking	Date of giving undertaking	Any period for performance	Term	Whether timely performed and strictly performed	Detailed reasons for not performing timely, if applicable	Next steps if undertakings were not performed timely
	Others	The Company, controlling shareholders, de facto controllers (Wang Shengyang, Sheng Yun and Wang Yifeng), Other shareholders holding over 5% of shares in the Company, Directors, supervisors and senior management	See note (17) for details	May 18, 2021	No	Long-term	Yes	N/A	N/A
	Others	The Company, controlling shareholders, de facto controllers (Wang Shengyang, Sheng Yun and Wang Yifeng)	See note (18) for details	May 18, 2021	No	Long-term	Yes	N/A	N/A
Undertaking related with share incentive	Others	The Company	See note (19) for details	May 30, 2022	Yes	From May 30, 2022 to the completion of the implementation of 2022 restricted share incentive plan	Yes	N/A	N/A
	Others	The Company	See note (20) for details	September 18, 2023	Yes	From September 18, 2023 to the completion of the implementation of 2023 restricted share incentive plan	Yes	N/A	N/A
Other undertaking	Others	QST Corporation Limited	See note (21) for details	June 21, 2024	Yes	From 2024 to 2026, from the Closing Date of the Partnership Interest Transfer Agreement to the date on which the transferor completes the performance commitments or profit compensation as stipulated in the Agreement	Yes	N/A	N/A

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Note (1):

1. Within 36 months following the date of listing of Shares of the Company on the STAR Market of the Shanghai Stock Exchange, I shall not transfer or engage other persons to manage the Pre-IPO Issued Shares directly or indirectly held by me in the Company, and such shares will not be repurchased by the Company.
2. After the expiry of the lock-up period and during my term of office as a director/senior management of the Company, the number of shares transferred which are directly or indirectly held by me each year shall not exceed 25% of the total number of shares of the Company held by me. If I resign before the expiry of my term of office, within my term of office determined at the time of employment, and within six months after the expiry of my term of office, I shall continue to comply with the following restrictions: ① prohibition from transfer of more than 25% of the total shareholdings in the Company held by me each year; ② prohibition from transfer of any shares in the Company held by me within the first six months after the departure; ③ other regulations on the transfer of shares by directors, supervisors and senior management under the Company Law. In case of any change in shares of the Company held by me as a result of equity distribution by the Company and otherwise, I shall comply with the above provisions.
3. Within two years from expiration of the aforementioned lock-up period, if I directly or indirectly reduce the holdings of the Company's shares, the price for the disposal of the shares shall not be lower than the initial issue price of the Company (if any ex-rights or ex-dividends events of shares of the Company, such as distribution of dividends, bonus issue, and capitalization from capital reserve, occur following the completion of the Listing, such issues shall be handled in accordance with the relevant provisions of the Shanghai Stock Exchange, hereinafter referred to as "**Issue Price**"). If the closing price of the Shares of the Company is lower than the Issue Price for 20 consecutive trading days within 6 months following the listing of the Shares of the Company or at the end of 6 months after the listing of the Shares, the lock-up period for the Shares directly or indirectly held by me will be automatically extended by 6 months.
4. During the term of undertaking, any change in my capacity, position, or other circumstances shall not affect the validity of such undertaking, and I shall continue to perform the above undertaking during the period.
5. All the undertakings made by me are true and legally binding on me. I voluntarily accept the supervision of regulatory authorities, the public and investors, actively take legal measures to fulfill these undertakings, and assume relevant liabilities in accordance with applicable laws.

Note (2):

1. Within 36 months following the date of listing of the Shares of the Company on the STAR Market of the Shanghai Stock Exchange, the Company will not transfer or engage other persons to manage the Shares directly or indirectly held by me prior to the initial public offering of the Shares of the Company, and such shares will not be repurchased by the Company.
2. Within two years from expiration of the aforementioned lock-up period, if the Company directly or indirectly reduce the holdings of the Company's shares, the price for the disposal of the shares shall not be lower than the initial issue price of the Company (if any ex-rights or ex-dividends events of shares of the Company, such as distribution of dividends, bonus issue, and capitalization from capital reserve, occur following the completion of the Listing, such issues shall be handled in accordance with the relevant provisions of the Shanghai Stock Exchange, hereinafter referred to as "**Issue Price**"). If the closing price of the Shares of the Company is lower than the Issue Price for 20 consecutive trading days within 6 months following the listing of the Shares of the Company or at the end of 6 months after the listing of the Shares, the lock-up period for the Shares directly or indirectly held by the Company will be automatically extended by 6 months.
3. All the undertakings made by the Company are true and legally binding on the Company. The Company voluntarily accepts the supervision of regulatory authorities, the public and investors, actively takes legal measures to fulfill these undertakings, and assumes relevant liabilities in accordance with applicable laws.

REPORT OF THE DIRECTORS

Note (3):

1. Within 12 months following the date of listing of the Shares of the Company on the STAR Market of the Shanghai Stock Exchange, I will not transfer or engage other persons to manage the Pre-IPO Issued Shares directly or indirectly held by me in the Company, and such shares will not be repurchased by the Company.
2. After the expiry of the aforementioned period and during my term of office as a director/senior management of the Company, the number of shares transferred which are directly or indirectly held by me each year shall not exceed 25% of the total number of shares of the Company held by me. If I resign before the expiry of my term of office, within my term of office determined at the time of employment, and within six months after the expiry of my term of office, I shall continue to comply with the following restrictions: ① prohibition from transfer of more than 25% of the total shareholdings in the Company held by me each year; ② prohibition from transfer of any shares in the Company held by me within the first six months after the departure; ③ other regulations on the transfer of shares by directors, supervisors and senior management under the Company Law. In case of any change in shares of the Company held by me as a result of equity distribution by the Company and otherwise, I shall comply with the above provisions.
3. Within two years from expiration of the aforementioned lock-up period, if I directly or indirectly reduce the holdings of the Company's shares, the price for the disposal of the shares shall not be lower than the initial issue price of the Company (if any ex-rights or ex-dividends events of shares of the Company, such as distribution of dividends, bonus issue, and capitalization from capital reserve, occur following the completion of the Listing, such issues shall be handled in accordance with the relevant provisions of the Shanghai Stock Exchange, hereinafter referred to as "**Issue Price**"). If the closing price of the Shares of the Company is lower than the Issue Price for 20 consecutive trading days within 6 months following the listing of the Shares of the Company or at the end of 6 months after the listing of the Shares, the lock-up period for the Shares directly or indirectly held by the Company will be automatically extended by 6 months.
4. As a director and senior management, I will not waive the fulfillment of the above undertakings due to change of position, resignation or other reasons.
5. All the undertakings made by me are true and legally binding on me. I voluntarily accept the supervision of regulatory authorities, the public and investors, actively takes legal measures to fulfill these undertakings, and assumes relevant liabilities in accordance with applicable laws.

Note (4):

1. Within 12 months following the date of listing of the Shares of the Company on the STAR Market of the Shanghai Stock Exchange, I will not transfer or engage other persons to manage the Pre-IPO Issued Shares directly or indirectly held by me in the Company, and such shares will not be repurchased by the Company.
2. After the expiry of the aforementioned period and during my term of office as a supervisor of the Company, the number of shares transferred which are directly or indirectly held by me each year shall not exceed 25% of the total number of shares of the Company held by me. If I resign before the expiry of my term of office, within my term of office determined at the time of employment, and within six months after the expiry of my term of office, I shall continue to comply with the following restrictions: ① prohibition from transfer of more than 25% of the total shareholdings in the Company held by me each year; ② prohibition from transfer of any shares in the Company held by me within the first six months after the departure; ③ other regulations on the transfer of shares by directors, supervisors and senior management under the Company Law. In case of any change in shares of the Company held by me as a result of equity distribution by the Company and otherwise, I shall comply with the above provisions.
3. During the term of undertaking, any change in my capacity, position, or other circumstances shall not affect the validity of such undertaking, and I shall continue to perform the above undertaking during the period.
4. All the undertakings made by me are true and legally binding on me. I voluntarily accept the supervision of regulatory authorities, the public and investors, actively takes legal measures to fulfill these undertakings, and assumes relevant liabilities in accordance with applicable laws.

REPORT OF THE DIRECTORS

Note (5):

1. Within 12 months following the date of listing of the Shares of the Company on the STAR Market of the Shanghai Stock Exchange, and within six months after the expiry of my term of office, I shall not transfer the Pre-IPO Issued Shares directly or indirectly held by me (hereinafter referred to as the “**Pre-IPO Issued Shares**”).
2. Within four years from the date of expiration of the lock-up period for the Pre-IPO Shares directly or indirectly held by me, the number of shares transferred which are directly or indirectly held by me each year shall not exceed 25% of the total number of shares of the Company held by me, and the proportion of shareholding reduction shall be used cumulatively.
3. I shall comply with the laws and regulations, the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of the Shanghai Stock Exchange, and other provisions of the business rules of the Shanghai Stock Exchange regarding the transfer of shares by core technical personnel.
4. If I concurrently serve as a director/supervisor/senior management, the number of shares transferred which are directly or indirectly held by me each year shall not exceed 25% of the total number of shares of the Company held by me. If I resign before the expiry of my term of office, within my term of office determined at the time of employment, and within six months after the expiry of my term of office, I shall continue to comply with the following restrictions: ① prohibition from transfer of more than 25% of the total shareholdings in the Company held by me each year; ② prohibition from transfer of any shares in the Company held by me within the first six months after the departure; ③ other regulations on the transfer of shares by directors, supervisors and senior management under the Company Law. In case of any change in shares of the Company held by me as a result of equity distribution by the Company and otherwise, I shall comply with the above provisions.
5. If I concurrently serve as a director/supervisor/senior management and the closing price of the Shares of the Company is lower than the Issue Price for 20 consecutive trading days within 6 months following the listing of the Shares of the Company or at the end of 6 months after the listing of the Shares, the lock-up period for the Shares held by the Company will be automatically extended by 6 months. If I reduce my holdings of the shares held by me within two years after the expiration of the lock-up period, the reduction price shall not be lower than the offering price (if there are ex-rights or ex-dividend events during the period, the Issue Price shall be adjusted accordingly).

Note (6):

1. Conditions of shareholding reduction

I will strictly comply with the lock-up period requirements as set out in the Initial Public Offering Prospectus of the Company and in the undertakings made by me, and will strictly abide by all relevant laws, regulations, regulatory documents, and supervisory requirements. During the lock-up period, I will not reduce the shares directly or indirectly held by me in the Company.

2. Manner of Shareholding Reduction

After the expiration of the lock-up period, I intend to reduce the shares directly or indirectly held by me in the Company by means including but not limited to centralized bidding in the secondary market, block trading, and agreed transfer.

3. Price of shareholding reduction

The price for the reduced shares which are directly or indirectly held by me in the Company (if any ex-rights or ex-dividends events of shares of the Company, such as distribution of dividends, bonus issue, and capitalization from capital reserve occur, appropriate adjustments shall be made in accordance with relevant regulations) shall be determined based on the prevailing secondary market price, and shall comply with relevant laws, regulations, and the rules of the Shanghai Stock Exchange. If I reduce the shares which are directly or indirectly held by me in the Company prior to its initial public offering within two years after the expiration of the lock-up period, the reduction price shall not be lower than the issue price of the initial public offering.

REPORT OF THE DIRECTORS

4. Numbers of shareholding reduction

Upon release of the above lock-up restrictions, I will conscientiously comply with the relevant provisions of securities regulatory authorities regarding shareholding reductions and will prudently formulate a shareholding reduction plan. After the expiration of the lock-up period, for the first year, the percentage of shareholding reduction by me shall not exceed 10% of the Pre-IPO Issued Shares directly or indirectly held by me; for the second year, the percentage of shareholding reduction by me shall not exceed 20% of such Pre-IPO Issued Shares directly or indirectly held by me (shares held by persons acting in concert shall be aggregated as a whole).

5. Information Disclosure of Shareholding Reduction

After the expiration of the lock-up period (including the extended lock-up period) for the Company's shares directly or indirectly held by me, when reducing the shares, I shall notify the Company in writing for the reduction intention and the proposed reduction numbers in advance. The Company shall publish an announcement in a timely manner. After 3 trading days from the date of the announcement of the Company, I can reduce the shareholdings of the Company. If I reduce the shares through centralized bidding on the Shanghai Stock Exchange trading system, for the first time, I can reduce the holdings of the Company after 15 trading days from the date of the announcement of the Company. If the securities regulatory authorities, stock exchanges, or other competent authorities then amend the aforementioned reduction requirements, I will comply with the then effective reduction requirements.

6. I will strictly fulfill the foregoing undertakings and undertake to abide by the following restraints:

I will strictly perform the foregoing undertakings. If failing to fulfill any of the above undertakings regarding reduction intentions, I shall disclose publicly the reason for my failure to fulfill the undertakings and apologize to the shareholders of the Company and the public investors at the general meeting and on the media designated by the CSRC. The gains I obtain from reducing shareholdings arising from violating the above undertakings shall belong to the Company. If failing to fulfill the foregoing related undertakings which cause investors to suffer losses in securities transactions, I will compensate their losses according to laws.

Note (7):

1. Conditions of shareholding reduction

The Enterprise will strictly comply with the lock-up period requirements as set out in the Initial Public Offering Prospectus of the Company and in the undertakings made by it, and will strictly abide by all relevant laws, regulations, regulatory documents, and supervisory requirements. During the lock-up period, the Enterprise will not reduce the shares directly or indirectly held by it in the Company.

2. Manner of shareholding reduction

After the expiration of the lock-up period, the Enterprise intends to reduce the shares directly or indirectly held by me in the Company by means including but not limited to centralized bidding in the secondary market, block trading, and agreed transfer.

3. Price of shareholding reduction

The price for the reduced shares which are directly or indirectly held by the Enterprise in the Company (if any ex-rights or ex-dividends events of shares of the Company, such as distribution of dividends, bonus issue, and capitalization from capital reserve, and issuance of new shares occur, appropriate adjustments shall be made in accordance with relevant regulations) shall be determined based on the prevailing secondary market price, and shall comply with relevant laws, regulations, and the rules of the Shanghai Stock Exchange. If the enterprise reduces the shares which are directly or indirectly held by it in the Company prior to its initial public offering within two years after the expiration of the lock-up period, the reduction price shall not be lower than the issue price of the initial public offering.

REPORT OF THE DIRECTORS

4. Numbers of shareholding reduction

The Enterprise will make independent decisions and reduce its holdings as appropriate in compliance with relevant laws, regulations, and stock exchange rules, taking into account conditions of the securities market, the Company's stock price trends and public information, and the Enterprise's business development demands.

5. Information Disclosure of Shareholding Reduction

After the expiration of the lock-up period (including the extended lock-up period) for the Company's shares directly or indirectly held by the Enterprise, when reducing the shares, the Enterprise shall notify the Company in writing for the reduction intention and the proposed reduction numbers in advance. The Company shall publish an announcement in a timely manner. After 3 trading days from the date of the announcement of the Company, the Enterprise can reduce the holdings of the Company. If the Enterprise reduces the shares through centralized bidding on the Shanghai Stock Exchange trading system, for the first time, the Enterprise can reduce the holdings of the Company after 15 trading days from the date of the announcement of the Company. If the securities regulatory authorities, stock exchanges, or other competent authorities then amend the aforementioned reduction requirements, the Enterprise will comply with the then effective reduction requirements.

6. The Enterprise will strictly fulfill the foregoing undertakings and undertake to abide by the following restraints:

The Enterprise will strictly fulfill the foregoing undertakings. If failing to fulfill any of the above undertakings regarding reduction intentions, I shall disclose publicly the reason for its failure to fulfill the undertakings and apologize to the shareholders of the Company and the public investors at the general meeting and on the media designated by the CSRC. The gains the Enterprise obtains from reducing shareholdings arising from violating the above undertakings shall belong to the Company. If failing to fulfill the foregoing related undertakings which cause investors to suffer losses in securities transactions, the Enterprise will compensate such losses according to laws.

Note (8):

1. Conditions of shareholding reduction

The Enterprise will strictly comply with the lock-up period requirements as set out in the Initial Public Offering Prospectus of the Company and in the undertakings made by me, and will strictly abide by all relevant laws, regulations, regulatory documents, and supervisory requirements. During the lock-up period, the Enterprise will not reduce the shares directly or indirectly held by it in the Company.

2. Manner of shareholding reduction

After the expiration of the lock-up period, the Enterprise intends to reduce the shares directly or indirectly held by it in the Company by means including but not limited to centralized bidding in the secondary market, block trading, and agreed transfer.

3. Price of shareholding reduction

The price for the reduced shares which are directly or indirectly by the Enterprise in the Company (if any ex-rights or ex-dividends events of shares of the Company, such as distribution of dividends, bonus issue, and capitalization from capital reserve, and issuance of new shares occur, appropriate adjustments shall be made in accordance with relevant regulations) shall be determined based on the prevailing secondary market price, and shall comply with relevant laws, regulations, and the rules of the Shanghai Stock Exchange.

REPORT OF THE DIRECTORS

4. Numbers of shareholding reduction

The Enterprise will make independent decisions and reduce its holdings as appropriate in compliance with relevant laws, regulations, and stock exchange rules, taking into account conditions of the securities market, the Company's stock price trends and public information, and the Enterprise's business development demands.

5. Information Disclosure of Shareholding Reduction

After the expiration of the lock-up period (including the extended lock-up period) for the Company's shares directly or indirectly held by the Enterprise, when reducing the shares directly or indirectly held by the Enterprise, the Enterprise shall notify the Company in writing for the reduction intention and the proposed reduction numbers in advance. The Company shall publish an announcement in a timely manner. After 3 trading days from the date of the announcement of the Company, the Enterprise can reduce the holdings of the Company. If the Enterprise reduces the shares through centralized bidding on the Shanghai Stock Exchange trading system, for the first time, the Enterprise can reduce the holdings of the Company after 15 trading days from the date of the announcement of the Company. If the securities regulatory authorities, stock exchanges, or other competent authorities then amend the aforementioned reduction requirements, the Enterprise will comply with the then effective reduction requirements.

6. The Enterprise will strictly fulfill the foregoing undertakings and undertake to abide by the following restraints:

The Enterprise will strictly fulfill the foregoing undertakings. If failing to fulfill any of the above undertakings regarding reduction intentions, The Enterprise shall disclose publicly the reason for its failure to fulfill the undertakings and apologize to the shareholders of the Company and the public investors at the general meeting and on the media designated by the CSRC. The gains the Enterprise obtains from reducing shareholdings arising from violating the above undertakings shall belong to the Company. If failing to fulfill the foregoing related undertakings which cause investors to suffer losses in securities transactions, the Enterprise will compensate such losses according to laws.

Note (9):

1. Price stabilization plan

Pursuant to the Price Stabilization Plan within three years after the Company's Initial Public Offering and listing on the STAR Market (《公司首次公開發行股票並在科創板上市後三年內穩定股價的預案》) (the "**Stabilization Plan**") considered and approved at the Company's second extraordinary general meeting of shareholders in 2021, the Company's plan for stabilizing the price is as follows:

(1) Effective period of the plan

The Plan shall take effect upon approval by the shareholders' general meeting of the Company and remain effective for three years after completion of the initial public offering and listing on the STAR Market.

(2) Conditions for triggering the launch of the Price Stabilization Plan

1) Triggering conditions

If the closing price of the Company's Shares is lower than the latest audited net assets per share (if the Company has underwent ex-rights and ex-dividend events such as payment of dividends, bonus issue of shares, capitalization of capital reserve, share placing, the corresponding adjustments shall be made in accordance with the relevant provisions of the Shanghai Stock Exchange, similarly hereinafter) for 20 consecutive trading days, the Company shall launch the Plan to stabilize the stock price in accordance with laws, regulations, and the Company's articles of association, provided that the Company's listing eligibility is not affected.

REPORT OF THE DIRECTORS

2) Suspending conditions

During the implementation of the specific stabilization measures as described above, upon occurrence of any one of the following circumstances, the implementation of price stabilization measures shall end and undertakings shall be fulfilled:

- ① If the closing price of the Company's shares is higher than the latest audited net assets per share for 20 consecutive trading days, the implementation of the stock price stabilization measures shall be terminated;
- ② Continuation of repurchasing shares or increasing the shareholding in the Company shall cause the equity distribution of the Company not being satisfied with the qualification for listing;
- ③ The funds used by the Company and related entities to repurchase or increase the shares held of the Company reach the upper limit prescribed in this Plan.

The price stabilization measures will be initiated again if the above conditions for initiating such measures are triggered again after completion or suspension of price stabilization measures.

(3) Specific measures of price stabilization

In the event that the triggering condition takes place, implementation of price stabilization measures, the Company shall take the following measures sequentially to stabilize the share price: share repurchase by the Company; increase of shareholding by the controlling shareholders of the Company; and increase of shareholding by the Directors (limited to those who receive remuneration from the Company, excluding independent directors, the same below) and senior management officers.

