SG Micro Corp
聖邦微電子（北京）股份有限公司

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

(Stock Code: 3661)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2026

The board of directors (the "**Board**") of SG Micro Corp (the "**Company**") hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended June 30, 2026. This announcement, containing the full text of the 2026 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") in relation to information to accompany preliminary announcement of interim results.

Both the Chinese and English versions of this results announcement are available for viewing on the websites of the Company at https://www.sg-micro.com/cn and of Hong Kong Stock Exchange at www.hkexnews.hk. The 2026 interim report of the Company will be dispatched to the H Share Shareholders of the Company in due course and will be published on the websites of the Company and of Hong Kong Stock Exchange.

By order of the Board
SG Micro Corp
Zhang Shilong
Chairman of the Board, Executive Director and General Manager

Beijing, PRC, August 28, 2026

As of the date of this announcement, the Board comprises: (i) Dr. Zhang Shilong and Ms. Zhang Qin as executive Directors; (ii) Mr. Lin Lin and Ms. Liu Ming as non-executive Directors; and (iii) Dr. Du Meijie, Ms. Tang Chunlin and Mr. Chan Yik Pun as independent non-executive Directors.

CONTENT

DEFINITIONS

Item	Definition
SG Micro, the Company, we, our or us	SG Micro Corp (聖邦微電子(北京)股份有限公司)
the Group	SG Micro Corp and its subsidiaries
SG HK	SG MICRO (HK) LIMITED
Hongshun Xiangtai	Chongqing Hongshun Xiangtai Enterprise Management Co., Ltd. (重慶鴻順祥泰企業管理有限公司), a limited liability company established under the Laws of the PRC on March 17, 2011, and one of our Controlling Shareholders
Baoli Hongya	Chongqing Baoli Hongya Enterprise Management Co., Ltd. (重慶寶利弘雅企業管理有限公司), a limited liability company established under the Laws of the PRC on March 17, 2011, and one of our Controlling Shareholders
Power Trend	Power Trend International Development Limited (弘威國際發展有限公司), a private limited company incorporated under the laws of Hong Kong on February 8, 2011, and one of our Controlling Shareholders
Fabless Semiconductor Company	an enterprise that engages only in the research, development and sales of integrated circuits, while entrusting wafer fabrication, packaging and testing to specialized manufacturers, is also referred to as a Fabless semiconductor company
analog IC	Integrated circuits that process continuous analog signals are called analog ICs. Analog signals are electrical signals formed by using electrical parameters, such as current and voltage values, to simulate other natural quantities, and they typically appear as continuous signals within a given range. Analog ICs serve as an interface for human-device communication and enable interaction between humans and devices. They act as a bridge between the real world and the digital virtual world, and are also key components for achieving green energy conservation
signal chain	encompassing all relevant parts involved in the entire signal chain, from signal reception/acquisition, amplification, conversion, transmission, and sending, to the execution of corresponding power device

DEFINITIONS

power management	a component that provides functions such as monitoring and protecting the power supply, as well as efficiently distributing power to the system. Power management is critical for portable devices that rely on battery power, as it effectively extends battery operating time and lifespan
TSMC	Taiwan Semiconductor Manufacturing Company Limited (台灣積體電路製造股份有限公司)
SMIC	certain subsidiaries of Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司)
JCET	JCET Group Co., Ltd. (江蘇長電科技股份有限公司) and its subsidiaries
Tongfu Microelectronics	Tongfu Microelectronics Co., Ltd. (通富微電子股份有限公司) and its subsidiaries
Huatian Technology	Tianshui Huatian Technology Co., Ltd. (天水華天科技股份有限公司) and its subsidiaries
Carsem Semiconductor	Carsem Semiconductor (Suzhou) Co., Ltd. (嘉盛半導體(蘇州)有限公司)
BCD process	a monolithic integration process technology, which enables the fabrication of Bipolar (bipolar transistor), CMOS (complementary metal oxide semiconductor) and DMOS (double diffused metal oxide semiconductor) devices on a single chip, and is therefore known as the BCD process
WLCSP	Wafer Level Chip Scale Package, a compact packaging format in which the ratio of the package area to the chip area is generally less than 1.2
ADC	Analog to Digital Converter, abbreviated as ADC
AMOLED	Active Matrix Organic Light Emitting Diode, an organic electroluminescent device.
DC/DC converter	DC/DC converter, a converter that converts a DC power source into a DC power source of a different voltage or current
LED	Light Emitting Diode, a solid-state semiconductor device that can convert electrical energy into light energy and possesses the characteristics of a diode
PMU	Power Management Unit