1) Share repurchase by the Company

- ① The Company's repurchase of shares with a view to stabilizing the share price shall comply with the requirements of the Administrative Measures for the Repurchase of Public Shares by Listed Companies (Provisional) (《上市公司回購社會公眾股份管理辦法(試行)》), the Supplementary Provisions on the Repurchase of Shares by Listed Companies through Call Auction (《關於上市公司以集中競價交易方式回購股份的補充規定》) and the Guidelines for Share Repurchase Through Aggregate Auction Transaction by Listed Companies on Shanghai Stock Exchange (《上海證券交易所上市公司以集中競價交易方式回購股份業務指引》), and should not lead to any non-compliance by the Company in respect of the distribution of its shares against the listing conditions.
- ② The board of directors of the Company shall, within 10 trading days from the date on which the conditions triggering the price stabilization measures are satisfied, convene a board meeting to discuss the specific share repurchase plan and submit it to the shareholders' general meeting for consideration. After the share repurchase plan is approved by the shareholders' general meeting, the Company shall perform the obligation to notify creditors and complete any filing procedures (if required) according to laws. The Company shall implement the specific price stabilization plan within 10 trading days from the date of approval of the plan by the shareholders' general meeting.
- ④ As approved by the Board of Directors and at the general meeting, the Company may repurchase part of the shares from public shareholders in centralized trading, by way of offer or other ways recognized by laws, regulations, and securities regulatory authorities. If the Company repurchases shares by way of offer, the offer price shall not be lower than the arithmetic average of the daily weighted average prices of the shares over the 30 trading days prior to the report on share repurchase.

REPORT OF THE DIRECTORS

- ⑤ When the Company implements the price stabilization plan, the funds to be used for the repurchase shall be from the Company's own funds or self-raised funds.
- ⑤ In addition to complying with the requirements of relevant laws and regulations, the Company shall also comply with the following requirements when repurchasing shares with a view to stabilizing the share price:
 - A. The amount of funds used by the Company in a single share repurchase shall not exceed 20% of audited net profit attributable to the owners of the parent company for the previous year;
 - B. The aggregate amount of funds used by the Company for repurchase in a single financial year shall not exceed 40% of its audited net profit attributable to owners of the parent company for the previous year; and
 - C. The cumulative total amount of funds used by the Company for share repurchases shall not exceed the total amount of funds raised from the Company's initial public offering.
- 2) Increase of shareholding by the controlling shareholders of the Company
 - ① The controlling shareholder shall increase its shareholding in the Company to stabilize the price upon satisfaction of any of the following conditions:
 - A. The Company's share repurchase resolution fails to be passed by the board of directors or at the shareholders' general meeting; or performing the repurchase obligation would cause the Company to violate relevant laws and regulations, relevant provisions of the China Securities Regulatory Commission, and other binding regulatory documents, or it would result in shareholding distribution failing to meet the listing conditions; or the Company fails to perform its share repurchase obligation for other reasons;
 - B. After the Company has implemented and completed the stabilization measures, the conditions for triggering the stabilization measures continue to be satisfied.
 - ② In addition to complying with the requirements of the Administrative Measures on Acquisition of Listed Companies 《上市公司收購管理辦法》 and other relevant laws and regulations, repurchase of shares by the controlling shareholders for the purpose of stabilizing share price shall meet the following:
 - A. The funds used by the controlling shareholders in a single shareholding increase shall not exceed 10% of its after-tax cash dividends received from the Company for the previous financial year; and
 - B. The aggregate funds used by the controlling shareholders for shareholding increases in a single financial year shall not exceed 20% of its after-tax cash dividends received from the Company for the previous financial year.

REPORT OF THE DIRECTORS

3) Increase of shareholding by Directors and senior management

- ① After the Company and its controlling shareholders have implemented and completed the stabilization measures, if the conditions for triggering the price stabilization measures continue to be satisfied, the Company's directors and senior management shall purchase the Company's shares on the secondary market by means of centralized bidding trading or other lawful methods to stabilize the Company's share price.
- ② In addition to complying with the requirements of the Administrative Measures on Acquisition of Listed Companies 《上市公司收購管理辦法》 and the Rules on the Management of Shares Held by the Directors, Supervisors, and Senior Management of Listed Companies and the Changes Thereof(《上市公司董事、監事和高級管理人員所持本公司股份及其變動管理規則》) and other relevant laws and regulations, repurchase of shares by the directors and senior management for the purpose of stabilizing share price shall meet the following:
 - A. The funds used by the directors or senior management in a single shareholding increase shall not exceed 10% of his/her total after-tax compensation received from the Company for the previous financial year; and
 - B. The aggregate funds used by the directors and senior management for the shareholding increase in a single accounting year shall not exceed 20% of their total after-tax compensation received from the Company for the previous financial year.
- ③ If the Company intends to appoint new directors or senior management within 3 years after the listing, the Company shall cause such persons to comply with the provisions of the above price stabilization plan and corresponding written undertakings the corresponding written undertakings.

(4) Relevant restraint measures

1) Restraint Measures for Violation of the Plan by the Company

Upon satisfying the conditions precedent for initiating share price stabilizing measures, if the Company fails to take the specific stabilization measures as described above, the Company shall publicly explain the specific reasons for the failure in the shareholders' general meeting and in the newspapers designated by the China Securities Regulatory Commission, and apologize to the shareholders and the public investors. Where loss is caused to investors and it is not attributable to events of force majeure, the Company will be liable for compensating investors, and assume corresponding responsibilities in accordance with the requirements of the laws, regulations and relevant regulatory authorities. Where it is attributable to events of force majeure, proposals for handling the situation to minimize the loss of the interests of investors shall be studied as soon as possible and submitted to the shareholders' general meeting for consideration in order to protect the interest of investors to the fullest extent possible.

2) Restraint measures for failure of the controlling shareholders and de facto controllers to perform undertakings

Upon satisfying the conditions precedent for initiating share price stabilizing measures, if the controlling shareholders or de facto controllers of the Company fails to take the specific stabilization measures as set out in the above plan, they shall publicly explain the specific reasons for the failure in the shareholders' general meeting and in the newspapers designated by the China Securities Regulatory Commission, and shall cease to receive dividends. The transfers of Shares of the Company held by the controlling shareholders and de facto controllers shall be prohibited until the corresponding stabilization measures as provided under the plan have been taken and completed.

REPORT OF THE DIRECTORS

- 3) Restraint measures for failure of directors and senior management of the Company to perform undertakings

Upon satisfying the conditions precedent for initiating share price stabilizing measures, if the directors and senior management of the Company fail to take the specific stabilization measures as set out above, they shall publicly explain the specific reasons for the failure in the shareholders' general meeting and in the newspapers designated by the China Securities Regulatory Commission, and shall cease to receive dividends (if any) from the date of occurrence of the aforementioned events. The transfers of Shares (if any) of the Company held by the controlling shareholders and de facto controllers shall be prohibited until the corresponding stabilization measures as provided under the plan have been taken and completed.

2. Undertakings to stabilize the share price

- (1) Undertaking of the Company

The Company will require the newly appointed directors (excluding independent directors and directors who do not receive compensation from the Company, the same below) and senior management to sign the Undertakings in relation to the price stabilization 《關於穩定股價的承諾》, the contents of which shall be identical in all respects to the corresponding undertakings made by the Company's directors and senior management when listing. If the newly appointed directors or senior management fail to sign the aforementioned Undertakings in relation to the price stabilization, such individual shall not be eligible to serve as a director or senior management of the Company.

- (2) Undertaking of the controlling shareholders and de facto controllers

I will strictly perform the obligations and responsibilities of increasing my shareholding in the Company in accordance with the Price Stabilization Plan within three years after the Company's Initial Public Offering and listing on the STAR Market (《公司首次公開發行股票並在科創板上市後三年內穩定股價的預案》) as considered and approved by the Company's shareholders' general meeting. As the controlling shareholder and de facto controller, I undertake to vote in favor of the resolutions relating to the Company's share repurchase plan at the shareholders' general meeting convened for such purposes. I, as the controlling shareholder and de facto controller, will do my best efforts to procure relevant parties to strictly perform their respective obligations and responsibilities as required by the price stabilization plan.

- (3) Undertaking of the salaried directors (excluding the independent directors) and senior management

I will strictly perform the obligations and responsibilities of increasing my shareholding in the Company in accordance with the Price Stabilization Plan within three years after the Company's Initial Public Offering and listing on the STAR Market (《公司首次公開發行股票並在科創板上市後三年內穩定股價的預案》) as considered and approved by the Company's shareholders' general meeting. As the controlling shareholder and de facto controller, I, as a director, undertake to vote in favor of the resolutions relating to the Company's share repurchase plan at the shareholders' general meeting convened for such purposes. I will do my best efforts to procure relevant parties to strictly perform their respective obligations and responsibilities as required by the price stabilization plan.

REPORT OF THE DIRECTORS

Note (10):

1. Undertakings on share repurchase of the Company in relation to fraudulent listing
 - (1) Guarantees that the Company has no shares are fraudulently offered and listed on the STAR Market of the Shanghai Stock Exchange :
 - (2) In case of any fraudulence in seeking approval on the originally unqualified initial public offering of the shares, the Company shall launch share repurchase to repurchase all the new shares publicly issued by the Company within 5 working days following affirmation by the CSRC and other competent authorities.
2. Undertakings on share repurchase of the controlling shareholders and de facto controllers in relation to fraudulent listing
 - (1) Guarantees that the Company has no shares are fraudulently offered and listed on the STAR Market of the Shanghai Stock Exchange :
 - (2) In case of any fraudulence in seeking approval on the originally unqualified initial public offering of the shares, the Company shall launch share repurchase to repurchase all the new shares publicly issued by the Company within 5 working days following affirmation by the CSRC and other competent authorities.

Note (11):

1. The measures and undertakings in relation to recovery of diluted immediate return of the Company
 - (1) Strengthen the management of raised proceeds and enhance the utilization efficiency

The Company has established the Management Principles on the Use of Proceeds (《募集資金管理制度》). Upon receipt, the proceeds from the issuance will be deposited into a dedicated bank account designated by the Board of Directors. The Company will regularly review the use of proceeds to ensure compliance with the laws and regulations. Through the effective use of the proceeds, the Company intends to optimize its financing structure, increase profitability, accelerate the realization of benefits from existing projects, enhance future earnings, and strengthen the capacity for sustainable development so as to offset the impact of the drop in the current return of shareholders.
 - (2) Actively implement the Company's development strategy and enhance the core competitiveness of the Company

The Company will further consolidate and enhance its core competitiveness, expand its market presence, strengthen technology research and development, and improve its product portfolios. "If the Company's application for the public offering and listing on the STAR Market of the Shanghai Stock Exchange is approved, the Company will also leverage the capital markets to reinforce its capital strength, broaden its business fields, improve product quality, enhance profitability, consolidate its market position, integrate premium resources and rapidly achieve leapfrog development.
 - (3) Comprehensively improve the Company's management level and enhance employee incentive mechanisms

The Company will further refine and optimize the business processes, comprehensively raise its management standards and working capital turnover efficiency and reduce operating costs. In addition, the Company will improve its compensation and incentive mechanisms to stimulate employee motivation, tap into the Company's creativity and potentials to further promote business growth.

REPORT OF THE DIRECTORS

- (4) Continuously improve corporate governance to provide institutional guarantee for the Company's development

The Company will strictly comply with the requirements of the Company Law (《公司法》), the Securities Law (《證券法》), the Corporate Governance Code of Listed Companies (《上市公司治理準則》), and other relevant laws, regulations and normative documents. The Company will continuously refine its corporate governance structure to ensure that shareholders can fully exercise their rights, that the Board of Directors can exercise its authority in accordance with laws, regulations and the Company's Articles of Association to make scientific, prompt, and prudent decisions, and that independent directors can diligently perform their duties to protect the overall interests of the Company, especially the legal rights and interests of the minority shareholders so as to provide institutional guarantees for the Company's development.

- (5) Strictly implement the dividend distribution policy and optimize the return-on-investment system

Based on a reasonable forecast of the future operating performance, the Company has formulated a reasonable plan for shareholders' dividend return. The Company will strictly implement the profit distribution policy set forth in the ARTICLES OF ASSOCIATION OF SUZHOU NOVOSENSE MICROELECTRONICS CO., LTD. and the Shareholders' Return Plan Documents, strengthen the concept of return on investment, actively promote the profit distribution to shareholders, enhance the transparency of cash dividends, and maintain the continuity and stability of the profit distribution policy.

2. The undertakings in relation to recovery of diluted immediate return of the controlling shareholders and de facto controllers

- (1) I hereby undertake neither excessive intervention to the Company's operation and management activities nor encroach on the Company's interests;
- (2) From the date of the undertaking letter issued to the date of completion of public issuance, if CSRC publishes new regulations about compensational in return measures and other undertakings, and the undertakings cannot meet the such regulations of CSRC, then supplementary undertakings shall be made as per the new regulations of CSRC.
- (3) I hereby undertake to perform effectively the remedial measures for diluted returns set by the Company and any undertakings made by individuals for compensational returns, and urge the company to adopt compensational return measures;
- (4) I hereby shall, in violation of or with denial to perform the above undertakings, publicly explain and apologize at the Company's shareholders' meeting and in the newspapers designated by the Shanghai Stock Exchange; if the breach of undertakings causes losses to the Company or shareholders, I will be responsible for compensation according to laws.

3. The undertakings in relation to recovery of diluted immediate return of the Directors and senior management

- (1) I hereby undertake not to transfer benefits to other entities or individuals with no consideration or under unfair terms, and shall not damage the Company's interests in any other ways;
- (2) I hereby undertake to constrain and control the consumption behavior in relation to my work duty;
- (3) I hereby undertake not to use the Company's assets for investments or consumption activities that are unrelated to the engagement and performance of my work duties;
- (4) I hereby agree, within its scope of duties and authorization, to actively procure that the remuneration system formulated by the Board of Directors or the remuneration and appraisal committee will be linked with the implementation of the Company's remedial measures;

REPORT OF THE DIRECTORS

- (5) I hereby agree, if the Company intends to grant me equity incentives in the future, within its scope of duties and authorization, actively to procure to link the remuneration system with the execution of remedial measures, and (if they having voting rights) to vote for the relevant proposal at the meeting of the board of directors and general meeting of the Company.
- (6) I hereby shall, in violation of or with denial to perform the above undertakings, publicly explain and apologize at the Company's shareholders' meeting and in the newspapers designated by the Shanghai Stock Exchange; if the breach of undertakings causes losses to the Company or shareholders, I will be responsible for compensation according to laws.

Note (12):

1. Future dividend plan for the next three years

The Company's Second Extraordinary General Meeting in 2021 considered and approved the resolution on "Dividend Distribution Plan for the Shareholders for the Next Three Years After the Initial Public Offering and Listing of the Shares by the Company" (《首次公开发行股票并在上市後三年分紅回報規劃》). The Company's dividend return plan for the three years following listing is as follows:

(1) Factors considered in formulating the Plan

The plan is formulated by the Company based on main factors such as the characteristics and development trends of the industry in which the Company operates, the Company's own business model, profitability level, development plan, social financing cost, external financing environment, etc., as well as for the purpose of balancing investors' short-term interests with long-term returns, while effectively reconciling reasonable investor returns with the Company's sustainable development, and earnestly fulfilling the a listed company's social responsibilities. In strict compliance with the relevant provisions of the Company Law (《公司法》), the Securities Law (《證券法》), the China Securities Regulatory Commission and the Shanghai Stock Exchange, the Company establishes a stable and sustainable return mechanism for investors.

(2) Basic Principles of the Company for Profit Distribution

- 1) The Company should fully consider the return to investors and distribute dividends to shareholders every year in accordance with the prescribed proportion of the distributable profits realised under the consolidated financial statements for the year.
- 2) The Company should maintain continuity and stability in its profit distribution policy while taking into account the long-term interests of the Company, the overall interests of all shareholders and the sustainable development of the Company.
- 3) The Company gives priority to profit distribution in cash;
- 4) Adhere to the principle of equal rights and equal dividends for shares of the same class, in accordance with the statutory sequence for profit distribution.

(3) Specific Details of Profit Distribution for Three Years after Listing

1) Forms and Priority of Profit Distribution

The Company distributes dividends through cash, shares, or a combination of both. Where conditions permit cash distributions, priority shall be given to distributing profits via cash dividends. Where circumstances allow, the company may undertake interim profit distributions.

REPORT OF THE DIRECTORS

2) Intervals of Profit Distribution

- ① If the Company makes a profit for the year and the accumulated undistributed profit is positive (as reported by the parent company), it shall distribute profits at least once a year.
- ② The Company may distribute interim cash dividends. The Board of Directors of the Company may propose distribution of interim dividends based on the scale of profit, cash flows status, stage of development and capital requirements of the Company.

3) Conditions for Profit Distribution

- ① Specific conditions for cash dividends distribution and the percentage
 - A. The Company's amount of distributable profit for the year (that means, the remaining balance of after tax profit after making up for loss and allocating statutory common reserves) is positive (as reported by the parent company);
 - B. The cumulative distributable profits of the Company is positive (as reported by the parent company);
 - C. The audit firm has issued a standard and unqualified audit report on the financial report of the Company for the year;
 - D. The Company possesses sufficient capital, with profit levels and cash flow capable of sustaining ongoing operations and long-term development;
 - E. No significant investment plans or major capital expenditures are anticipated within the next 12 months;
 - F. There exist no other material exceptional circumstances approved by the Shareholders' Meeting that would permit the omission of cash dividends.

Where conditions (A) to (E) above are satisfied, the Company shall distribute cash dividends; after making adequate provisions for reserves, the annual cash distribution of profits shall not be less than 10% of the distributable profits realised in that year. Where conditions (A) to (E) above are not fully satisfied, but the Company deems it necessary, cash dividends may also be distributed.

- ② Minimum cash dividend ratio for each period
 - A. If the Company is in a mature development stage without significant capital expenditure arrangement, the minimum percentage of cash dividend each profit distribution shall be 80%;
 - B. If the Company is in a mature development stage with significant capital expenditure arrangement, the minimum percentage of cash dividend in each profit distribution shall be 40%;
 - C. If the Company is in a growing development stage with significant capital expenditure arrangement, the minimum percentage of cash dividend in each profit distribution shall be 20%.

REPORT OF THE DIRECTORS

If the development stage of the Company with significant capital expenditure arrangement cannot be easily distinguished, cash dividends shall be distributed according to the requirement of (C) mentioned above.

“Major investment plans or capital expenditure” refers to any proposed external investment, asset acquisition or equipment purchase by the Company within the next 12 months where the cumulative expenditure reaches or exceeds 30% of the Company’s most recent audited net assets, and exceeds RMB50 million.

③ Specific conditions for the distribution of share dividends

When the Company is in good operating conditions and the Board of Directors believes that the earnings per share and share price of the Company do not match its capital scale and capital structure, the Company may distribute profits by issuing share dividends while satisfying the above-mentioned cash dividend ratio. When determining the specific amount of profits to be distributed in the form of shares, the Company should fully consider whether the total share capital after the distribution of profits in the form of shares is consistent with the Company’s current operating scale and profit growth rate, and take account of the impact on future debt financing costs to ensure that the profit distribution plan is in line with the overall and long-term interests of all shareholders.

(4) Decision-making procedures and mechanisms for the distribution of Company profits

- 1) Before periodic reports are published, the Company and the Board of Directors shall consider and deliberate a profit distribution plan based on the Company’s ability for sustainable operation, adequate funds for normal production, operation and business development, and reasonable returns on investment of investors.
- 2) When formulating specific profit distribution plan, the Board of Directors of the Company shall comply with the relevant laws, regulations, departmental rules, normative documents, and policies stipulated in these Articles of Association.
- 3) During the decision-making and deliberation process concerning profit distribution plan, the Board of Directors of the Company may communicate and consult with independent directors, institutional shareholders holding Company shares, and minority shareholders via telephone, fax, letter, email, or the investor relations interactive platform on the Company’s website. It shall fully consider the opinions and requests of independent directors, institutional shareholders holding Company shares, and minority shareholders, and promptly address matters of concern to shareholders.
- 4) Where the Company has achieved a profit in the preceding financial year but its Board has not proposed a cash dividend plan following the end of that financial year, it shall seek the opinion of the independent directors and disclose in its periodic report the reasons for not proposing a cash dividend plan, along with the purpose for which the funds not distributed as dividends are retained by the Company. Independent directors shall express independent opinions and disclose the same publicly. If the Company makes profits but does not propose a cash dividend proposal during the Reporting Period, the Company may provide an online voting platform to its shareholders, apart from the onsite meeting, when convening the shareholders’ general meeting
- 5) The independent directors may solicit the opinions of minority shareholders and put forward a proposal for profit distribution, which shall be submitted directly to the Board of Directors for consideration.