DEFINITIONS

LDO	Low Dropout, an integrated circuit voltage regulator characterized by providing a stable supply voltage with lower self-power dissipation
5G	5th Generation (the 5th generation mobile communication standards), also known as the 5th generation mobile communication technology
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
RoHS	Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment
SVHC	Substances of Very High Concern
ESD	Electro-Static discharge
TVS	Transient Voltage Suppressor
MOSFET	abbreviation of Metal-Oxide-Semiconductor Field-Effect Transistor, a transistor device widely used in integrated circuits
EMI	abbreviation of Electromagnetic Interference
AFE	Analog Front End
Audio DAC	Audio digital-to-analog converter
EEPROM	abbreviation of Electrically Erasable Programmable Read-Only Memory
DIMM	abbreviation of Dual Inline Memory Module
DRAM	abbreviation of Dynamic Random Access Memory
Share Incentive Plans	the share incentive plans of our Company currently in effect, namely, the 2021 Share Incentive Plan, the 2022 Share Incentive Plan, the 2023 Share Incentive Plan, the 2025 Share Incentive Plan and the 2025 Second Tranche Share Incentive Plan
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange

DEFINITIONS

Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
Corporate Governance Code	the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Hong Kong Listing Rules
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Articles of Association	the Articles of Association of SG Micro Corp
Prospectus	the prospectus published by the Company on June 17, 2026
A Share(s)	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which are listed on the ChiNext of the SZSE and traded in RMB
H Share(s)	foreign share(s) issued by the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange and traded in HKD
Reporting Period	from January 1, 2026 to June 30, 2026
RMB	Renminbi

Special notes:

(1) In this report, any discrepancies between totals and sums of figures listed are due to rounding.

(2) This report is prepared in Chinese with an English translation. In the case of any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

SECTION I CORPORATE INFORMATION

I. COMPANY PROFILE

Chinese name	聖邦微電子(北京)股份有限公司
Abbreviation of the Chinese name	聖邦微電子
English name	SG MICRO CORP
Abbreviation of the English name	SG MICRO
Legal representative of the Company	Zhang Shilong
Registered address	4-1106, 11/F, No. 87 West Third Ring North Road, Haidian District, Beijing
Postal code of the registered address	100089
Website	https://www.sg-micro.com/cn
Email	investors@sg-micro.com
Principal Place of Business in Hong Kong	Room 1910, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong

II. COMPANY STOCK ABBREVIATION

Stock class	Stock exchange for listing	Stock abbreviation	Stock code
A Share	Shenzhen Stock Exchange	SG Micro	300661
H Share	The Stock Exchange of Hong Kong Limited	SG Micro	03661

III. CONTACT PERSON AND CONTACT INFORMATION

	Board Secretary	Securities Affairs Representative
Name	Zhang Qin	Zhao Yuanyuan
Address	4-1106, 11/F, No. 87 West Third Ring North Road, Haidian District, Beijing	4-1106, 11/F, No. 87 West Third Ring North Road, Haidian District, Beijing
Telephone	010-88825397	010-88825397
Fax	010-88825397	010-88825397
E-mail	investors@sg-micro.com	investors@sg-micro.com

IV. INFORMATION DISCLOSURE AND PREPARATION LOCATION

Stock class	Name of information disclosure media
A Share	Websites: CNINFO Network (http://www.cninfo.com.cn/new/index) SZSE (http://www.szse.cn/) Company website (https://www.sg-micro.com/cn) Newspapers: Securities Times, China Securities Journal, Shanghai Securities News and Securities Daily
H Share	Websites: HKEXnews website of the Hong Kong Stock Exchange (https://www.hkexnews.hk) Company website (https://www.sg-micro.com/cn)

SECTION I CORPORATE INFORMATION

V. OTHER RELATED INFORMATION

No.	Category	Details
1	Executive Directors	Dr. Zhang Shilong Ms. Zhang Qin
2	Non-executive Directors	Mr. Lin Lin Ms. Liu Ming
3	Independent Non-executive Directors	Dr. Du Meijie Ms. Tang Chunlin Mr. Chan Yik Pun
4	Strategy Committee	Dr. Zhang Shilong (Chairperson) Ms. Tang Chunlin Dr. Du Meijie
5	Audit Committee	Dr. Du Meijie (Chairperson) Ms. Tang Chunlin Mr. Lin Lin
6	Remuneration and Appraisal Committee	Dr. Du Meijie (Chairperson) Ms. Tang Chunlin Mr. Lin Lin
7	Nomination Committee	Ms. Tang Chunlin (Chairperson) Dr. Du Meijie Dr. Zhang Shilong
8	Joint Company Secretaries	Ms. Zhang Qin Ms. Yeung Siu Wai Kitty
9	Authorized Representatives	Ms. Zhang Qin Ms. Yeung Siu Wai Kitty
10	Auditor	Ernst & Young Hua Ming LLP Rooms 01-12, 17/F, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang'an Avenue, Dongcheng District, Beijing
11	Legal Adviser as to Laws of Hong Kong, China	Clifford Chance 27/F, Jardine House, One Connaught Place, Central, Hong Kong
12	PRC Legal Adviser	JunHe LLP 20/F, China Resources Building, 8 Jianguomenbei Avenue, Dongcheng District, Beijing, PRC
13	Compliance Adviser	Red Solar Securities (International) Limited Room 2208C, 22/F, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong
14	Custodian of A Shares	China Securities Depository and Clearing Corporation Limited Shenzhen Branch 25th Floor, Shenzhen Stock Exchange Square, No. 2012, Shennan Avenue, Lianhua Street, Futian District, Shenzhen, China
15	H Share Registrar	Tricor Investor Services Limited 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