REPORT OF THE DIRECTORS

- (5) Consideration procedure for profit distribution plan
 - 1) The profit distribution plan shall not be submitted to the Shareholders' Meeting for consideration before it is considered and approved by the Board of Directors. When considering the profit distribution plan, the Board of Directors shall obtain approval from the majority of all directors
 - 2) The Board of Supervisors shall consider the profit distribution plan from the Board of Directors and the proposal shall be passed by the Supervisors holding more than half of voting rights.
 - 3) When deliberating profit distribution plan, the Shareholders' General Meeting shall require approval by a majority of the voting rights held by shareholders (including proxies) present at the meeting. Where the Shareholders' General Meeting considers proposals for distributing share dividends or increasing share capital from reserves, such proposals shall require approval by no less than 2/3 of the voting rights held by shareholders (including proxies) present at the meeting.
 - 4) Where the Company is unable to determine its profit distribution plan for the current year in accordance with its established cash dividend policy or minimum cash dividend percentage due to exceptional circumstances, it shall disclose the specific reasons in its annual report. The Company's profit distribution plan for the current year shall be approved by a majority of not less than 2/3 of the voting rights held by shareholders present at the Shareholders' Meeting.
- (6) Decision-making procedures for cash dividend distribution
 - 1) Where the Company needs to adjust its profit distribution policy due to the external business environment or its own business situation, the adjusted profit distribution policy shall not violate relevant provisions of the CSRC and stock exchange. The aforementioned "the external business environment or its own business situation" refers to any one of the following situations: such as major shifts in the economic environment or force majeure events leading to operational losses; significant alterations in the company's principal business operations; or major asset restructuring and etc.
 - 2) When deliberating and formulating adjustments to the profit distribution policy, the Board of Directors of the Company shall give due consideration to the views of independent directors and minority shareholders. Any resolution concerning adjustments to the profit distribution policy shall require the approval of a majority of all directors and the approval of a majority of all the independent directors. Independent non-executive directors shall issue independent opinions on such explanations and shall be disclosed to the public. The Board of Supervisors should deliberate the profit distribution plans formulated by the Board of Directors and shall be passed by the supervisors holding more than half of voting rights.
 - 3) Any adjustment or change to the profit distribution policy stipulated in the Plan shall be submitted to the shareholders' general meeting for deliberation after being reviewed and approved by the Board of Directors, and the Company shall provide convenience to shareholders attending shareholders' general meeting. The Company shall, with the protection of shareholders' interests as its starting point, provide detailed justification and explanation of the reasons in the proposal submitted to the Shareholders' General Meeting. When deliberating on the adjustment or alteration of the profit distribution policy, the Shareholders' General Meeting shall pass the resolution with the approval of shareholders (including shareholder proxies) holding more than 2/3 of the voting rights present at the meeting.

REPORT OF THE DIRECTORS

2. Undertaking on the Profit Distribution Policy of the Company

The Company shall strictly distribute profits to the shareholders and ensure stringent performance of the deliberation procedures for profit distribution plan in accordance with the Articles of Association and the "Dividend Distribution Plan for the Shareholders for the Next Three Years After the Initial Public Offering and Listing of the Shares by the Company" (《首次公開發行股票並在上市後三年分紅回報規劃》). If any loss is incurred due to breach of the undertaking by the Company, the Company shall accept liability to the investors pursuant to law.

3. Undertaking on the Profit Distribution Policy of the controlling shareholders and de facto controllers

I shall procure that, the Company strictly distributes profits to the shareholders and ensure stringent performance of the deliberation procedures for profit distribution plan in accordance with the Articles of Association and the "Dividend Distribution Plan for the Shareholders for the Next Three Years After the Initial Public Offering and Listing of the Shares by the Company" (《首次公開發行股票並在上市後三年分紅回報規劃》). If any loss is incurred due to breach of the undertaking by me, I shall accept liability to the investors pursuant to law.

Note (13)

1. Undertakings on the Prospectus and other disclosures of additional information of the Company

If there are false representations, misleading statements or material omissions in the Prospectus and other disclosure of additional information, which have a significant and substantial impact on determining whether the Company meets the conditions for issuance as specified in laws, the Company shall hereby repurchase all new shares issued in accordance with laws. If there are false representations, misleading statements or material omissions in the prospectus and other disclosures of additional information, causing investors to suffer losses in securities transactions, the Company shall compensate for their losses in accordance with laws. If the Company fails to fulfill the foregoing undertakings, the Company will explain the reasons and apologize to shareholders and the public for not fulfilling the above-mentioned undertakings at shareholders' general meetings and on newspapers designated by CSRC. The Company will make a timely announcement and provide compensation to investors for the actual losses determined by the regulatory departments and relevant judicial authorities.

2. Undertakings on the Prospectus and other disclosures of additional information of the controlling shareholders and de facto controllers

If there are false representations, misleading statements or material omissions in the Prospectus and other disclosure of additional information, causing investors to suffer losses in securities transactions, I shall compensate for their losses in accordance with laws. If there are false representations, misleading statements or material omissions in the prospectus and other disclosures of additional information, causing investors to suffer losses in securities transactions, I shall compensate for their losses in accordance with laws. If failing to fulfill the foregoing undertakings, I will explain the reasons and apologize to shareholders and the public for not fulfilling the above-mentioned undertakings at shareholders' general meetings and on newspapers designated by CSRC. The Company will make a timely announcement and provide compensation to investors for the actual losses determined by the regulatory departments and relevant judicial authorities. I will cease to receive dividends from the date of breach of the abovementioned undertakings, and the shares held by me in the Company shall not be transferred until I fulfill the above-mentioned undertakings.

3. Undertakings on the Prospectus and other disclosures of additional information of the Directors, Supervisors and Senior Management

If there are false representations, misleading statements or material omissions in the Prospectus and other disclosure of additional information, causing investors to suffer losses in securities transactions, I shall compensate for their losses in accordance with laws. If failing to fulfill the foregoing undertakings, I will explain the reasons and apologize to shareholders and the public for not fulfilling the above-mentioned undertakings at shareholders' general meetings and on newspapers designated by CSRC. I will cease to receive compensation/allowance (if any), and shareholders' dividend distribution (if any) from the date of breach of the abovementioned undertakings, and the shares held by me in the Company shall not be transferred until I fulfill the above-mentioned undertakings.

REPORT OF THE DIRECTORS

Note (14):

1. Restricting measures on failure to perform relevant undertakings by the Company
 - (1) If failing to perform the public undertakings not due to force majeure, the Company shall propose new undertakings (subject to approval procedures of laws, regulations and provisions in the Articles of Association) and accept following restricting measures until the new undertakings are performed or related remedial measures are implemented:
 - 1) Make public explanation on specific reasons of fulfilling failure at the Shareholders' General Meeting or through the disclosure media designated by or CSRC, and apologize to shareholders and public investors;
 - 2) If the Company fails to perform the relevant undertakings, causing investors to suffer losses in securities transactions, the Company shall compensate for their losses in accordance with laws;
 - 3) Reduce or suspend the remuneration and allowance of the directors, supervisors, senior management members who are liable for individual responsibilities in relation to the Company's failure to perform its undertakings (if these persons receive remuneration from the Company);
 - 4) Other measures which may be taken pursuant to relevant laws, regulations, and normative documents, as well as the provisions of the Company's Articles of Association (Draft).
 - (2) If the Company fails to perform the public undertakings by reason of force majeure, such as changes in relevant laws, regulations and policies, natural disasters, etc., I shall propose new undertakings and make public explanation on specific reasons of fulfilling failure at the Shareholders' General Meeting or through the disclosure media designated by CSRC.
2. Restricting measures on failure to perform relevant undertakings by the controlling shareholders and de facto shareholders
 - (1) If failing to perform the public undertakings not due to force majeure, I shall propose new undertakings (subject to approval procedures of laws and regulations) and accept following restricting measures until the new undertakings are performed or related remedial measures are implemented:
 - 1) I will make public explanation on specific reasons of fulfilling failure at the Shareholders' General Meeting or through the disclosure media designated by CSRC, and apologize to shareholders and public investors;
 - 2) In case of any gains due to the failure to fulfill the relevant undertakings, the gains shall be owned by the Company. I shall, within five business days from the date on which I receive the gains or become aware of any breach of the relevant undertakings, remit the gains to the bank account designated by the Company.
 - 3) If failing to perform the public undertakings, causing losses to the investors, I will compensate for their losses in accordance with laws;
 - 4) If failing to perform the foregoing compensation liability, the shares directly or indirectly held by me in the Company shall not be transferred until the foregoing compensation liability is fully performed (except for the transfers that must be implemented for the reason of probate, enforcement, reorganization or the performance of undertakings relating to the protection of investor rights);
 - 5) Other measures which may be taken pursuant to relevant laws, regulations, and normative documents, as well as the provisions of the Company's Articles of Association.

REPORT OF THE DIRECTORS

- (2) If failing to perform the public undertakings by reason of force majeure, such as changes in relevant laws, regulations and policies, natural disasters, etc., I shall propose new undertakings and make public explanation on specific reasons of fulfilling failure at the Shareholders' General Meeting or through the disclosure media designated by CSRC.
3. Restricting measures on failure to perform relevant undertakings by the Directors, Supervisors and Senior Management
 - (1) If failing to perform the public undertakings not due to force majeure, I shall propose new undertakings and accept following restricting measures until the new undertakings are performed or related remedial measures are implemented:
 - 1) Make public explanation on specific reasons of fulfilling failure at the Shareholders' General Meeting or through the disclosure media designated by CSRC, and apologize to shareholders and public investors;
 - 2) If failing to perform the relevant undertakings, I agree to reduce or suspend the remuneration and allowance to me according to the seriousness of the circumstances, until I perform all relevant undertakings ;
 - 3) The transfers of Shares of the Company held by them shall be prohibited (except in circumstances where the transfer of Shares is necessary due to compulsory execution, or to fulfill commitments to protect investors' interests);
 - 4) If failing to perform the undertakings, I shall not qualify to be a participant under the Company's share incentive plan, nor shall I take part in the Company's equity incentive scheme.
 - 5) In case of any gains due to the failure to fulfill the relevant undertakings, the gains shall be owned by the Company. I shall, within five business days from the date on which I receive the gains or become aware of any breach of the relevant undertakings, remit the gains to the bank account designated by the Company.
 - 6) If failing to perform the relevant undertakings, causing losses to the investors, I will compensate for their losses in accordance with laws;
 - 7) Other measures which may be taken pursuant to relevant laws, regulations, and normative documents, as well as the provisions of the Company's Articles of Association.
 - (2) If failing to perform the public undertakings by reason of force majeure, such as changes in relevant laws, regulations and policies, natural disasters, etc., I shall propose new undertakings and make public explanation on specific reasons of fulfilling failure at the Shareholders' General Meeting or through the disclosure media designated by CSRC.

REPORT OF THE DIRECTORS

Note (15):

1. The Company and its Shareholders have performed the information disclosure obligation by providing intermediaries of the Offering and Listing with true, accurate and complete information in a timely manner, actively and comprehensively cooperating with intermediaries of the Offering and Listing to conduct due diligence, and truly, accurately and completely disclosing Shareholders' information in the application documents of the Offering and Listing in accordance with the laws.
2. In the history of the Company, no person holds the Company's equity interests as a custodian or under entrustment, and there is no dispute or potential dispute in relation to the Company's equity interests;
3. None of the shareholders of the Company is prohibited from directly or indirectly holding shares in the Company pursuant to relevant laws and regulations;
4. None of the intermediaries for the Offering and Listing and their respective responsible officer, senior managements and persons-in charge directly or indirectly holds any shares of the Company;
5. The Company is not involved in the improper transfer of benefits by using the equity interests of the Company;
6. If the Company breaches the above undertaking, it will bear all legal responsibilities arising therefrom.

Note (16):

1. I do not, directly or indirectly, hold any equity or interests in any other enterprise, institution or economic organization that engages in businesses identical or similar to, or in any respect that compete with the businesses of the Company and its subsidiaries; nor do I serve as a director, senior management or core technical personnel in any other enterprise, institution or economic organization that has a horizontal competition relationship with the Company and its subsidiaries; and I have not, directly or indirectly, engaged in any business that competes with the Company and its subsidiaries in any other manner.
2. I will not engage in any business or operational activities in any form that constitute or may constitute horizontal competition with the production and operations of the Company and its subsidiaries, nor do I provide any financial, business, technical, managerial or other assistance in any manner to any enterprise, institution or economic organization that competes with the Company and its subsidiaries.
3. If any commercial opportunity arises that would allow me or any other enterprise, institution or economic organization controlled by me to engage in, participate in, or invest in any business that may compete with the production and operations of the Company and its subsidiaries, I shall, at the request of the Company, offer the commercial opportunities to the Company and its subsidiaries, and the Company or its subsidiaries shall have the priority to acquire on equivalent terms the assets or equity interests involved in the business, so as to avoid horizontal competition with the Company and its subsidiaries.
4. If I breach the above representations and undertakings, causing economic losses to the Company or its subsidiaries, I shall compensate the Company or its subsidiaries for all such losses so incurred.
5. This letter of undertaking takes effect the date of signing, and shall continue to be effective and irrevocable during the period I serve as the controlling shareholder/actual controller of the Company.

REPORT OF THE DIRECTORS

Note (17)

1. The controlling shareholders and de facto controllers of the Company undertake as follows:

I shall minimize or avoid related party transactions with the Company and its subsidiaries. Where related party transactions are necessary and unavoidable, I shall strictly comply with market rules, carry out connected transactions based on the normal business principles of equality and mutual benefit in a fair and reasonable manner, and fulfill the information disclosure obligations in accordance with laws, regulations and normative documents.

The above-mentioned undertakings made by me are irrevocable. If I breach the above-mentioned undertakings, I shall immediately suspend the relevant related party transactions with the Company and its subsidiaries and take necessary measures to rectify and remedy in a timely manner. At the same time, I shall be liable to compensate for all losses and consequences of the Company and its subsidiaries incurred by me for breach of the above undertakings.

2. Other shareholders holding more than 5% of the shares in the Company undertake as follows:

The Enterprise shall minimize or avoid related party transactions with the Company and its subsidiaries. Where related party transactions are necessary and unavoidable, the Enterprise shall strictly comply with market rules, carry out connected transactions based on the normal business principles of equality and mutual benefit in a fair and reasonable manner, and fulfill the information disclosure obligations in accordance with laws, regulations and normative documents.

The above-mentioned undertakings made by the Enterprise are irrevocable. If the Enterprise breaches the above-mentioned undertakings, the Enterprise shall immediately suspend the relevant related party transactions with the Company and its subsidiaries and take necessary measures to rectify and remedy in a timely manner. At the same time, the Enterprise shall be liable to compensate for all losses and consequences of the Company and its subsidiaries incurred by the Enterprise for breach of the above undertakings.

3. Directors, Supervisors and Senior Management of the Company undertake as follows:

I shall minimize or avoid related party transactions with the Company and its subsidiaries. Where related party transactions are necessary and unavoidable, I shall strictly comply with market rules, carry out connected transactions based on the normal business principles of equality and mutual benefit in a fair and reasonable manner, and fulfill the information disclosure obligations in accordance with laws, regulations and normative documents.

The above-mentioned undertakings made by me are irrevocable. If I breach the above-mentioned undertakings, I shall immediately suspend the relevant related party transactions with the Company and its subsidiaries and take necessary measures to rectify and remedy in a timely manner. At the same time, I shall be liable to compensate for all losses and consequences of the Company and its subsidiaries incurred by me for breach of the above undertakings.

Note (18)

If the Company is required by the relevant government departments or judicial authorities to make up the payment of any shortfall in social insurance contributions (including pension insurance, unemployment insurance, medical insurance, work-related injury insurance and maternity insurance) and housing provident fund contributions, or is penalized due to matters relating to social insurance and housing provident fund contributions, or any relevant party files a legal claim with the relevant government departments or judicial authorities in respect of the social insurance and housing provident fund contributions, I shall assume all the social insurance and housing provident fund contributions, late payment fees, fines or compensation required to be paid by the Company after the Company receives the effective documents issued by the relevant government departments or judicial authorities. I further undertake that, after assuming the aforesaid amounts and fees, I will not make a claim against the Company and ensure that the Company does not suffer any loss as a result thereof.

REPORT OF THE DIRECTORS

Note (19)

1. All Incentive Participants of the Company undertake, where false representations, misleading statements or material omissions in the disclosure documents relating to the 2022 Restricted Share Incentive Plan of the Company, result in non-compliance with the conditions of grant or vesting arrangements, the Incentive Participants concerned shall return to the Company all interests gained through the Incentive Scheme calculated from the date when it is confirmed that the relevant information disclosure documents of the Company contain false representations, misleading statements or material omissions.
2. The Company undertakes that it will not provide loans or any other forms of financial assistance, including providing guarantee for their loans, to the Incentive Participants of 2022 Restricted Share Incentive Plan to obtain relevant Restricted Shares according to the Incentive Scheme.

Note (20):

1. All Incentive Participants of the Company undertake, where false representations, misleading statements or material omissions in the disclosure documents relating to the 2023 Restricted Share Incentive Plan of the Company, result in non-compliance with the conditions of grant or vesting arrangements, the Incentive Participants concerned shall return to the Company all interests gained through the Incentive Scheme calculated from the date when it is confirmed that the relevant information disclosure documents of the Company contain false representations, misleading statements or material omissions.
2. The Company undertakes that it will not provide loans or any other forms of financial assistance, including providing guarantee for their loans, to the Incentive Participants of 2023 Restricted Share Incentive Plan to obtain relevant Restricted Shares according to the Incentive Scheme.

Note (21)

The performance undertaking period for the share transfer is the year of 2024, 2025 and 2026. The transferor undertakes that, the Target Company's net profit for the year of 2024, 2025 and 2026 shall be RMB 39.12 million, RMB 51.54 million and RMB 75.68 million, respectively. (net profits represent the audited net profit attributable to the owners of the parent company under the consolidated statements before or after the deduction of the non-recurring profit or loss (whichever is lower) for each accounting year during the performance undertaking period. If the actual net profit is reduced due to share-based compensation expenses arising from share incentive plan implemented by the transferee or from additional equity incentive plan implemented by the Target Company after the closing date, then the actual net profit for the period shall be increased by the net profit deducted as a result of above-mentioned share-based payment. The same below.)

The parties agree that, at the end of each accounting year during the Performance Undertaking Period, the transferee shall engage a qualified accounting firm according to the Securities Law to conduct annual audits and issue an annual audit report. The actual net profit of the Target Company shall be based on the annual audit report, and plus the reduction amount of the actual net profits for the period which is incurred by the share-based payment as described in this clause (if any).

If the cumulative actual net profit of the Target Company during the performance undertaking period is less than the aforesaid aggregate undertaking net profit (i.e., RMB 166.34 million), the parties agree that the transferee shall not be obligated to pay the fourth payment to the transferor as agreed in the Share Transfer Agreement.

REPORT OF THE DIRECTORS

XXIV. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company had no material litigation and arbitration.

XXV. CREDIT CONDITIONS OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER DURING THE REPORTING PERIOD

During the Reporting Period, neither the Company nor the Controlling Shareholder or actual controller had unperformed obligations determined by court legal instruments or large overdue debts.

XXVI. CONTINGENT LIABILITIES

As of the end of the Reporting Period, the Company had no material contingent liabilities.

XXVII. PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period. The Company has arranged appropriate insurance coverage for potential legal actions and liabilities against the Directors and the senior management.

XXVIII. DIRECTORS' AND SUPERVISORS' INTERESTS IN MAJOR TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

At the end of the Reporting Period or at any time during the Reporting Period, there was no transaction, arrangement or contract that was significant to the Group's business to which the Company or any of its subsidiaries was a party, and in which any person who served as a Director at any time during the Reporting Period, or any of their connected entities, had a material direct or indirect interest.

XXIX. DIRECTORS' INTEREST IN COMPETING BUSINESS

For the year ended December 31, 2025, none of the Directors had an interest in any business that directly or indirectly competed with our business under rule 8.10(2) of the Hong Kong Listing Rules.

XXX. RIGHTS OF DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, neither the Company nor any of its subsidiaries was a party to any arrangement that would enable Directors to benefit from acquiring shares or debentures of the Company or any other corporation during the Reporting Period.

REPORT OF THE DIRECTORS

XXXI. AUDIT COMMITTEE

The audit committee, together with auditors, has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2025. The audit committee has also reviewed the accounting standards and practices adopted by the Group and discussed the auditing, risk management, internal control, and financial reporting matters.

XXXII. AUDITORS

The Company has not changed its domestic auditors in the past three years. The Company has not changed its overseas auditor since its H Shares were issued and listed on the Main Board of the Hong Kong Stock Exchange on December 8, 2025.

The Company's domestic and overseas auditors for 2025 were Pan-China Certified Public Accountants (天健會計師事務所(特殊普通合夥)) and KPMG (畢馬威會計師事務所), respectively. They have audited the 2025 consolidated financial statements prepared by the Company in accordance with the Accounting Standards for Business Enterprises (China Accounting Standards) and the IFRS Accounting Standards, respectively.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARES

Details of changes in Shares of the Company during the Reporting Period are as follows:

Unit: Share

	Before the change		Increase/decrease (+,-)			After the change	
	Number	Number (%)	Issuance of new Shares	Others	Sub-total	Number	Percentage (%)
I. Restricted shares	49,187,880	34.51		-49,187,880	-49,187,880		
1. Shares held by the state							
2. Shares held by state-owned corporation							
3. Shares held by other domestic investors	49,187,880	34.51		-49,187,880	-49,187,880		
Including: shares held by domestic corporation	13,852,440	9.72		-13,852,440	-13,852,440		
Shares held by domestic individual	35,335,440	24.79		-35,335,440	-35,335,440		
4. Shares held by foreign investors							
Including: shares held by foreign corporation							
Shares held by foreign individual							
II. Non-restricted shares	93,340,553	65.49	19,068,400	49,187,880	68,256,280	161,596,833	100.00
1. RMB ordinary shares	93,340,553	65.49		49,187,880	49,187,880	142,528,433	88.20
2. Domestic listed foreign shares							
3. Overseas listed foreign shares			19,068,400		19,068,400	19,068,400	11.80
4. Others							
III. Total number of shares	142,528,433	100			19,068,400	161,596,833	100.00

Notes:

- On December 8, 2025, 19,068,400 H Shares were issued by the Company at the price of HK\$116.00 per Share and listed on the Main Board of the Hong Kong Stock Exchange. Subsequently, on January 2, 2026, 1,026,600 H Shares were issued by the Company at the price of HK\$116.00 per Share under the over-allotment option. A total of 20,095,000 H Shares were issued by the Company, and net proceeds of approximately HK\$2,210 million (approximately RMB2,010 million and net proceeds approximately RMB100.0 per Share) after deducting issuance costs incurred directly by issuing new shares.
- For the details of the repurchase of restricted shares by the Company during the Reporting Period, please refer to "Repurchase, redemption or sale of listed securities of the Company" under "Report of the Directors" in this annual report.
- As of the end of the Reporting Period, 852,172 A-share ordinary shares (treasury shares) were held in the Company's special securities account for repurchase, representing approximately 0.5% of the issued share capital of the Company. These treasury shares are used for Share Option Incentive Plans. During the Reporting Period, the Company has not sold its treasury shares on the market.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

II. INFORMATION ON SHAREHOLDERS AND ACTUAL CONTROLLER

(I) Information on the number of shareholders and the shareholding of the Company

1. Total Number of Shareholders

Total number of common stock shareholders as of the end of the Reporting Period (number of accounts) 12,446

Note: As of the end of the Reporting Period, there were 12,445 A share shareholders and 1 H share shareholder.

2. Table of Shareholdings of the Top Ten Shareholders and the Top Ten Free-Floating Shareholders (or Shareholders with No Restrictions on Sale) as of the End of the Reporting Period

Name of shareholder (Full name)	Shareholding of top ten non-restricted ordinary shareholders (Excluding Shares Lended Through the Securities Lending and Borrowing Program)						
	Increase or decrease during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of Restricted Shares Held	Pledged, labelled or frozen Share Status	Number	Class of Shareholders
HKSCC NOMINEES LIMITED	19,068,400	19,068,400	11.80	0	Unknown	Unknown	Overseas legal entity
Wang Shengyang	0	15,487,920	9.58	0	Nil	0	Domestic individuals
ShengYun	0	14,432,040	8.93	0	Nil	0	Domestic individuals
Suzhou Ruixi Information Consulting Partnership Enterprise (Limited Partnership)	0	6,526,800	4.04	0	Nil	0	Others
Wang Yifeng	0	5,415,480	3.35	0	Nil	0	Domestic individuals
CITIC Securities Company Limited – Harvest SGX STEM Chip Traded Open- end Index Securities Investment Fund	442,544	2,589,380	1.60	0	Nil	0	Others
Wang Heng	2,371,899	2,371,899	1.47	0	Nil	0	Domestic individuals
Shenzhen Huiyue Growth Investment Fund (limited partnership)	-1,425,284	2,259,427	1.40	0	Nil	0	Others
Hong Kong Securities Clearing Company Limited	1,531,792	2,242,026	1.39	0	Nil	0	Others
Huang Weiqin	1,924,594	1,924,594	1.19	0	Nil	0	Domestic individuals

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Shareholding of top ten non-restricted ordinary shareholders (Excluding Shares Lended Through the Securities Lending and Borrowing Program)

Name of shareholder	Number of non-restricted ordinary shares as at the end of the Reporting Period	Classes and Number of Shares	
		Class of shares	Numbers
HKSCC NOMINEES LIMITED	19,068,400	Overseas Listed Foreign Shares	19,068,400
Wang Shengyang	15,487,920	RMB ordinary shares	15,487,920
ShengYun	14,432,040	RMB ordinary shares	14,432,040
Suzhou Ruixi Information Consulting Partnership Enterprise (Limited Partnership)	6,526,800	RMB ordinary shares	6,526,800
Wang Yifeng	5,415,480	RMB ordinary shares	5,415,480
CITIC Securities Company Limited – Harvest SGX STEM Chip Traded Open-end Index Securities Investment Fund	2,589,380	RMB ordinary shares	2,589,380
Wang Heng (王恆)	2,371,899	RMB ordinary shares	2,371,899
Shenzhen Huiyue Growth Investment Fund (limited partnership) (深圳市慧悅成長投資基金企業(有限合伙))	2,259,427	RMB ordinary shares	2,259,427
Hong Kong Securities Clearing Company Limited	2,242,026	RMB ordinary shares	2,242,026
Huang Weiqin (黃維欽)	1,924,594	RMB ordinary shares	1,924,594

Note 1: HKSCC NOMINEES LIMITED holds shares on behalf of its clients. As the relevant rules of the Hong Kong Stock Exchange do not require clients to declare whether the shares they hold are pledged or frozen, HKSCC NOMINEES LIMITED is unable to calculate or provide the number of shares that are pledged or frozen.

(2) Controlling shareholder

The Company has no controlling shareholder. There was no change in the controlling shareholder during the period from the Listing Date to December 31, 2025.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

(3) Actual controller and acting-in-concert parties thereof

Nature of the actual controller: Domestic individual

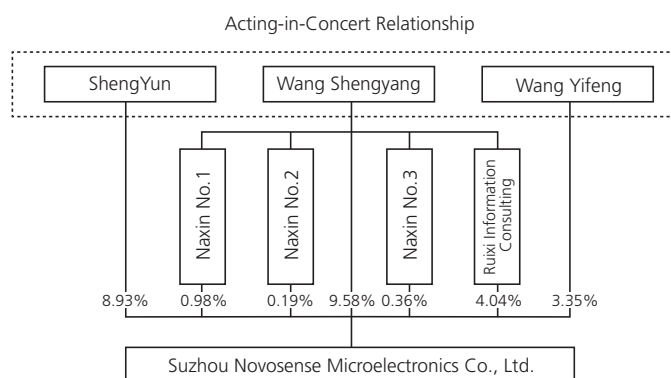
Type of the actual controller: Individual

Name of the actual controller	Relationship with the actual controller	Nationality	Right of residence in other countries or regions
Mr. Wang Shengyang ^{note}	Actual controller himself	Chinese	No
Mr. Sheng Yun ^{note}	Actual controller himself	Chinese	No
Mr. Wang Yifeng ^{note}	Actual controller himself	Chinese	No

Note: Mr. Wang Shengyang, Mr. Sheng Yun and Mr. Wang Yifeng entered into an Acting-in-Concert Agreement on March 8, 2016, as supplemented on September 30, 2020 and with an effective period of 60 months commencing from the date on which our A Shares were listed on the STAR Market of the Shanghai Stock Exchange, Mr. Wang Shengyang, Mr. Sheng Yun and Mr. Wang Yifeng agreed, among other things, that (i) each of them together with the entities they control, shall act in concert when voting at general meetings of our Company and meetings of our Board; (ii) Mr. Sheng Yun and Mr. Wang Yifeng shall follow Mr. Wang Shengyang's vote to arrive at a unanimous consent in case there is any disagreement; and (iii) the Acting-in-Concert Agreement shall be automatically renewed before its expiry unless terminated by Mr. Wang Shengyang, Mr. Sheng Yun and Mr. Wang Yifeng.

During the Reporting Period, there was no change in the actual controller of the Company.

Ownership and control relations between the actual controller and the Company:



The actual controller did not control the Company via trust or other ways of asset management.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

III. DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As of December 31, 2025, to the best of the knowledge of the Company, the interests and short position of the Directors and chief executives in the share capital and underlying Shares of the Company or its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code were as follows:

(1) Interests and Short Position in Shares of the Company

Name	Nature of interest	Class of Share	Number of Shares held/ Nature of Shares Held	Percentage of the respective type of Shares ⁽⁶⁾	Percentage of the total issued share capital ⁽⁶⁾
Mr. Wang Shengyang ⁽¹⁾⁽²⁾⁽³⁾	Beneficial owner	A Shares	44,336,080	31.11%	27.44%
	Interest in controlled corporation Interest held jointly with other persons		(Long position)		
Mr. ShengYun ⁽¹⁾⁽³⁾⁽⁴⁾	Beneficial owner	A Shares	44,336,080	31.11%	27.44%
	Interest in controlled corporation Interest held jointly with other persons		(Long position)		
Mr. Wang Yifeng ⁽¹⁾⁽³⁾	Beneficial owner	A Shares	44,336,080	31.11%	27.44%
	Interest held jointly with other persons		(Long position)		
Mr. Jiang Chaoshang ⁽⁵⁾	Beneficial owner	A Shares	9,800	0.01%	0.01%
			(Long position)		

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Notes:

- (1) As of December 31, 2025, Mr. Wang Shengyang, Mr. Sheng Yun and Mr. Wang Yifeng directly held 15,487,920, 14,432,040 and 5,415,480 A Shares, respectively.
- (2) As of December 31, 2025, Mr. Wang Shengyang was the general partner of Ruixi Information Consulting, Naxin No.1, Naxin No. 2 and Naxin No.3. By virtue of the SFO, Mr. Wang Shengyang is deemed to be interested in the total 9,000,640 A Shares held by Ruixi Information Consulting, Naxin No.1, Naxin No.2 and Naxin No.3.
- (3) Mr. Wang Shengyang, Mr. Sheng Yun and Mr. Wang Yifeng have entered into the Acting-in-Concert Agreement. Please refer to “INFORMATION ON SHAREHOLDERS AND ACTUAL CONTROLLER” under “Changes in Shares and Information on Shareholders” in this annual report for more details. By virtue of the SFO, they are deemed to be interested in the Shares and underlying Shares held by each other.
- (4) As of December 31, 2025, Ruixi Information Consulting was owned by Mr. Sheng Yun as to 40%. By virtue of the SFO, Mr. ShengYun was deemed to be interested in the 6,526,800 A Shares held by Ruixi Information Consulting.
- (5) Among them, 4,900 A shares are restricted shares scheduled for vesting under the 2022 Restricted Share Incentive Plan.
- (6) As at December 31, 2025, the Company had a total of 161,596,833 issued shares, comprising 142,528,433 A Shares and 19,068,400 H Shares (including treasury shares). The above calculation is based on the total number of issued shares and the total number of relevant classes of shares (including treasury shares) as of December 31, 2025.

(2) Interest in Associated Corporations of the Company

Name	Nature of Interest	Member of our Group	% of Shareholding
Mr. Jiang Chaoshang	Beneficial owner ⁽²⁾	Suzhou Hexu Management Consulting Partnership (Limited Partnership) (“ Suzhou Hexu ”)	1.00%

Notes:

- (1) All interests stated are long positions.
- (2) Mr. Jiang Chaoshang is a limited partner of Suzhou Hexu, holding approximately 1.0% of the partnership interests of Suzhou Hexu.

Save as disclosed above, as at December 31, 2025, none of the Directors and chief executives had any interests or short position in the Shares or underlying Shares of the Company or its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

IV. SUBSTANTIAL SHAREHOLDER AND OTHER INDIVIDUALS' INTEREST AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As of December 31, 2025, the Company was aware of the following individuals who had an interest or short position, which were required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests or short positions as recorded in the register required to be kept by the Company under Section 336 of SFO, or, directly or indirectly, be interested in 5% or more of the nominal value of any class of our Company's share capital.

Name of shareholder	Nature of interest	Class of Share	Number of Interests held	Percentage of the respective type of Shares ⁽³⁾	Percentage of the total issued share capital ⁽³⁾
CCB International Capital Limited ⁽¹⁾	Underwriter	H Shares	2,860,200 (Long position)	15.00%	1.77%
			2,860,200 (Short position)	15.00%	1.77%
CCB International (Holdings) Limited ⁽¹⁾	Interest in controlled corporation	H Shares	2,860,200 (Long position)	15.00%	1.77%
			2,860,200 (Short position)	15.00%	1.77%
CCB Financial Holdings Limited ⁽¹⁾	Interest in controlled corporation	H Shares	2,860,200 (Long position)	15.00%	1.77%
			2,860,200 (Short position)	15.00%	1.77%
CCB International Group Holdings Limited ⁽¹⁾	Interest in controlled corporation	H Shares	2,860,200 (Long position)	15.00%	1.77%
			2,860,200 (Short position)	15.00%	1.77%
China Construction Bank Corporation ⁽¹⁾	Interest in controlled corporation	H Shares	2,860,200 (Long position)	15.00%	1.77%
			2,860,200 (Short position)	15.00%	1.77%
Central Huijin Investment Ltd. ⁽¹⁾	Interest in controlled corporation	H Shares	2,860,200 (Long position)	15.00%	1.77%
			2,860,200 (Short position)	15.00%	1.77%

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Name of shareholder	Nature of interest	Class of Share	Number of Interests held	Percentage of the respective type of Shares ⁽³⁾	Percentage of the total issued share capital ⁽³⁾
China International Capital Corporation Hong Kong Securities Limited ⁽²⁾	Underwriter	H Shares	1,716,120 (Long position)	9.00%	1.06%
			2,860,200 (Short position)	15.00%	1.77%
	Beneficial owner	H Shares	846,000 (Long position)	4.44%	0.52%
China International Capital Corporation (International) Limited ⁽²⁾	Interest in controlled corporation	H Shares	2,729,620 (Long position)	14.31%	1.69%
			3,027,700 (Short position)	15.88%	1.87%
China International Capital Corporation Limited ⁽²⁾	Interest in controlled corporation	H Shares	3,670,320 (Long position)	19.25%	2.27%
			2,860,200 (Short position)	15.00%	1.77%
	Beneficial owner	H Shares	167,500 (Short position)	0.88%	0.10%

Notes:

1. CCB International Capital Limited is wholly owned by CCB International (Holdings) Limited, which in turn is wholly owned by CCB Financial Holdings Limited. CCB Financial Holdings Limited is wholly owned by CCB International Group Holdings Limited, which in turn is wholly owned by China Construction Bank Corporation. China Construction Bank Corporation is owned 54.61% to Central Huijin Investment Ltd. Therefore, under the Securities and Futures Ordinance, Central Huijin Investment Ltd., China Construction Bank Corporation, CCB International Group Holdings Limited, CCB Financial Holdings Limited, and CCB International (Holdings) Limited are all deemed to have an interest in the H shares held directly by CCB International Capital Limited.
2. China International Capital Corporation Hong Kong Securities Limited is wholly owned by China International Capital Corporation (International) Limited, which in turn is wholly owned by China International Capital Corporation Limited. Therefore, under the Securities and Futures Ordinance, both China International Capital Corporation (International) Limited and China International Capital Corporation Limited are deemed to have an interest in the H share interest held by China International Capital Corporation Hong Kong Securities Limited.
3. As of December 31, 2025, the Company had a total of 161,596,833 issued shares, comprising 142,528,433 Class A shares and 19,068,400 H shares (including treasury shares). The above calculation is based on the total number of issued shares and the total number of shares of each class (including treasury shares) as of December 31, 2025.

Save as disclosed above, as at December 31, 2025, the Company was not aware of any other person (other than the Directors and chief executives of the Company) having any interests or short position in the shares or underlying shares of the Company which are required to be recorded in the register under Section 336 of the SFO.

BONDS

I. ENTERPRISE BONDS

The Company did not have any enterprise bonds during the Reporting Period.

II. CORPORATE BONDS

The Company did not have any corporate bonds during the Reporting Period.

III. NON-FINANCIAL CORPORATE DEBT FINANCING INSTRUMENTS

The Company had no debt financing instruments of non-financial enterprises during the Reporting Period.

IV. CONVERTIBLE BONDS

The Company had no convertible bonds during the Reporting Period.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of Suzhou Novosense Microelectronics Co., Ltd.

(Incorporated in the People's Republic of China (the PRC) with limited liability)

OPINION

We have audited the consolidated financial statements of Suzhou Novosense Microelectronics Co., Ltd. ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 148 to 244, which comprise the consolidated statement of financial position as at December 31, 2025, the consolidated statement of profit or loss, 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 December 31, 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**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 ("**HKSAs**") 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.

INDEPENDENT AUDITOR'S REPORT

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.

Revenue recognition from sales of products	
<i>Refer to Note 4 to the consolidated financial statements and the accounting policies on Note 2(u).</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group's revenue is mainly derived from the sales of sensor products, signal chain chips and power management chips ("the products"). For the year ended December 31, 2025, the Group has recognised revenue of RMB3,353 million from sales of these products, which accounted for 99.57% of total revenue of the Group.</p> <p>The Group recognises revenue from sales of the products at the point in time when control of the goods is transferred to the customer.</p> <p>We identified the recognition of revenue 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 incorrect period or manipulated by management to meet targets or expectations.</p>	<p>Our audit procedures to assess the recognition of revenue from sales of sensor products, signal chain chips and power management chips included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of and assessing the design, implementation and operating effectiveness of 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 revenue recognition policies with reference to the requirements of the prevailing accounting standards; inspecting, on a sample basis, sales contracts, invoices and customers acceptance notes or customs declarations of control transfer ("underlying documentation") for sales transactions recorded during the financial reporting period to assess whether the related revenue was appropriately recognised in accordance with the Group's revenue recognition accounting policies;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Revenue recognition from sales of products (continued)	
<i>Refer to Note 4 to the consolidated financial statements and the accounting policies on Note 2(u).</i>	
The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none">• inspecting, on a sample basis, underlying documentation for sales transactions recorded around the end of the financial reporting period to assess whether the related revenue had been recognised in the appropriate financial reporting period;• inspecting, on a sample basis, underlying documentation for sales return recorded subsequent to the end of the financial reporting period to assess whether the relevant adjustment to revenue had been accounted for in the appropriate financial reporting period in accordance with the requirements of the prevailing accounting standards; and• inspecting journal entries relating to sales transactions recorded during the financial year that met specific risk-based criteria and comparing details of these journal entries with the relevant underlying documentation.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Assessing potential goodwill impairment	
<i>Refer to Note 14 to the consolidated financial statements and the accounting policies on Note 2(f).</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>As at December 31, 2025, the net carrying amount of goodwill arising from acquisition of MagnTek Group is RMB504,142,000.</p> <p>Management performs annual impairment assessment of goodwill, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.</p> <p>In performing goodwill impairment assessment, management determines the recoverable amount of the cash generating unit ("CGU") based on value-in-use calculation using discounted cash flow forecast.</p> <p>The preparation of discounted cash flow forecast involves significant management judgement, particularly in estimating key assumptions including revenue growth rates, profit margin and discount rates.</p>	<p>Our audit procedures to assess impairment of goodwill arising from acquisition of MagnTek Group included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of the management's impairment assessment, and assessing management's identification of CGUs and the allocation of goodwill to respective CGUs with reference to the requirements of the prevailing accounting standards; with the assistance of our internal valuation specialists, assess the appropriateness of the methodology applied in the impairment assessment with reference to requirements of the prevailing accounting standards and the reasonableness of the long term growth rate and the discount rate adopted by management in its goodwill impairment assessment by comparing with those used by companies in the same industry and/or available market data; evaluating the reasonableness of the key assumptions adopted in the preparation of the cash flow forecast for the purpose of the goodwill impairment assessment, with reference to our understanding of the business, historical trends, available industry information and available market data;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Assessing potential goodwill impairment (continued)	
<i>Refer to Note 14 to the consolidated financial statements and the accounting policies on Note 2(f).</i>	
The Key Audit Matter	How the matter was addressed in our audit
We identified the impairment assessment of goodwill arising from the acquisition of Magntek Group as a key audit matter because the impairment assessment prepared by management is inherently subjective and involve significant management judgement which could be subject to management bias.	<ul style="list-style-type: none">• comparing the cashflow forecast prepared in the prior year with the actual performance for the current year to assess the reliability of management's forecast process, making enquiries of management as to the reasons for any significant variations identified and considering if there was any indication of management bias;• performing sensitivity analyses on the key assumptions adopted in the discounted cash flow forecast and assessing whether there was any indication of management bias in the selection of assumptions; and• assessing the reasonableness of the disclosures in the consolidated financial statements in respect of the impairment assessment of goodwill with reference to the requirements of the prevailing accounting standards.

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.

INDEPENDENT AUDITOR'S REPORT

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, 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 HKSAAs 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.

As part of an audit in accordance with HKSAAs, 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.

INDEPENDENT AUDITOR'S REPORT

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

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 Chan Ting Yuen (*practising certificate number: P06379*).

KPMG

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

March 30, 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended December 31, 2025
(Expressed in Renminbi (“RMB”))

	Note	2025 RMB'000	2024 RMB'000
Revenue	4	3,367,823	1,960,274
Cost of sales		(2,289,590)	(1,410,928)
Gross profit		1,078,233	549,346
Other net income	5	77,074	98,529
Selling and marketing expenses		(260,896)	(188,942)
Administrative expenses		(305,712)	(286,872)
Research and development expenses		(794,603)	(539,992)
Impairment loss on trade and other receivables		(6,997)	(13,466)
Loss from operations		(212,901)	(381,397)
Finance costs	6(a)	(22,671)	(16,435)
Share of losses and provision for impairment of associates	16	(5,623)	(6,323)
Loss before taxation	6	(241,195)	(404,155)
Income tax	7	12,321	1,277
Loss for the year		(228,874)	(402,878)
Attributable to:			
Equity shareholders of the Company		(228,874)	(402,878)
Non-controlling interests		-	-
Loss for the year		(228,874)	(402,878)
Loss per share			
Basic and Diluted (RMB)	10	(1.60)	(2.86)

The notes on pages 156 to 244 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2025
(Expressed in RMB)

	2025 RMB'000	2024 RMB'000
Loss for the year	(228,874)	(402,878)
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	766	(749)
Total comprehensive income for the year	(228,108)	(403,627)
Attributable to:		
Equity shareholders of the Company	(228,108)	(403,627)
Non-controlling interests	–	–
Total comprehensive income for the year	(228,108)	(403,627)

The notes on pages 156 to 244 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in RMB)

	Note	December 31, 2025 RMB'000	December 31, 2024 RMB'000
Non-current assets			
Property, plant and equipment	11	1,837,365	1,523,589
Right-of-use assets	12	21,892	16,440
Intangible assets	13	389,174	390,732
Goodwill	14	545,470	504,142
Interests in associates	16	111,052	96,675
Financial assets measured at fair value through profit or loss ("FVPL")	17	428,971	290,129
Time deposits	22(f)	81,038	-
Other non-current assets	18	45,858	137,840
Deferred tax assets	28(b)	43,102	25,876
		3,503,922	2,985,423
Current assets			
Inventories and contract costs	19	1,475,940	832,556
Contract assets	20(a)	285	285
Trade and other receivables	21	995,907	646,981
Financial assets measured at FVPL	17	1,124,163	2,080,083
Time deposits	22(f)	93,000	94,334
Restricted bank deposits	22(e)	22,656	20,835
Cash and cash equivalents	22(a)	2,465,627	1,013,079
		6,177,578	4,688,153
Current liabilities			
Trade and other payables	23	840,416	627,878
Contract liabilities	20(b)	33,191	16,136
Interest-bearing borrowings	24	115,537	62,382
Lease liabilities	25	8,685	7,822
Current taxation	28(a)	742	3,666
Refund liabilities from right of return	29	53,355	39,178
		1,051,926	757,062
Net current assets		5,125,652	3,931,091
Total assets less current liabilities		8,629,574	6,916,514

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in RMB)

	<i>Note</i>	December 31, 2025 RMB'000	December 31, 2024 RMB'000
Non-current liabilities			
Interest-bearing borrowings	24	851,512	791,421
Lease liabilities	25	10,891	6,434
Payable for acquisition of subsidiaries		17,489	55,037
Deferred income	26	40,081	31,244
Deferred tax liabilities	28(b)	54,684	48,516
Refund liabilities from right of return	29	6,918	4,393
Financial liability measured at FVPL		33,236	32,355
		1,014,811	969,400
NET ASSETS			
		7,614,763	5,947,114
CAPITAL AND RESERVES			
Share capital	31	161,597	142,529
Treasury shares	31	(127,664)	(14,907)
Reserves	31	7,563,249	5,814,722
Total equity attributable to equity shareholders of the Company		7,597,182	5,942,344
Non-controlling interests		17,581	4,770
TOTAL EQUITY		7,614,763	5,947,114

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

Wang Shengyang
Chairman of the Board

Sheng Yun
Executive Director

The notes on pages 156 to 244 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	PRC statutory reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Sub total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2024		142,529	(200,106)	6,206,421	106	56,817	735	6,206,502	1,020	6,207,522
Changes in equity for 2024:										
Loss for the year		-	-	-	-	-	(402,878)	(402,878)	-	(402,878)
Other comprehensive income		-	-	-	(749)	-	-	(749)	-	(749)
Total comprehensive income		-	-	-	(749)	-	(402,878)	(403,627)	-	(403,627)
Capital contribution from non-controlling interests		-	-	-	-	-	-	-	3,750	3,750
Settlement of equity-settled share-based transactions		-	185,199	(113,233)	-	-	-	71,966	-	71,966
Equity-settled share-based transactions	27	-	-	70,895	-	-	-	70,895	-	70,895
Tax effect from equity-settled share-based transactions	28(b)	-	-	(3,392)	-	-	-	(3,392)	-	(3,392)
Balance at December 31, 2024 and January 1, 2025		142,529	(14,907)	6,160,691	(643)	56,817	(402,143)	5,942,344	4,770	5,947,114

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in RMB)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Treasury shares	Capital reserve	Exchange reserve	PRC statutory reserve	Accumulated losses	Sub total		
<i>Note</i>	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2025	142,529	(14,907)	6,160,691	(643)	56,817	(402,143)	5,942,344	4,770	5,947,114
Changes in equity for 2025:									
Loss for the year	-	-	-	-	-	(228,874)	(228,874)	-	(228,874)
Other comprehensive income	-	-	-	766	-	-	766	-	766
Total comprehensive income	-	-	-	766	-	(228,874)	(228,108)	-	(228,108)
Issue of ordinary shares by initial public offering on Hong Kong Stock Exchange (" H Share Listing "), net of transaction costs	19,068	-	1,886,758	-	-	-	1,905,826	-	1,905,826
Purchase of own shares	-	(112,757)	-	-	-	-	(112,757)	-	(112,757)
Acquisition of interests in a subsidiary	-	-	-	-	-	-	-	12,811	12,811
Equity-settled share-based transactions	-	-	86,972	-	-	-	86,972	-	86,972
Tax effect from equity-settled share-based transactions	-	-	2,905	-	-	-	2,905	-	2,905
Balance at December 31, 2025	161,597	(127,664)	8,137,326	123	56,817	(631,017)	7,597,182	17,581	7,614,763

The notes on pages 156 to 244 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended December 31, 2025
(Expressed in RMB)

	Note	2025 RMB'000	2024 RMB'000
Operating activities			
Cash (used in)/generated from operations	22(b)	(620,676)	96,441
Income tax paid	28(a)	(5,951)	(1,387)
Net cash (used in)/generated from operating activities		(626,627)	95,054
Investing activities			
Payment for the purchase of property, plant and equipment and intangible assets		(402,390)	(397,026)
Proceeds from disposal of property, plant and equipment		1	51
Acquisition of subsidiaries, net of cash acquired		(153,945)	(740,432)
Payment for the purchase of associates		(20,000)	(28,000)
Proceeds from disposal of an associate		–	30,000
Payment for the purchase of time deposit		(173,000)	(40,000)
Proceeds from disposal of time deposit		95,300	–
Payment for the purchase of financial asset measured at FVPL		(7,547,000)	(9,694,750)
Proceeds from disposal of financial asset measured at FVPL		8,396,881	9,734,138
Investment income received	5	31,558	36,187
Dividends received from investments in financial asset measured at FVPL		1,614	37
Net cash generated from/(used in) investing activities		229,019	(1,099,795)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended December 31, 2025
(Expressed in RMB)

	<i>Note</i>	2025 RMB'000	2024 RMB'000
Financing activities			
Proceeds from issue of ordinary shares by initial public offering, net of issuance costs		1,914,984	–
Cash receipts from capital contributions from non-controlling interests of a subsidiary		–	3,750
Capital element of lease rentals paid	22(c)	(10,120)	(17,009)
Interest element of lease rentals paid	22(c)	(703)	(847)
Deposit element and value-added tax of lease rentals paid		(1,404)	(1,721)
Proceeds from deposit element of lease rentals		413	705
Payment for repurchase of shares	31(d)	(112,757)	–
Proceeds from bank loans	22(c)	185,872	495,430
Repayment of bank loans	22(c)	(112,180)	(279,863)
Repayment of capital investment		–	(5,599)
Proceeds from settlement of equity-settled share-base transaction		–	71,966
Net cash generated from financing activities		1,864,105	266,812
Net increase/(decrease) in cash and cash equivalents		1,466,497	(737,929)
Cash and cash equivalents at January 1,		1,012,215	1,751,191
Effect of foreign exchange rate changes		(14,385)	(1,047)
Cash and cash equivalents at December 31,	22(a)	2,464,327	1,012,215

The notes on pages 156 to 244 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION

Suzhou Novosense Microelectronics Co., Ltd. (the “**Company**”) was established in Suzhou City, Jiangsu Province, People’s Republic of China on May 17, 2013 as a limited liability company under the PRC Company Law.

In March 2016, the Company was converted into a joint stock limited liability company. In April 2022, the Company’s A shares were listed on the STAR Market of the Shanghai Stock Exchange under the stock code 688052. The Company’s H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on December 8, 2025.

The Company and its subsidiaries (together, “**the Group**”) are principally engaged in design, research and development (R&D) of various types of chip products. The information of the principal subsidiaries is set out in Note 15.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable IFRS Accounting Standards, which collective term includes all applicable individual IFRS Accounting Standards, International Accounting Standards and Interpretations as 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 amendments to 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2025 comprise the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interests in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except the financial assets and liabilities measured at FVPL, the financial assets measured at FVOCI and contingent liabilities assumed in business combination are stated at their fair values as explained in Note 2(g) and Note 2(t)(ii).

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(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 unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-Group transactions, are eliminated. Unrealized losses resulting from intra-Group transactions are eliminated in the same way as unrealized 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 interest (“**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(p) or (q) 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(k)), unless it is classified as held for sale (or included in a disposal Group classified as held for sale).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An interest in an associate or a joint venture is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal Group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the ECL model to such other long-term interests where applicable (see Note 2(k)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate or a joint venture is stated at cost less impairment losses (see Note 2(k)(i)), unless it is classified as held for sale (or included in a disposal Group classified as held for sale).

(f) Business combination and goodwill

The Group accounts for the business combination using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. Business combination is accounted for using the acquisition method as at the acquisition date when control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquires includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The consideration transferred in acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction cost are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(f) Business combination and goodwill (Continued)

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 2(k)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

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 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 32(e). These investments are subsequently accounted for as follows, depending on their classification.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(g) Other investments in securities (Continued)

(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(u)(iii)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- 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 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(u)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment

Property, plant and equipment, is stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(k)(ii)). The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in profit or loss in the period in which it is incurred.

Construction in progress represents buildings and various machinery, plant and equipment under construction and pending installation, and is stated at cost less impairment losses (see Note 2(k)(ii)). Cost comprises direct costs of construction as well as interest charges during the periods of construction.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation 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:

General equipment	3 – 5 years
Special equipment	3 – 10 years
Motor vehicles	4 years
Buildings	30 years
Leasehold improvements	short of useful lives or lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(i) Intangible assets (other than goodwill)

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, 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(k)(ii)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method 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	5–10 years
Intellectual properties	5 years
Patents	10 years

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

(j) Lease 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.

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 such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalize the lease on a lease-by-lease basis. If not capitalized, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(j) Lease assets (Continued)

Where the lease is capitalized, 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 amortized 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.

The right-of-use asset recognised when a lease is capitalized 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 Note 2(k)(ii)). Depreciation is calculated using the straight-line method over unexpired term of lease.

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 amortized cost (see Notes 2(g)(i), 2(u)(iii) and 2(k)(i)). 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 remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (“**ECL**”s) on financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables, contract assets and loans to associates).

Financial assets measured at fair value, including bills receivables measured at FVOCI (non-recycling) and equity securities measured at FVPL, are not subject to the ECL assessment.

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.

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

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

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

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

In measuring ECLs, the Group take into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the 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 life of the instrument is less than 12 months); and
- lifetime ECLs: these are the 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 (including loan commitments issued) 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 receivables and contract assets are always measured at an amount equal to lifetime ECLs.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) 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.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

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 realizing security (if any is held).

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.

ECLs are remeasured at each reporting date 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Credit-impaired financial assets

At each reporting date, 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 or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; 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 or contract 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;
- Construction in process;
- Intangible assets;
- Right-of-use assets;
- Goodwill;
- Interest in associates and joint ventures;
- Investment in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest Group of cash-generating units if otherwise.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or Group of units) and then, to reduce the carrying amount of the other assets in the unit (or Group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the assets carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credit to profit or loss in the year in which the reversals are recognised.

(l) Inventories and contract costs

(i) Inventories

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

Inventories are carried at the lower of cost and net realizable value as follows:

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

Net realizable 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(l) Inventories and contract costs (Continued)

(ii) contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalized as inventory (see Note 2(l)(i)), property, plant and equipment (see Note 2(h)) or intangible assets (see Note 2(i)).

Incremental costs of obtaining a contract, e.g. sales commissions, are capitalized if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalized if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalized as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalized contract costs are stated at cost less accumulated amortization and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortization of capitalized contract costs is recognised in profit or loss when the revenue to which the asset relates is recognised. (see Note 2(u)(i)).

(m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(u)(i)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see Note 2(k)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see Note 2(n)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(u)(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 latter cases, a corresponding receivable is also recognised (see Note 2(n)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(n) 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. All receivables are subsequently stated at amortised cost (see Note 2(k)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks 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. Cash and cash equivalents are assessed for ECL (see Note 2(k)(i)).

(p) 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 amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(q) Interest-bearing borrowings

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

(r) 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.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(r) Employee benefits (Continued)

(ii) Share-based payments

The Company grant the restricted shares as incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of such share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the restricted shares at the grant date. The fair value of restricted shares granted is recognised as expenses with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the valuation model, taking into account the terms and conditions upon which the restricted shares were granted. Service and non-market performance conditions are not taken into account when determining the grant date fair value of restricted shares, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of restricted shares that will ultimately vest.

Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the restricted shares, the total estimated fair value of the restricted shares is expensed over the vesting period, taking into account the probability that the restricted shares will vest. During the vesting period, the number of restricted shares 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 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 equity-settled share-based payments award that vest with a corresponding adjustment to the capital reserve.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(r) Employee benefits (Continued)

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(s) 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 a business combination, or items recognised directly in equity or in other comprehensive income (“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, associates and joint venture 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;
- taxable temporary differences arising on the initial recognition of goodwill; 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 Organization for Economic Co-operation and Development.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(s) Income tax (Continued)

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 at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; 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.

(t) Provisions and contingent liabilities

(i) Provision and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 2(t)(i).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(u) 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.

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. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

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

(i) Sales of goods and provision of services

(a) *Sale of chip products*

Revenue is recognised when the Group transfers the control over the chip products to customers (i.e. goods accepted by customers) or satisfies the performance obligation in the contract.

(b) *Provision of services*

Revenue of management services is recognised over time during the contract period beginning on the date that the service is made available to the customer. Revenue of other services is recognised when the customer passes the acceptance and the development results are submitted.

(ii) Dividends

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

(iii) 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 amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(u) Revenue and other income (Continued)

(iv) Government grants

Government grants are recognised in the 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 related to assets shall be recognised as deferred income in the balance sheet and recorded in other net income in a reasonable and systematic manner within the service life of the relevant assets. Government grants related to income, those to be used as compensation for future expenses or losses shall be recognised as deferred income and shall be recorded in other net income in the period in which the relevant expenses or losses are recognised; other government grants shall be recorded in other net income directly.

(v) 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. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) 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 capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(x) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(y) 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.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Sources of estimation uncertainty

Notes 27 and 32(e) contains information about the assumptions and risk factors relating to fair value of equity-settled share-based transactions and other financial assets. Other key sources of estimation uncertainty are as follows:

(i) Net realisable value of inventories

Net realisable value of inventories 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. Special consideration is given to estimate the selling price of those technically obsolete and/or slow-moving inventory items.

Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realizable value.

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 14.

(iii) Deferred tax assets

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

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

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Sensor Products	891,977	273,981
– Signal Chain Chips	1,287,693	963,251
– Power Management Chips	1,173,695	703,171
– Others	14,458	19,871
	3,367,823	1,960,274

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	2025 RMB'000	2024 RMB'000
Disaggregated by timing of revenue recognition		
Point in time	3,361,855	1,951,780
Over time	5,968	8,494
	3,367,823	1,960,274

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 also applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts for chip products that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of chip products that had an original expected duration of one year or less.

(b) Segment reporting

IFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the sales of chip products.

(i) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. All of its non-current assets and capital expenditure were located/incurred in Chinese Mainland. The geographical location of customers is based on the location at which the goods were sold or the services were provided.

	2025 RMB'000	2024 RMB'000
Chinese Mainland	2,958,651	1,654,860
Other countries and regions	409,172	305,414
	3,367,823	1,960,274

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

5 OTHER NET INCOME

	2025 RMB'000	2024 RMB'000
Bank interest income	8,357	38,121
Investment income on wealth management products	31,558	36,187
Changes in fair value of financial assets measured at FVPL	32,803	4,417
Government grants (<i>Note</i>)	12,529	11,260
Interest income on capacity deposit	3,166	4,591
Net foreign exchange loss	(17,120)	(602)
Value-added tax deduction	9,415	5,398
Changes in fair value of contingent consideration payable	(881)	(145)
Net losses on disposal of property, plant and equipment, intangible assets and right-of-use assets	(6,587)	(1,025)
Others	3,834	327
	77,074	98,529

Note: Government grants primarily comprise subsidies received from the government for the encouragement of research and development projects.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2025 RMB'000	2024 RMB'000
(a) Finance costs		
Interest on		
– loans (Note 22(c))	21,968	15,588
– lease liabilities (Note 22(c))	703	847
	22,671	16,435
(b) Staff costs		
Salaries, wages and other benefits	916,897	641,240
Contributions to defined contribution retirement plan (i)	60,643	45,388
Equity-settled share-based transactions (Note 27)	86,972	70,895
	1,064,512	757,523

(i) Defined contribution retirement plans

Employees of the Company and its subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Company and its subsidiaries contributes funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

6 LOSS BEFORE TAXATION (Continued)

	2025 RMB'000	2024 RMB'000
(c) Other items		
Depreciation charge		
– owned property, plant and equipment (Note 11)	176,842	116,636
– right-of-use assets (Note 12)	10,000	16,377
	186,842	133,013
Amortisation cost of intangible assets (Note 13)	58,532	24,512
Research and development expense (i)	794,603	539,992
Auditors' remuneration		
– audit services	2,500	700
– other services	195	150
	2,695	850
Cost of inventories (Note 19)	2,289,590	1,410,928

- (i) During the years ended December 31, 2025, research and development expenses include staff costs, depreciation expenses and amortisation expenses of RMB653,120,000 (2024: RMB433,315,000), which amounts are also included in the respective total amounts disclosed separately above.

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

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

	2025 RMB'000	2024 RMB'000
Current tax		
Provision for the year	3,027	4,124
Deferred tax		
Origination and reversal of temporary differences <i>(Note 28(b))</i>	(15,348)	(5,401)
	(12,321)	(1,277)

Notes:

- (i) Pursuant to the income tax rules and regulations of Hong Kong, the subsidiary in Hong Kong was liable to the Hong Kong Profits Tax at a rate of 16.5% during the years ended December 31, 2025.
- (ii) The Company and PRC subsidiaries of the Group are subject to PRC Corporate Income Tax ("CIT") at a statutory rate of 25%, except for the following specified subsidiaries:

According to the Administrative Measures for Determination of High-Tech Enterprises (Guokefahuo [2016] No. 32), the Company obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for three years starting from 2024.

Shanghai Naxi Microelectronics Co., Ltd. obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for three years starting from 2025.

Shanghai MagnTek Microelectronics Inc. obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for three years starting from 2024.

Rsentech Technology Co., Ltd. obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for three years starting from 2025.

Wu Xi Rsentech Technology Co., Ltd. obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for three years starting from 2023.

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 benefit and accounting loss at applicable tax rates

	2025 RMB'000	2024 RMB'000
Loss before taxation	241,195	404,155
Income tax expenses calculated at applicable tax rate	36,179	60,623
Effect of different tax rates applicable to subsidiaries	(1,108)	7,962
Effect of adjustment to income tax of prior periods	174	145
Effect of using deductible losses for which deferred tax assets were previously not recognised	5,363	1,214
Effect of non-deductible expenses	(5,521)	(8,903)
Effect of deductible temporary differences or deductible losses unrecognised in the current period	(130,527)	(150,428)
Effect of additional deduction on expenses	107,761	90,664
Actual tax benefit	12,321	1,277

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

8 DIRECTORS' 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:

Year ended December 31, 2025

	Note	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Share-based payments RMB'000	Total RMB'000
Chairman								
Mr. Wang Shengyang	(i)	-	1,132	210	48	1,390	153	1,543
Executive directors								
Mr. Sheng Yun	(ii)	-	1,145	240	71	1,456	-	1,456
Mr. Wang Yifeng	(iii)	-	950	210	48	1,208	-	1,208
Mr. Jiang Chaoshang	(iv)	-	948	338	71	1,357	215	1,572
Mr. Wu Jie	(v)(x)	-	-	-	-	-	-	-
Mr. Yin Yifeng	(vi)(x)	-	-	-	-	-	-	-
Independent non-executive directors								
Mr. Hong Zhiliang	(vii)	80	-	-	-	80	-	80
Ms. Chen Xichan	(viii)	80	-	-	-	80	-	80
Mr. Wang Ruwei	(ix)	80	-	-	-	80	-	80
Ms. Du Linlin	(xi)	60	-	-	-	60	-	60
		300	4,175	998	238	5,711	368	6,079

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS (Continued)

Year ended December 31, 2024

	Note	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Share-based payments RMB'000	Total RMB'000
Chairman								
Mr. Wang Shengyang	(i)	-	907	144	47	1,098	1,495	2,593
Executive directors								
Mr. Sheng Yun	(ii)	-	1,045	172	71	1,288	-	1,288
Mr. Wang Yifeng	(iii)	-	907	140	47	1,094	-	1,094
Mr. Jiang Chaoshang	(iv)	-	916	144	71	1,131	99	1,230
Mr. Wu Jie	(v)(x)	-	-	-	-	-	-	-
Mr. Yin Yifeng	(vi)(x)	-	-	-	-	-	-	-
Independent non-executive directors								
Mr. Hong Zhiliang	(vii)	80	-	-	-	80	-	80
Ms. Chen Xichan	(viii)	80	-	-	-	80	-	80
Mr. Wang Ruwei	(ix)	80	-	-	-	80	-	80
		240	3,775	600	236	4,851	1,594	6,445

Notes:

- (i) Mr. Wang Shengyang was appointed as a Chairman of the Board of the Company on August 20, 2020.
- (ii) Mr. Sheng Yun was appointed as an executive director of the Company on August 20, 2020.
- (iii) Mr. Wang Yifeng was appointed as an executive director of the Company on August 20, 2020.
- (iv) Mr. Jiang Chaoshang was appointed as an executive director of the Company on November 29, 2020.
- (v) Mr. Wu Jie was appointed as an executive director of the Company on August 20, 2020.
- (vi) Mr. Yin Yifeng was appointed as an executive director of the Company on August 20, 2020 and resigned from the Company on March 27, 2025.
- (vii) Mr. Hong Zhiliang was appointed as a non-executive director of the Company on August 20, 2020.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS (Continued)

Note: (Continued)

- (viii) Ms. Chen Xichan was appointed as a non-executive director of the Company on August 20, 2020.
- (ix) Mr. Wang Ruwei was appointed as a non-executive director of the Company on August 20, 2020.
- (x) The emoluments of Mr. Wu Jie, and Mr. Yin Yifeng, in relation to their services rendered for the Group were borne by the shareholder and not allocated to the Group as management of the Company considers there is no reasonable basis for such allocation during the year.
- (xi) Ms. Du Linlin was appointed as a non-executive director of the Company on April 11, 2025.
- (xii) These represent the estimated value of share-based payment granted to the directors under the Company's share-based payment scheme as set out in Note 27. The value of these share-based payment is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(r)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of share-based payment granted, are disclosed in Note 27.

During the year, no director or chief executive has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors and the chief executive 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 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, Nil (2024: nil) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2025 RMB'000	2024 RMB'000
Salaries and other emoluments	15,334	15,081
Retirement scheme contributions	342	334
Equity-settled share-based transactions	19,461	18,274
	35,137	33,689

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

The emoluments of the 5 (2024: 5) individuals with the highest emoluments are within the following bands:

	2025 Number of individuals	2024 Number of individuals
HKD5,000,001 – HKD5,500,000	1	–
HKD5,500,001 – HKD6,000,000	–	1
HKD6,000,001 – HKD6,500,000	1	–
HKD6,500,001 – HKD7,000,000	1	1
HKD7,500,001 – HKD8,000,000	–	2
HKD9,000,001 – HKD9,500,000	–	1
HKD9,500,001 – HKD10,000,000	1	–
HKD10,500,001 – HKD11,000,000	1	–

During the year, no amounts were paid or payable by the Group to the above non-director highest paid individuals 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.

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 RMB228,874,000 (2024: RMB402,878,000) and the weighted average of 143,205,000 ordinary shares (2024: 141,187,000 shares) in issue during the year.

Weighted average number of ordinary shares

	2025 '000	2024 '000
Issued ordinary shares at January 1,	142,529	142,529
Effect of ordinary shares issued (note 31(c))	1,254	–
Effect of treasury shares held (note 31(d))	(578)	(1,342)
Weighted average number of ordinary shares at December 31,	143,205	141,187

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

10 LOSS PER SHARE (Continued)

(b) Diluted loss per share

For the year ended December 31, 2025 and 2024, the restricted shares (Note 27) were not included in the calculation of diluted loss per share, as their effect would have been anti-dilutive. Accordingly, diluted loss per share were the same as basic loss per share for both years.

11 PROPERTY, PLANT AND EQUIPMENT

	General equipment RMB'000	Special equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in process RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost:							
At January 1, 2024	30,328	683,157	10	-	697,261	24,585	1,435,341
Additions	13,525	62,427	-	-	219,641	13,904	309,497
Transfer from construction in progress	12,038	109,689	-	734,871	(858,861)	2,263	-
Transfer to intangible assets	-	-	-	-	(13,144)	-	(13,144)
Acquisition of subsidiaries	356	57,543	-	-	2,070	471	60,440
Disposals	(2,732)	(7,599)	-	-	-	-	(10,331)
At December 31, 2024 and January 1, 2025	53,515	905,217	10	734,871	46,967	41,223	1,781,803
Additions	6,853	-	836	-	490,463	2,838	500,990
Transfer from construction in progress	-	400,153	-	6,454	(409,033)	2,426	-
Transfer to intangible assets	-	-	-	-	(6,172)	-	(6,172)
Acquisition of subsidiaries	3	72	36	-	240	-	351
Disposals	(1,212)	(5,612)	-	-	-	(1,956)	(8,780)
At December 31, 2025	59,159	1,299,830	882	741,325	122,465	44,531	2,268,192

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

	General equipment RMB'000	Special equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in process RMB'000	Leasehold improvements RMB'000	Total RMB'000
Accumulated amortisation and depreciation:							
At January 1, 2024	(14,494)	(125,142)	(3)	-	-	(11,132)	(150,771)
Charge for the year	(7,943)	(94,356)	(3)	(4,601)	-	(9,733)	(116,636)
Written back on disposals	2,436	6,757	-	-	-	-	9,193
At December 31, 2024 and January 1, 2025	(20,001)	(212,741)	(6)	(4,601)	-	(20,865)	(258,214)
Charge for the year	(11,211)	(129,742)	(89)	(25,519)	-	(10,281)	(176,842)
Written back on disposals	1,204	3,025	-	-	-	-	4,229
At December 31, 2025	(30,008)	(339,458)	(95)	(30,120)	-	(31,146)	(430,827)
Net book value:							
At December 31, 2025	29,151	960,372	787	711,205	122,465	13,385	1,837,365
At December 31, 2024	33,514	692,476	4	730,270	46,967	20,358	1,523,589

Property, plant and equipment with net book value of RMB526,979,000 was secured for bank loans as at December 31, 2025 (2024: RMB545,121,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

12 RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Buildings RMB'000	Total RMB'000
Cost:			
At January 1, 2024	4,676	41,435	46,111
Additions	–	10,999	10,999
Acquisition of subsidiaries	–	828	828
Disposals	–	(28,549)	(28,549)
At December 31, 2024 and January 1, 2025	4,676	24,713	29,389
Additions	–	17,444	17,444
Acquisition of subsidiaries	–	1,212	1,212
Disposals	–	(12,397)	(12,397)
At December 31, 2025	4,676	30,972	35,648
Accumulated depreciation:			
At January 1, 2024	(1,092)	(21,780)	(22,872)
Charge for the year	(468)	(15,909)	(16,377)
Disposals	–	26,300	26,300
At December 31, 2024 and January 1, 2025	(1,560)	(11,389)	(12,949)
Charge for the year	(468)	(9,532)	(10,000)
Disposals	–	9,193	9,193
At December 31, 2025	(2,028)	(11,728)	(13,756)
Net book value:			
At December 31, 2025	2,648	19,244	21,892
At December 31, 2024	3,116	13,324	16,440

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

12 RIGHT-OF-USE ASSETS (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 asset:		
Leasehold land	468	468
Buildings	9,532	15,909
	10,000	16,377
Interest on lease liabilities	703	847
Expense relating to short-term leases	3,672	10,054

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Note 25.

(i) Leasehold land

The Group has obtained land use right in the PRC with a lease period of 10 years when granted.

(ii) Buildings

The Group has obtained the right to use properties and land through tenancy agreements. The leases typically run for an initial period of 2 to 3 years.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

13 INTANGIBLE ASSETS

	Software RMB'000	Intellectual properties RMB'000	Patents RMB'000	Total RMB'000
Cost:				
At January 1, 2024	64,261	3,914	–	68,175
Additions	29,983	–	–	29,983
Transfer from construction in progress	13,144	–	–	13,144
Acquisition of subsidiaries	4,828	–	322,270	327,098
Disposals	(14)	–	–	(14)
At December 31, 2024 and January 1, 2025	112,202	3,914	322,270	438,386
Additions	7,906	–	–	7,906
Transfer from construction in progress	6,172	–	–	6,172
Acquisition of subsidiaries	–	–	47,145	47,145
Disposals	(6,202)	–	–	(6,202)
At December 31, 2025	120,078	3,914	369,415	493,407
Accumulated amortisation:				
At January 1, 2024	(22,344)	(812)	–	(23,156)
Charge for the year	(18,345)	(796)	(5,371)	(24,512)
Disposals	14	–	–	14
At December 31, 2024 and January 1, 2025	(40,675)	(1,608)	(5,371)	(47,654)
Charge for the year	(25,514)	(791)	(32,227)	(58,532)
Disposals	1,953	–	–	1,953
At December 31, 2025	(64,236)	(2,399)	(37,598)	(104,233)
Net book value:				
At December 31, 2025	55,842	1,515	331,817	389,174
At December 31, 2024	71,527	2,306	316,899	390,732

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

13 INTANGIBLE ASSETS (Continued)

Intangible assets represent software, intellectual properties, non-patented technologies and patents acquired by the Group in connection with the acquisition of the Shanghai MagnTek Microelectronics Inc. (“**Shanghai MagnTek**”) and its subsidiaries (together, the “**MagnTek**”) and its shareholding platforms, Shanghai Lairui Enterprise Management Partnership (Limited Partnership) (“**Shanghai Lairui**”) and Shanghai Liuci Enterprise Management Partnership (Limited Partnership) (“**Shanghai Liuci**”) (collectively as the “**MagnTek Group**”) and Rsentech Technology Co., Ltd. (“**Rsentech**”) and its subsidiaries (together, the “**Rsentech Group**”). The amortisation charge for the year is included in “Cost of sales”, “Selling and marketing expenses”, “Administrative expense” and “Research and development expense” in the consolidated statement of profit or loss.

Patents were acquired through the business combination of MagnTek Group and Rsentech Group. They are recognised at fair value at the date of acquisition and is subsequently amortized on a straight-line basis over 10 years.

14 GOODWILL

	RMB'000
Cost:	
At January 1, 2024	–
Additions	504,142
At December 31, 2024 and January 1, 2025	504,142
Additions	41,328
At December 31, 2025	545,470
Accumulated impairment losses:	
At January 1, 2024, December 31, 2024 and January 1, 2025	–
Impairment loss	–
At December 31, 2025	–
Carrying amount:	
At December 31, 2025	545,470
At December 31, 2024	504,142

Goodwill arising from the Group’s acquisition of the MagnTek Group in October 2024 and Rsentech Group in December 2025.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

14 GOODWILL (Continued)

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGUs as follows:

	2025 RMB'000	2024 RMB'000
MagnTek Group	504,142	504,142
Rsentech Group	41,328	–
	545,470	504,142

The recoverable amount of the CGU is determined based on value-in-use calculations. The Group engaged an independent professional valuer to assist with the calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five to eight-year period. Cash flows beyond the five to eight-year period are extrapolated using an estimated terminal growth rate of 0%.

The discount rate used is pre-tax and reflect specific risks relating to the relevant industry, the CGUs themselves and macro-environment. The key assumptions used in estimating the recoverable amount are as follows:

	2025		2024
	MagnTek Group	Rsentech Group	MagnTek Group
Annual revenue growth rate during the forecast period (i):	from 8% to 25%	from 13.51% to 121.64%	from 10% to 20%
Gross profit margin	from 43.91% to 46.64%	from 41.57% to 48.54%	from 45.83% to 49.19%
Growth rate beyond the forecast period	0%	0%	0%
Pre-tax discount rate	12.74%	14.02%	11.75%

- (i) The basis used to determine the value assigned to the annual growth rate of revenue was based on the average growth levels experienced over the past years and the estimated sales volume and price growth for the next five to eight years.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

14 GOODWILL (Continued)

Impairment tests for cash-generating units containing goodwill (Continued)

Detail of the headroom calculated based on the recoverable amounts deducting the carrying amount of the CGU is set out as follows:

	2025 RMB'000	2024 RMB'000
MagnTek Group	148,038	71,800
Rsentech Group	1,650	Not applicable

Management have undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to annual growth rate during the five to eight years forecast, gross margin rate and discount rate that would, in isolation, have removed the remaining headroom respectively as at December 31, 2025 and 2024:

	2025		2024
	MagnTek Group	Rsentech Group	MagnTek Group
Compound annual growth rate of revenue during the five to eight years forecast period	-4.1%	-0.0%*	-2.0%
Gross margin rate	-3.8%	-0.2%	-2.1%
Pre-tax discount rate	+33.1%	+0.7%	+6.2%

* Absolute value less than 0.01%.

The Company performs impairment test on goodwill at each reporting date. The recoverable amount of the CGU based on the value-in-use ("VIU") calculations is higher than its carrying amount as at December 31, 2025 and 2024. With regard to the assessment of the VIU of the CGUs, the directors of the Company believe that any reasonably possible change in any of the above key assumptions would not cause the carrying value, including goodwill, of the CGUs to exceed the recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

15 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/ establishment	Particulars of issued capital	Particulars of paid-up capital	Proportion of ownership interest						
				Group's effective interest		Held by the Company		Held by subsidiaries		Principal activity
				As at December 31,		As at December 31,		As at December 31,		
				2025	2024	2025	2024	2025	2024	
Tele-Sight Technology International Limited 遠景科技國際有限公司 (Note (i))	Hong Kong July 23, 2015	USD100,000	USD100,000	100.00%	100.00%	100.00%	100.00%	-	- Sales	
Shanghai Naxi Microelectronics Co., Ltd. 上海納矽微電子有限公司 (Notes (i)(ii))	PRC June 24, 2016	RMB 185,000,000	RMB 185,000,000	100.00%	100.00%	100.00%	100.00%	-	- R&D	
Suzhou Naxing Venture Capital Management Co., Ltd. 蘇州納星創業投資管理有限公司 (Notes (i)(ii))	PRC February 14, 2022	RMB 510,000,000	RMB 455,510,544	100.00%	100.00%	100.00%	100.00%	-	- Investment	
Shanghai MagnTek Microelectronics Inc. 上海麥歌恩微電子股份有限公司 (Notes (i)(ii))	PRC September 23, 2009	RMB 35,822,488	RMB 35,822,488	100.00%	100.00%	68.28%	68.28%	31.72%	31.72% Sales, R&D	
MagnTek Electronics (Shanghai) Co., Ltd. 麥歌恩電子(上海)有限公司 (Notes (i)(ii))	PRC October 26, 2013	RMB 1,962,624	RMB 1,962,624	100.00%	100.00%	-	-	100.00%	100.00% Sales, R&D	
Rsentech Technology Co., Ltd 萊斯能特(蘇州)科技有限公司 (Notes (i)(ii))	PRC October 26, 2022	RMB 5,359,671	RMB 5,359,671	55.22%	-	55.22%	-	-	- Sales, R&D	

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

- (i) No audited financial statements have been prepared for these entities for the year ended December 31, 2025.
- (ii) The official names of these entities are in Chinese. The English names are for identification purpose only.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

16 INTERESTS IN ASSOCIATES

The following list contains all of associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name	Form of business structure	Place of incorporation and business	Particulars of issued capital	Particulars of paid-up capital	Proportion of ownership interest						Principal activity
					Group's effective interest		Held by the Company		Held by a subsidiary		
					As at December 31,		As at December 31,		As at December 31,		
					2025	2024	2025	2024	2025	2024	
Associates											
Xiangyang Zhenxin Sensing Technology Co., Ltd. 襄陽臻芯傳感科技有限公司 (Notes (i)(viii))	Incorporated	PRC	RMB 7,686,869	RMB 7,686,869	38.36%	38.36%	38.36%	38.36%	-	-	Trading of chip products
Ningbo Baoxinyuan Power Semiconductor Co., Ltd. 寧波寶芯源功率半導體有限公司 (Notes (ii)(vii))	Incorporated	PRC	RMB 14,285,700	RMB 14,285,700	30.00%	30.00%	-	-	30.00%	30.00%	Trading of chip products
Go to Storage Technology (Suzhou) Co., Ltd. 行至存儲科技(蘇州)有限公司 (Notes (iii)(vii))	Incorporated	PRC	RMB 7,589,280	RMB 5,389,280	9.41%	9.41%	-	-	9.41%	9.41%	Trading of chip products
Shanghai Shuyu Semiconductor Co., Ltd. 上海黍羽半導體有限公司 (Notes (iv)(vii))	Incorporated	PRC	RMB 1,363,600	RMB 373,600	26.67%	-	-	-	26.27%	-	Trading of chip products
Suzhou Huaye Naxing Venture Capital Partnership Enterprise (Limited Partnership) 蘇州華業納星創業投資合夥企業(有限合夥) (Notes (v)(vii))	Partnership	PRC	RMB 360,000,000	RMB 181,570,000	25.00%	25.00%	-	-	25.00%	25.00%	Investment
Shanghai Xinde Naxing Venture Capital Partnership Enterprise (Limited Partnership) 上海信德納星創業投資合夥企業(有限合夥) (Notes (vi)(vii))	Partnership	PRC	RMB 220,000,000	RMB 102,800,000	22.73%	38.43%	-	-	22.73%	38.43%	Investment

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

16 INTERESTS IN ASSOCIATES (Continued)

Notes:

- (i) In June 2022, the Group entered into an agreement with a third party, pursuant to which, the Group agreed to disposal its 45.00% equity interest in Xiangyang Zhenxin Sensing Technology Co., Ltd. (“**Xiangyang Zhenxin**”). Upon the completion of the Group’s disposal, the proportion of the Group’s equity interest in Xiangyang Zhenxin has been diluted to 38.36% and Xiangyang Zhenxin ceased to be a subsidiary of the Group but become an associate of the Group, and a gain on disposal of RMB9,674,000 was recognised in profit or loss. The Group has a right to appoint one director to the board of Xiangyang Zhenxin in accordance with the articles of association, therefore the director of the Company is in the view that the Group can cast significant influence on Xiangyang Zhenxin and considers it is an associate of the Group.
- (ii) In September 2023, the Group invested 30% of the equity interest in Ningbo Baoxinyuan Power Semiconductor Co., Ltd. (“**Ningbo Baoxinyuan**”) through capital injection of RMB15,000,000.
- (iii) In December 2024, the Group invested 9.412% of the equity interest in Go to Storage Technology (Suzhou) Co., Ltd. (“**Go to Storage**”) through capital injection of RMB8,000,000. The Group has a right to appoint one director to the board of Go to Storage and a right to veto proposals in the board of directors in accordance with the shareholders agreement, therefore the director of the Company is in the view that the Group can cast significant influence on Go to Storage and considers it is an associate of the Group.
- (iv) In May 2025, the Group invested 26.67% of the equity interest in Shanghai Shuyu Semiconductor Co., Ltd. (“**Shanghai Shuyu**”) through capital injection of RMB10,000,000. The Group has a right to appoint one director to the board of Shanghai Shuyu in accordance with the shareholders agreement, therefore the director of the Company is in the view that the Group can cast significant influence on Shanghai Shuyu and considers it is an associate of the Group.
- (v) In September 2022, the Group invested RMB51,500,000 of the equity interest in Suzhou Huaye Naxing Venture Capital Partnership Enterprise (Limited Partnership) (“**Huaye Naxing**”) through cash payment and became the general partner and executive partner of Huaye Naxing in accordance with the agreement. Huaye Naxing is an unlisted limited partnership principally engaged in management of investment portfolios in the PRC. The Group has a significant influence over the fund as the manager of the fund, therefore the director of the Company is in the view that the Group can cast significant influence on Huaye Naxing and considers it is an associate of the Group.
- (vi) In March 2024, the Group invested RMB20,000,000 of the equity interest in Shanghai Xinde Naxing Venture Capital Partnership Enterprise (Limited Partnership) (“**Shanghai Xinde**”) (Original name: Jiaxing Xinde Naxing Venture Capital Partnership Enterprise (Limited Partnership)) through cash payment and became the general partner and executive partner of Shanghai Xinde in accordance with the agreement. In December 2025, the Group additionally invested RMB10,000,000 of the equity interest in Shanghai Xinde through cash payment. Shanghai Xinde is an unlisted limited partnership principally engaged in management of investment portfolios in the PRC. The Group has a significant influence over the fund as the manager of the fund, therefore the director of the Company is in the view that the Group can cast significant influence on Shanghai Xinde and considers it is an associate of the Group.
- (vii) The official names of these entities are in Chinese. The English names are for identification purpose only.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

16 INTERESTS IN ASSOCIATES (Continued)

Movement of investments in associates is disclosed below:

	2025 RMB'000	2024 RMB'000
Associates		
As at the beginning of the year	96,675	74,998
Additions	20,000	28,000
Share of loss of associates	(5,623)	(4,652)
	111,052	98,346
Less: Impairment loss (<i>Note</i>)	-	(1,671)
As at the end of the year	111,052	96,675

Note:

The Group considers that none of the associates as at December 31, 2025 was significant to the Group.

The Group assesses at the end of the year to consider whether there is any indication for impairment on the interests in the associates and further assesses if they have suffered any impairment, in accordance with the accounting policy stated in Note 2(k)(ii).

For the year ended December 31, 2024, an impairment loss of RMB1,671,000 relating to the interest in an associate, Xiangyang Zhenxin, has been recognised. The cash flows were discounted using a discount rate of 14.39% as at December 31, 2024. The discount rate used is pre-tax and reflects specific risks relating to the associate.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

17 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 RMB'000	2024 RMB'000
Current asset		
Wealth management products (i)	1,124,163	2,080,083
Non-current assets		
Investments not held for trading		
– Unlisted units in investment funds (ii)	375,678	266,836
– Unlisted investment (iii)	53,293	23,293
	428,971	290,129

- (i) In December 31, 2025, the Group invested RMB1,124,163,000 (2024: RMB2,080,083,000) in wealth management products offered by banks and other financial institutions.

These investments with no guarantee of principal and interest were classified as FVPL. The underlying assets of these wealth management products are structured deposit product.

During the year, the net unrealized gain in these investments of RMB4,163,000 (2024: RMB4,444,000) was recognised as a gain in changes in fair value recognised in profit.

- (ii) In December 31, 2025, the Group has invested RMB375,678,000 (2024: RMB266,836,000) in several funds. These funds' investments are mainly invested in semiconductor industry companies.

During the year, the net unrealized gain in these investments of RMB28,614,000 (2024: unrealized loss RMB27,000) was recognised as a gain in changes in fair value recognised in profit or loss.

- (iii) In December 31, 2025, the Group has direct invested RMB53,293,000 (2024: RMB23,293,000) in unlisted semiconductor industry companies. There are no gain or loss in changes in fair value recognised in profit or loss (2024: nil).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

18 OTHER NON-CURRENT ASSETS

	2025 RMB'000	2024 RMB'000
Capacity deposit	–	113,732
Prepayments for property, plant and equipment	42,590	22,429
Others	3,268	1,679
	45,858	137,840

19 INVENTORIES AND CONTRACT COSTS

(a) Inventories in the consolidated statements of financial position comprise:

	2025 RMB'000	2024 RMB'000
Inventories		
Chip products		
– Raw materials	364,662	202,684
– Work in progress	553,605	296,680
– Finished goods	515,879	313,571
– Goods in transit	14,695	4,314
– Goods delivered to customers	9,632	5,601
	1,458,473	822,850
Contract costs	17,467	9,706
	1,475,940	832,556

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

19 INVENTORIES AND CONTRACT COSTS (Continued)

(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	2,263,166	1,386,570
Write-down of inventories and contract costs	26,424	24,358
	2,289,590	1,410,928

Net realizable value of inventories and contract costs is estimated selling or provision of services price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale or provision of services. These estimates are based on the current market condition and historical experience of selling production of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2025 RMB'000	2024 RMB'000
Gross carrying amount		
Quality guarantee deposit	300	500
Less allowance provision	(15)	(215)
	285	285

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

20 CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(b) Contract liabilities

	2025 RMB'000	2024 RMB'000
Prepayment received from customers	33,191	16,136

Movements in contract liabilities

	2025 RMB'000	2024 RMB'000
At the beginning of the year	16,136	16,500
Net increase in contract liabilities during the year	26,800	14,837
Acquisition of subsidiaries	7,852	998
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	(17,597)	(16,199)
Balance at the end of the year	33,191	16,136

21 TRADE AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	636,738	392,573
Bills receivables	15,765	30,094
Trade and bills receivables	652,503	422,667
Bills receivables, measures at fair value through other comprehensive income ("FVOCI")	31,991	22,727
Other receivables	30,694	24,168
Capacity deposits	110,750	76,138
Value-added tax recoverable	40,583	22,606
Prepayment	92,960	51,855
Others	36,426	26,820
	995,907	646,981

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

21 TRADE AND OTHER RECEIVABLES (Continued)

All of trade and other receivables are expected to be recovered or recognised as expense within one year.

As at December 31, 2025, the Group endorsed undue bills receivables of RMB32,296,000 to its suppliers to settle trade payables of the same amount and derecognised these bills receivables and payables to suppliers in their entirety from balance sheet as the Group's management considered that the risk and rewards of ownership of these undue bills have been substantially transferred (2024: RMB17,150,000).

As at December 31, 2025, the Group discounted undue bills receivables of RMB18,010,000 to banks to discount at a discount rate negotiated with the banks and derecognised these bills receivables in their entirety from balance sheet as the Group's management considered that the risk and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue bills receivables is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills (2024: nil).

As at December 31, 2025, the maximum exposure to loss from its continuous involvement represents the amount of bills receivables of RMB32,296,000, which the Group endorsed to its suppliers and banks. These undue bills receivables were due within 7 months from date of issuance (2024: RMB17,150,000).

Ageing analysis

As of the end of each reporting period, the ageing analysis of trade receivables and bills receivables, based on the due date and net of loss allowance, is as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	652,492	420,527
Over 1 year but less than 2 years	3	2,120
Over 2 years but less than 3 years	8	20
	652,503	422,667

Further details on the Group's credit risk management policy and credit risk arising from trade receivable are set out in Note 32(a).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2025 RMB'000	2024 RMB'000
Deposits with other financial institutions	87,248	2
Cash at bank and on hand	2,378,379	1,013,077
Cash and cash equivalents in the consolidated statement of financial position	2,465,627	1,013,079
Accrued bank deposit interest	(1,300)	(864)
Cash and cash equivalents in the consolidated cash flow statement	2,464,327	1,012,215

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(b) Reconciliation of loss before taxation to cash generated from operations:

	<i>Note</i>	2025 RMB'000	2024 RMB'000
Loss before taxation		(241,195)	(404,155)
Adjustments for:			
Depreciation and amortisation	<i>6(c)</i>	245,374	157,525
Equity-settled share-based transactions		86,972	70,895
Investment income on wealth management products	<i>5</i>	(31,558)	(36,187)
Changes in fair value of financial assets measured at FVPL	<i>5</i>	(32,803)	(4,417)
Bank interest income of time deposits		(2,440)	(5,198)
Finance costs	<i>6(a)</i>	22,671	16,435
Dividends received from investments in financial asset measured at FVPL		(1,614)	(37)
Net loss on disposal of property, plant and equipment and right-of-use assets	<i>5</i>	6,587	1,025
Share of loss of associates	<i>16</i>	5,623	4,652
Provision for impairment of interests in associates	<i>16</i>	–	1,671
Write-down of inventories	<i>19</i>	26,424	24,358
Impairment loss on trade receivables		6,997	13,466
Changes in fair value of contingent consideration payable		881	145
Foreign exchange loss of non-operating activities		14,726	299
Non-operating income		–	(6)
Changes in working capital:			
(Increase)/decrease in inventories and contract costs		(657,822)	88,391
Increase in trade and other receivables		(440,158)	(80,135)
Increase in restricted bank deposit	<i>22(e)</i>	(1,821)	–
Decrease in other non-current asset		113,654	77,252
Increase in trade and other payables		223,996	135,287
Increase/(decrease) in contract liabilities		9,291	(1,362)
Increase in refund liabilities from right of return	<i>29</i>	16,702	21,718
Increase in deferred income	<i>26</i>	8,837	14,819
Cash (used in)/generated from operations		(620,676)	96,441

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

22 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.

	Interest- bearing borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At January 1, 2025	853,803	14,256	868,059
Changes from financing cash flows:			
Proceeds from bank loans	185,872	–	185,872
Repayment of bank loans	(112,180)	–	(112,180)
Capital element of lease rentals paid	–	(10,120)	(10,120)
Interest element of lease rentals paid	–	(703)	(703)
Total changes from financing cash flows	73,692	(10,823)	62,869
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	17,467	17,467
Acquisition of subsidiaries	18,011	1,192	19,203
Disposal of lease liabilities	–	(3,219)	(3,219)
Interest expenses (Note 6(a))	21,968	703	22,671
Effect of foreign exchange rate changes	(425)	–	(425)
Total other changes	39,554	16,143	55,697
At December 31, 2025	967,049	19,576	986,625

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Interest- bearing borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At January 1, 2024	594,522	21,673	616,195
Changes from financing cash flows:			
Proceeds from bank loans	495,430	–	495,430
Repayment of bank loans	(279,863)	–	(279,863)
Capital element of lease rentals paid	–	(17,009)	(17,009)
Interest element of lease rentals paid	–	(847)	(847)
Total changes from financing cash flows	215,567	(17,856)	197,711
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	11,000	11,000
Acquisition of subsidiaries	28,126	908	29,034
Disposal of lease liabilities	–	(2,316)	(2,316)
Interest expenses (Note 6(a))	15,588	847	16,435
Total other changes	43,714	10,439	54,153
At December 31, 2024	853,803	14,256	868,059

Note: Bank loans and other borrowings consist of bank loans as disclosed in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2025 RMB'000	2024 RMB'000
Within operating cash flows	3,672	10,054
Within financing cash flows	10,823	17,856
	14,495	27,910

(e) Restricted bank deposits

	2025 RMB'000	2024 RMB'000
Restricted bank deposits	22,656	20,835

The restricted bank deposits of RMB22,656,000 represented deposits placed with banks as at December 31, 2025 (2024: RMB20,835,000), which were mainly used as the guarantee for the equipment procurement contracts.

The Group performed impairment assessment on restricted bank deposits and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

(f) Time deposits

	2025 RMB'000	2024 RMB'000
Time deposits held at banks		
Current	93,000	94,334
Non-current	81,038	–
Restricted bank deposits	174,038	94,334

As at December 31, 2025, the time deposits held at banks have annual interest rate ranging from 1.00% to 2.05% (2024: from 1.25% to 3.45%).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

23 TRADE AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	461,838	271,997
Bills payables	5,000	–
Accrual payroll	317,039	191,372
Other taxes and surcharges payables	15,174	32,971
Other payables	3,817	25,562
Payable for acquisition of subsidiaries	37,548	105,976
	840,416	627,878

All trade and other payables (including amounts due to related parties) are expected to be settled within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade payable is as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	448,086	268,297
Over 1 year but less than 2 years	12,329	2,797
Over 2 years but less than 3 years	520	655
Over 3 years	903	248
	461,838	271,997

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

24 INTEREST-BEARING BORROWINGS

(a) The analysis of the carrying amount of interest-bearing borrowings is as follows:

	2025 RMB'000	2024 RMB'000
Bank loans		
– secured (i)	330,765	353,172
– pledged (ii)	486,909	472,346
– unsecured	141,369	–
– guaranteed	8,006	–
	967,049	825,518
Other borrowings	–	28,285
	967,049	853,803
Less: amount included under “current liabilities”	(115,537)	(62,382)
	851,512	791,421

- (i) As at December 31, 2025, the Group’s property, plant and equipment with aggregate carrying amounts of RMB526,979,000 (2024: RMB545,121,000), were secured for bank loans granted to the Group (Note 11).
- (ii) As at December 31, 2025, the Group pledged the equity interests in MagnTek Group as collateral to trust financing companies.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

24 INTEREST-BEARING BORROWINGS (Continued)

(b) The analysis of the repayment schedule of interest-bearing borrowings is as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year or on demand	115,537	62,382
After 1 year but within 2 years	128,148	101,181
After 2 years but within 5 years	615,785	487,830
After 5 years	107,579	202,410
	851,512	791,421
	967,049	853,803

25 LEASE LIABILITIES

At December 31, 2025, the lease liabilities were repayable as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	8,685	7,822
After 1 year but within 2 years	6,137	6,434
After 2 years but within 5 years	4,754	-
	10,891	6,434
	19,576	14,256

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

26 DEFERRED INCOME

	2025 RMB'000	2024 RMB'000
Government grants	40,081	31,244

Government grants are related to assets which were obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets in relation to research and development projects.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS

Restricted Share Incentive Plans

On June 21, 2022, the Company operates a restricted share incentive plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The restricted shares granted to the grantees pursuant to which A Shares could be newly issued or subscribed for upon the satisfaction of certain vesting conditions under the Restrict Share Incentive Plan ("**Type II Restricted Shares**"). The Company granted 2,770,728 Type II Restricted Shares to the qualified employees and the granted price was RMB96 per share. The vesting periods for those Type II Restricted Shares granted are 1 year, 2 years, 3 years, and 4 years from the grant date. According to the Group's performance appraisal and individual performance appraisal, 25%, 25%, 25% and 25% of those shares will be vested respectively.

On September 27, 2022, with certain restrictions stipulated under the Restricted Share Incentive Plan ("**Type I Restricted Shares**"), the Company regranted 270,000 Type I Restricted Shares to the qualified employees and the granted price was RMB2.19 per share. The vesting period for those shares granted is 4 years from the grant date, and 100% of those shares will be vested.

On October 25, 2022, the Company granted 229,272 Type II Restricted Shares to qualified employees and the granted price was RMB96 per share. The vesting periods for those Type II Restricted Shares granted are 1 year, 2 years, 3 years, and 4 years from the grant date. According to the Group's performance appraisal and individual performance appraisal, 25%, 25%, 25% and 25% of those shares will be vested respectively.

On September 18, 2023, the Company granted 3,800,000 Type II Restricted Shares to the qualified employees and the granted price was RMB49 per share. The vesting periods for those Type II Restricted Shares granted are 1 year, 2 years and 3 years from the grant date. Subject to the Group's performance appraisal and individual performance appraisal, 40%, 30% and 30% of those shares will be vested respectively.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Restricted Share Incentive Plans (Continued)

- (a) The number of restricted shares to the Group's incentive employees is summarized as follows:

	2025 '000	2024 '000
Outstanding as at the beginning of the year	2,534	7,693
Vested	(88)	(2,885)
Lapsed	(35)	(2,274)
Outstanding as at the end of the year	2,411	2,534

- (b) **Fair value measurement:**

Fair values of the Type I Restricted Shares are based on the share price as at the granting date. Fair Value of the Type II Restricted Shares are calculated under the Black-Scholes pricing model using the following assumptions:

Fair value of restricted shares

Fair value at grant date	RMB74.35 to RMB301.81
Exercise price	RMB2.19 to RMB96.00
Expected dividend yield	0% to 0.4438%
Expected volatility	32.09% to 39.69%
Risk-free interest rate	1.50% to 2.75%

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

- (a) **Current taxation in the consolidated statement of financial position represents:**

	2025 RMB'000	2024 RMB'000
Balance at the beginning of the year	3,666	324
Provision for income tax for the year	3,027	4,124
Acquisition of subsidiaries	-	605
Income tax paid during the year	(5,951)	(1,387)
Balance at the end of the year	742	3,666

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Equity-settled share-base transactions	Lease liabilities	Write-down of inventories	Credit loss allowance	Provision for contract assets	Unrealized profits from internal transactions	Deferred income	Refund liabilities from return	Right-of-use assets	Depreciation allowances in excess of the related depreciation	Changes in fair value of financial assets measured at FVPL	Estimated cost of goods return	Fair value adjustment in relation to acquisition of subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024	20,225	3,740	4,627	1,549	-	1,061	2,464	1,843	(3,618)	(6,629)	(546)	(1,139)	-	23,577
Acquisition of subsidiaries	-	3	1,026	794	32	-	-	1,358	(3)	-	-	(720)	(50,716)	(48,226)
(Charged)/credited to profit or loss	(8,031)	(1,511)	3,703	2,002	-	188	2,156	3,363	1,460	1,295	744	(2,168)	2,200	5,401
Charged to reserves	(3,392)	-	-	-	-	-	-	-	-	-	-	-	-	(3,392)
At December 31, 2024 and January 1, 2025	8,802	2,232	9,356	4,345	32	1,249	4,620	6,564	(2,161)	(5,334)	198	(4,027)	(48,516)	(22,640)
Acquisition of subsidiaries	-	60	-	-	-	-	-	-	(61)	-	-	-	(7,194)	(7,195)
Credited/(charged) to profit or loss	7,796	1,120	4,078	574	(30)	115	1,057	2,477	(1,146)	1,166	(7,021)	(611)	5,773	15,348
Credited to reserves	2,905	-	-	-	-	-	-	-	-	-	-	-	-	2,905
At December 31, 2025	19,503	3,412	13,434	4,919	2	1,364	5,677	9,041	(3,368)	(4,168)	(6,823)	(4,638)	(49,937)	(11,582)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

(b) Deferred tax assets and liabilities recognised: (Continued)

(ii) Reconciliation to the consolidated statement of financial position

	2025 RMB'000	2024 RMB'000
Net deferred tax asset in the consolidated statement of financial position	43,102	25,876
Net deferred tax liability in the consolidated statement of financial position	(54,684)	(48,516)
	(11,582)	(22,640)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(s), as at December 31, 2025, the Company and its subsidiaries have not recognised deferred tax assets in respect of cumulative tax losses of RMB2,355,388,000 (2024: RMB1,506,759,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses arising from operations in Mainland China can be carried forward to offset against taxable profits of subsequent years for up to five years for general enterprise and ten years for high-technology enterprise, from the year in which they arose.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

29 REFUND LIABILITIES FROM RIGHT OF RETURN

	2025 RMB'000	2024 RMB'000
At January 1,	43,571	12,289
Provision in the year	39,299	35,747
Acquisition of subsidiaries	–	9,564
Utilization of provision	(22,597)	(14,029)
At December 31,	60,273	43,571
Current liabilities	53,355	39,178
Non-current liabilities	6,918	4,393
	60,273	43,571

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

30 ACQUISITION OF SUBSIDIARIES

Acquisition of the Rsentech Group

In December 2025, the Group completed the acquisition of 55.22% equity interest of the Rsentech Group. Immediately before the acquisition by the Group, the Rsentech Group was held as to 25.19% by Wanghui, 21.48% by Shanghai Beiguiyan Enterprise Management Partnership (Limited Partnership) (“**Shanghai Beiguiyan**”), 19.59% by Shanghai Changkongyan Enterprise Management Partnership (Limited Partnership) (“**Shanghai Changkongyan**”) and 33.74% by others.

(a) The major components of assets and liabilities arising from the acquisition of the Rsentech Group

The fair value of assets acquired and liabilities assumed at the acquisition date were as follows:

	Recognised values on acquisition
	RMB'000
Cash and cash equivalents	3,079
Trade and other receivables	3,224
Inventories	11,986
Property, plant and equipment	351
Right-of-use assets	1,212
Intangible assets (i)	47,145
Trade and other payables	(4,137)
Interest-bearing borrowings	(18,011)
Contract liabilities	(7,852)
Lease liabilities	(1,192)
Deferred tax liabilities	(7,195)
Fair value of net assets acquired	28,610

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

30 ACQUISITION OF SUBSIDIARIES (Continued)

Acquisition of the Rsentech Group (Continued)

(a) The major components of assets and liabilities arising from the acquisition of the Rsentech Group (Continued)

- (i) Intangible assets arising from the acquisition mainly represent patents. The Group has engaged an external valuation firm to perform fair value assessments on these intangible assets in accordance with IAS 38 intangible Assets and IFRS 3 Business Combination. The valuation techniques used for measuring fair value is relief from royalty method. Relief from royalty method determines the value of a group of intangible assets as the present value of the cash flows attributable to the subject intangible assets after excluding the proportion of cash flows that are attributable to contributory assets.

(b) Set forth below is the calculation of goodwill of the Rsentech Group:

	RMB'000
Consideration	
– cash paid in the current year	57,127
Less: fair value of net identifiable net assets acquired	(15,799)
Goodwill (Note 14)	41,328

(c) Net cash outflow arising on the acquisition of the Rsentech Group:

	RMB'000
Consideration paid in cash during the year	57,127
Less: cash acquired	(3,079)
	54,048

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

30 ACQUISITION OF SUBSIDIARIES (Continued)

Acquisition of the MagnTek Group

In October 2024, the Company and its subsidiary, Suzhou Naxing Venture Capital Management Co., Ltd., completed the acquisition of 100% equity interest of the MagnTek Group. Immediately before the acquisition by the Group, the MagnTek was held as to 62.68% by QST Corporation Limited (“QST”), 17.56% by Shanghai Lairui and 19.76% by Shanghai Liuci. The partnership interests of Shanghai Lairui were held by QST and twenty-seven individuals and the partnership interests of Shanghai Liuci were held by four individuals.

(d) The major components of assets and liabilities arising from the acquisition of the MagnTek Group

The fair value of assets acquired and liabilities assumed at the acquisition date were as follows:

	Recognised values on acquisition
	RMB'000
Cash and cash equivalents (i)	64,414
Trade and other receivables (i)	139,065
Inventories	117,511
Contract assets	285
Property, plant and equipment	60,440
Right-of-use assets	828
Intangible assets (ii)	327,098
Deferred tax assets	2,490
Other non-current assets	2,713
Trade and other payables (i)	(124,401)
Interest-bearing borrowings (iv)	(28,126)
Payable for repayment of capital investment (iii)	(5,599)
Contract liabilities	(998)
Tax payables	(605)
Lease liabilities	(908)
Refund liabilities from right of return	(9,564)
Deferred tax liabilities	(50,716)
Fair value of net assets acquired	493,927

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

30 ACQUISITION OF SUBSIDIARIES (Continued)

Acquisition of the MagnTek Group (Continued)

(d) The major components of assets and liabilities arising from the acquisition of the MagnTek Group

- (i) The balance of cash and cash equivalents, trade and other receivables and trade and other payables includes the amount of Shanghai Lairui and Shanghai Liuci.
- (ii) Intangible assets arising from the acquisition mainly represent patents. The Group has engaged an external valuation firm to perform fair value assessments on these intangible assets in accordance with IAS 38 intangible Assets and IFRS 3 Business Combination. The valuation techniques used for measuring fair value is relief from royalty method. Relief from royalty method determines the value of a group of intangible assets as the present value of the cash flows attributable to the subject intangible assets after excluding the proportion of cash flows that are attributable to contributory assets.
- (iii) Before the acquisition date, Shanghai Lairui, returned its capital of RMB5,599,000 to its shareholders Amounts represented the payable upon the acquisition date which was subsequently settled in November 2024.
- (iv) MagnTek was granted unsecured borrowings from the original shareholder, QST. As at the acquisition date, December 31, 2024 and 2025, the balance of the borrowing was RMB28,126,000, and nil respectively.

(e) Set forth below is the calculation of goodwill of the MagnTek Group:

	RMB'000
Consideration	
– cash paid in the prior year	804,846
– cash paid in the current year	105,976
– cash will be paid in the future (i)	55,037
– contingent consideration payable (ii)	32,210
Total consideration	998,069
Less: fair value of net identifiable net assets acquired	(493,927)
Goodwill (Note 14)	504,142

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

30 ACQUISITION OF SUBSIDIARIES (Continued)

Acquisition of the MagnTek Group (Continued)

(e) Set forth below is the calculation of goodwill of the MagnTek Group: (Continued)

- (i) As at December 31, 2025, pursuant to the acquisition agreement, RMB37,548,000 and 17,489,000 will be paid within the next 12 months and 24 months by the Group to the original shareholders of MagnTek, which is recorded as payable for acquisition of subsidiaries. Among which, RMB24,906,000 and RMB17,489,000 will be paid by the Company.

As at December 31, 2024, pursuant to the acquisition agreement, RMB105,976,000, RMB37,548,000 and 17,489,000 will be paid within the next 12 months, 24 months and 36 months by the Group to the original shareholders of MagnTek, which is recorded as payable for acquisition of subsidiaries. Among which, RMB68,052,000, RMB24,906,000 and RMB17,489,000 will be paid by the Company.

- (ii) The contingent consideration payable is classified as a financial liability and its fair value is re-measured at the end of each reporting period. Any changes in fair value are recognised in profit or loss. The contingent consideration payable as at December 31, 2024 and 2025 is as follows:

	2025 RMB'000	2024 RMB'000
Carrying amount of contingent consideration payable	32,210	32,210
Fair value change of contingent consideration payable	1,026	145
	33,236	32,355

(f) Net cash outflow arising on the acquisition of the MagnTek Group:

	RMB'000
Consideration paid in cash during the year	105,976

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

31 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:

Company

	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
Balance at January 1, 2024	142,529	(200,106)	6,209,857	56,817	140,132	6,349,229
Changes in equity for 2024:						
Loss for the year	-	-	-	-	(374,030)	(374,030)
Total comprehensive income	-	-	-	-	(374,030)	(374,030)
Settlement of equity-settled share-based transactions	-	185,199	(113,233)	-	-	71,966
Equity-settled share-based transactions	-	-	70,895	-	-	70,895
Tax benefit from equity- settled share-based transactions	-	-	(3,392)	-	-	(3,392)
Balance at December 31, 2024	142,529	(14,907)	6,164,127	56,817	(233,898)	6,114,668

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

31 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Movements in components of equity (Continued)

Note	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	PRC		Total RMB'000
				statutory reserve RMB'000	Accumulated losses RMB'000	
Balance at January 1, 2025	142,529	(14,907)	6,164,127	56,817	(233,898)	6,114,668
Changes in equity for 2025:						
Loss for the year	-	-	-	-	(289,618)	(289,618)
Total comprehensive income	-	-	-	-	(289,618)	(289,618)
Issue of ordinary shares by initial public offering on Hong Kong Stock Exchange ("H Share Listing"), net of transaction costs	19,068	-	1,886,758	-	-	1,905,826
Purchase of own shares 31(d)	-	(112,757)	-	-	-	(112,757)
Equity-settled share-based transactions	-	-	86,972	-	-	86,972
Tax effect from equity-settled share-based transactions	-	-	2,898	-	-	2,898
Balance at December 31, 2025	161,597	(127,664)	8,140,755	56,817	(523,516)	7,707,989

(b) Dividends

No dividends were paid or declared by the Company or any of its subsidiaries during the year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

31 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Issued share capital

	2025		2024	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At January 1,	142,529	142,529	142,529	142,529
Issue of ordinary shares by initial public offering on H share Listing	19,068	19,068	–	–
At December 31,	161,597	161,597	142,529	142,529

On April 22, 2022, the Company listed on the Shanghai Stock Exchange and issued 25,266,000 shares to the new shareholders of the Company. The share capital and share premium, which was deducted the capitalized listing expense, were RMB25,266,000 and RMB5,555,981,000.

Pursuant to the directors' resolution approved at 25th meeting of the Second Board of Director of the Company on April 20, 2023, and the shareholder resolution approved at the Annual General Shareholders' Meeting of 2022 on May 15, 2023, the capital reserve was converted into share capital on the basis of four new shares for every 10 shares. Consequently, the Company issued 40,426,000 A shares.

Pursuant to the directors' resolution approved at 26th meeting of the Second Board of Director of the Company on June 21, 2023 and 17th meeting of the Second Board of Supervisor of the Company on the same date, the Company vested 959,254 shares to the qualified employees for the First Vesting Period under the restricted shares incentive scheme for 2022. The share capital and share premium were RMB959,000 and RMB64,270,000.

Pursuant to the director's resolution approved at 6th meeting of the Third Board of Director of the Company on October 25, 2023 and 6th meeting of the Third Board of Supervisor of the Company on the same date, the Company vested 79,579 shares to the qualified employees for the First Vesting Period under the restricted share incentive scheme for 2022. The share capital and share premium were RMB80,000 and RMB5,332,000.

On December 8, 2025, the Company listed on the Hong Kong Stock Exchange and issued 19,068,000 shares to the new shareholders of the Company. The share capital and share premium, which was deducted the capitalized listing expense, were RMB19,068,000 and RMB1,886,758,000, respectively.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

31 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Treasury shares

In December 2025, the Company repurchased its own ordinary shares on The Shanghai Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share RMB	Lowest price paid per share RMB	Aggregate price paid RMB'000
December 2025	733,956	157	149	112,757

As at December 31, 2025, the treasury shares held by the Company was 852,172 shares (2024: 118,216 shares).

(e) Nature and purpose of reserves

(i) Share-based payments reserve

The share-based payments reserve:

- represents the portion of the grant date fair value of unvested restricted shares granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(r)(ii).

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(v).

(iii) Share premium

The share premium represents the difference between consideration received for ordinary shares subscription net of any transaction costs directly attributable to the subscription and the par value of the ordinary shares subscribed.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

31 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(f) 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.

The Group's overall strategy remains unchanged throughout the years ended December 31, 2024 and 2025. The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, as at December 31, 2025 was 21.3% (2024: 22.5%).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency 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 accounts receivables, contract assets or other financial assets including the risk that receivables will be collected late or not at all if a customer or another contractual party does not fulfill its contractual obligations. The Group's exposure to credit risk arising from cash and restricted bank deposits and bills receivable is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These 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. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 13.26% (2024: 9.05%) and 37.70% (2024: 43.76%) of the total trade receivables was due from the Group's largest customer, and the five largest customers respectively within the electronics business segment.

The Group measures loss allowances for trade receivables and contract assets 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

	2025		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 1 year	5%	670,240	33,512
Over 1 year but less than 2 years	20%	3	1
Over 2 years but less than 3 years	50%	16	8
Over 3 years	100%	2	2
		670,261	33,523
	2024		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 1 year	5%	410,983	20,549
Over 1 year but less than 2 years	33%	3,153	1,033
Over 2 years but less than 3 years	95%	361	342
		414,497	21,924

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	RMB'000
Balance at January 1, 2024	9,494
Acquisition of subsidiaries	3,183
Impairment losses recognised	9,247
Balance at December 31, 2024 and January 1, 2025	21,924
Acquisition of subsidiaries	72
Amounts written off	(825)
Impairment losses recognised	12,352
Balance at December 31, 2025	33,523

Other receivables

Credit risk in respect of other receivables is limited since the balance mainly includes deposits, value-added-tax recoverable, and amounts due from related parties.

The Group has assessed that during the year, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The Group do not expect any losses from non-performance by the counterparties of other receivables and no loss allowance provision for other receivables was recognised.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group and can be required to pay:

	As at December 31, 2025					Carrying amount RMB'000
	Undiscounted cash outflow				Total RMB'000	
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000		
Interest-bearing borrowings	138,773	147,802	649,623	109,821	1,046,019	967,049
Lease liabilities	9,289	6,408	4,916	-	20,613	19,576
Trade and other payables, exclude payable for acquisition of subsidiaries	802,868	-	-	-	802,868	802,868
Financial liability measured at FVPL	-	34,141	-	-	34,141	33,236
Payable for acquisition of subsidiaries	37,548	17,489	-	-	55,037	55,037
	988,478	205,840	654,539	109,821	1,958,678	1,877,766

	As at December 31, 2024					Carrying amount RMB'000
	Undiscounted cash outflow				Total RMB'000	
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000		
Interest-bearing borrowings	84,512	92,204	556,441	206,392	939,549	853,803
Lease liabilities	8,297	6,661	-	-	14,958	14,256
Trade and other payables, exclude payable for acquisition of subsidiaries	521,902	-	-	-	521,902	521,902
Financial liability measured at FVPL	-	-	34,141	-	34,141	32,355
Payable for acquisition of subsidiaries	105,976	20,058	34,979	-	161,013	161,013
	720,687	118,923	625,561	206,392	1,671,563	1,583,329

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(c) Interest rate risk

The Group's interest-bearing financial instruments at variable rates as at December 31, 2025 are the cash at bank except for fixed deposits, and the cash flow interest risk arising from the change of market interest rate on these balances of relatively short maturity is not considered significant. The Group's interest-bearing financial instruments at fixed interest rates as at December 31, 2025 and 2024 are fixed deposits, bank loans and other borrowing, and lease liabilities that are measured at amortized cost, and the change of market interest rate does not expose the Group to fair value interest risk. Overall speaking, the Group's exposure to interest rate risk is not significant.

(d) Currency risk

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The Group's exposure to foreign currency risk is not significant during the years ended December 31, 2025 and 2024.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value *Fair value hierarchy*

	As at December 31, 2025			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Fair value measured on a recurring basis				
Financial assets measured at FVPL (<i>Note 17</i>)				
– Wealth management products	–	1,124,163	–	1,124,163
– Unlisted units in investment funds	–	–	375,678	375,678
– Unlisted investment	–	–	53,293	53,293
	–	1,124,163	428,971	1,553,134
Financial assets measured at FVOCI (<i>Note 21</i>)				
– Bills receivables	–	–	31,991	31,991
Financial liabilities measured at FVPL				
– Contingent consideration payable	–	–	33,236	33,236

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	As at December 31, 2024			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Fair value measured on a recurring basis				
Financial assets measured at FVPL (<i>Note 17</i>)				
– Wealth management products	–	2,080,083	–	2,080,083
– Unlisted units in investment funds	–	–	266,836	266,836
– Unlisted investment	–	–	23,293	23,293
	–	2,080,083	290,129	2,370,212
Financial assets measured at FVOCI (<i>Note 21</i>)				
– Bills receivables	–	–	22,727	22,727
Financial liabilities measured at FVPL				
– Contingent consideration payable	–	–	32,355	32,355

During the years ended December 31, 2025, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued) *Information about Level 3 fair value measurements*

	Valuation techniques	Significant unobservable inputs
Unlisted units in investment funds	Net asset value (<i>Note i</i>)	Net asset value of underlying investments
Unlisted investments	Comparable transactions adjusted approach (<i>Note ii</i>)	Changing trend of medium market multiples of comparable companies
Bills receivables	Discounted cash flow method (<i>Note iii</i>)	Expected discount rate
Contingent consideration payable	Discounted cash flow method (<i>Note iii</i>)	Expected discount rate

(i) The fair value of unlisted unit in investments funds is determined referencing net asset value of underlying investments. The fair value measurement is positively correlated to net asset value of underlying investments. As at December 31, 2025, it is estimated that with all other variables held constant, a increase/decrease in net asset value of underlying investments by 5% would have increased/decreased the Group's profit or loss by RMB14,167,000 (2024: RMB10,387,000).

(ii) The fair value of certain unlisted investments is determined using comparable transactions adjusted approach adjusted for changing trend of medium market multiple of comparable companies or medium market multiples of comparable companies. The fair value measurement is positively correlated to the changing trend of medium market multiple of comparable companies. As at December 31, 2025, it is estimated that with all other variables held constant, an increase/decrease in change of medium market multiple of comparable companies by 5% would have increased/decreased the Group's profit or loss by RMB2,256,000 (2024: RMB986,000).

(iii) The bills receivables measured at FVOCI and contingent consideration payable measured at FVPL are calculated by discounting the expected future cash flows using market rates of return currently available for other financial instruments with similar credit risk and remaining maturities.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

33 COMMITMENTS

Capital commitments outstanding at December 31, 2025 not provided for in the financial statements were as follows:

	2025 RMB'000	2024 RMB'000
Contracted for acquisition of property, plant and equipment	201,878	38,913

34 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company'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
Short-term employee benefits	13,036	12,043
Post-employment benefits	570	681
Equity settled share-based transactions	893	2,489
	14,499	15,213

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Names and relationships of the related parties that had material transactions with Group

Name of related parties	Relationships
Xiangyang Zhenxin Sensing Technology Co., Ltd.	Associate of the Group
Ningbo Baoxinyuan Power Semiconductor Co., Ltd.	Associate of the Group
Shanghai Shuyu Semiconductor Co., Ltd.	Associate of the Group
Go to Storage Technology (Suzhou) Co., Ltd.	Associate of the Group
Shanghai Xinde Naxing Venture Capital Partnership Enterprise (Limited Partnership)	Associate of the Group

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

34 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Material related parties transactions

The Group entered into the following material related party transactions for the years ended December 31, 2025:

	2025 RMB'000	2024 RMB'000
Purchase of goods and service – Associates	7,312	5,996
Sales of goods and service – Associates	8,442	5,461

(d) Balance with related parties

As at December 31, 2025, the Group had the following balances with related parties:

	<i>Note</i>	2025 RMB'000	2024 RMB'000
Trade related			
Trade and other receivables, gross amount	<i>(i)</i>	2,020	3,552
Trade payables	<i>(i)</i>	(694)	(550)

- (i) The outstanding balances with these related parties are balances included in “Trade and other receivables” (Note 21) and “Trade and other payables” (Note 23).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

<i>Note</i>	2025 RMB'000	2024 RMB'000
Non-current assets		
Property, plant and equipment	1,123,429	820,780
Right-of-use assets	14,413	14,391
Intangible assets	43,550	58,324
Interests in subsidiaries	1,798,782	1,631,100
Interests in an associate	535	4,001
Financial assets measured at FVPL	65,411	64,456
Time deposits	81,038	–
Other non-current assets	41,969	132,574
Deferred tax assets	56,522	24,635
	3,225,649	2,750,261
Current assets		
Inventories and contract costs	1,305,869	692,286
Trade and other receivables	1,296,290	805,595
Financial assets measured at FVPL	1,114,151	2,080,083
Time deposits	40,000	94,334
Restricted bank deposits	22,656	20,835
Cash and cash equivalents	2,266,172	804,676
	6,045,138	4,497,809
Current liabilities		
Trade and other payables	803,588	505,067
Contract liabilities	12,673	9,488
Interest-bearing borrowings	50,167	40,029
Lease liabilities	6,082	5,558
Refund liabilities from right of return	51,243	27,717
	923,753	587,859
Net current assets	5,121,385	3,909,950
Total assets less current liabilities	8,347,034	6,660,211

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

	<i>Note</i>	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Interest-bearing borrowings		543,097	432,317
Lease liabilities		5,977	6,434
Payable for acquisition of subsidiaries		17,489	42,395
Deferred income		32,594	27,649
Deferred tax liabilities		8	–
Refund liabilities from right of return		6,644	4,393
Financial liability measured at FVPL		33,236	32,355
		639,045	545,543
NET ASSETS		7,707,989	6,114,668
CAPITAL AND RESERVES			
Share capital	31	161,597	142,529
Treasury shares	31	(127,664)	(14,907)
Reserves	31	7,674,056	5,987,046
TOTAL EQUITY		7,707,989	6,114,668

36 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On January 2, 2026, the Company issued 1,026,600 H Shares pursuant to the over-allotment option at an offer price of HK\$116.00 per Share.

In January 2026, the Company repurchased a total of 521,686 A Shares on the Shanghai Stock Exchange, which were held as treasury shares.

No adjustment has been made in these financial statements in this regard.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED December 31, 2025

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended December 31, 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 periods beginning on or after
Amendments to IFRS 9, <i>Financial instruments</i> and IFRS 7, <i>Financial instruments: disclosures – Contracts referencing nature-dependent electricity</i>	January 1, 2026
Amendments to IFRS 9, <i>Financial instruments</i> and IFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	January 1, 2026
Annual improvements to IFRS Accounting Standards – Volume 11	January 1, 2026
IFRS 18, <i>Presentation and disclosure in financial statements</i>	January 1, 2027
IFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	January 1, 2027

The Group is in the process of making an assessment of what the impact of these developments is 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 January 1, 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 IFRS 18 and is still in the process of assessing the impact of the adoption.