SECTION II FINANCIAL SUMMARY

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

Whether the Company needs to retrospectively adjust or restate the accounting data of previous years

☐ Yes ☑ No

	For the Reporting Period	For the corresponding period of last year	Increase or decrease in the Reporting Period as compared with the corresponding period of last year
Operating revenue (RMB)	**2,595,425,649.90**	1,818,780,295.23	42.70%
Net profit attributable to shareholders of the listed company (RMB)	**420,315,413.23**	200,839,149.29	109.28%
Net profit attributable to shareholders of the listed company after deducting non-recurring profit or loss (RMB)	**355,669,160.51**	134,439,526.94	164.56%
Net cash flows from operating activities (RMB)	**381,858,165.72**	239,733,251.08	59.28%
Basic earnings per share (RMB/share)	**0.6775**	0.3258	107.95%
Diluted earnings per share (RMB/share)	**0.6667**	0.3221	106.99%
Weighted average return on net assets	**7.61%**	4.32%	3.29%

	At the end of the Reporting Period	At the end of last year	Increase or decrease at the end of the Reporting Period as compared with the end of last year
Total assets (RMB)	**11,769,472,714.04**	6,954,149,664.98	69.24%
Net assets attributable to shareholders of the listed company (RMB)	**9,773,873,915.16**	5,294,385,006.97	84.61%

SECTION II FINANCIAL SUMMARY

For companies with share incentive plans or employee stock ownership plans, net profit after deducting the impact of share-based payments may be disclosed

Key accounting data	For the Reporting Period	For the corresponding period of last year	Increase or decrease in the Reporting Period as compared with the corresponding period of last year (%)
Net profit after deducting the impact of share-based payments (RMB)	520,682,711.30	244,554,568.12	112.91%

Whether there is any change in the Company's share capital from the end of the Reporting Period to the disclosure date of the semi-annual report due to issuance of new shares, additional issuance, rights issue, exercise of share incentives, repurchase or other reasons that affects the amount of owners' equity

☑ Yes ☐ No

Preferred share dividend paid	
Perpetual bonds interest paid (RMB)	
Fully diluted earnings per share calculated based on the latest share capital (RMB/share)	0.6741

II. DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

(1) Differences in net profit and net assets between financial reports disclosed simultaneously under International Accounting Standards and China Accounting Standards

☐ Applicable ☑ Not applicable

(2) Differences in net profit and net assets between financial reports disclosed simultaneously under overseas accounting standards and China Accounting Standards

☐ Applicable ☑ Not applicable

(3) Explanation of the reasons for differences in accounting data under domestic and overseas accounting standards, with the name of overseas audit institutions disclosed when adjustments have been made to the data audited by such overseas institutions

☐Applicable ☑ Not applicable

SECTION II FINANCIAL SUMMARY

(4) *Differences in net profit and net assets between financial reports disclosed under overseas accounting standards and China Accounting Standards*

Reference is made to the announcement of the Company dated August 14, 2026 in relation to the Company's intention to uniformly adopt the China Accounting Standards for Business Enterprises to prepare financial reports and disclose relevant financial information starting from the 2026 interim financial report, in accordance with the requirements under Note 2.1 to paragraph 2 and paragraph 38 of Appendix D2 to the Hong Kong Listing Rules. As stated in the announcement, in order to satisfy the potential demand of certain shareholders and public investors for the Company's financial information prepared under the International Financial Reporting Standards, the Company will prepare a reconciliation table for inclusion in the forthcoming interim results announcement and interim report of the Company for the six months ended June 30, 2026 to illustrate the differences in the Company's 2026 interim financial statements when prepared under the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards. The following table is prepared by the Company on a voluntary basis and has been reviewed by the Audit Committee of the Board of Directors of the Company.

	Net profits attributable to the parent company (Unit: RMB)		**Net assets attributable to the parent company (Unit: RMB)**	
	Amount incurred in the period	Amount incurred in the prior period	**Balance at the end of the period**	Balance at the beginning of the period
Under China Accounting Standards	**420,315,413.23**	200,839,149.29	**9,773,873,915.16**	5,294,385,006.97
Items and amounts adjusted under the International Accounting Standards:				
Under International Accounting Standards	**420,315,413.23**	200,839,149.29	**9,773,873,915.16**	5,294,385,006.97

Based on the foregoing and considering the fact that the financial reports prepared under the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards have largely converged, the Board of Directors believes that the unified adoption and disclosure of financial reports prepared in accordance with the China Accounting Standards for Business Enterprises will not only ensure compliance with the relevant requirements, but also improve work efficiency, reduce compliance costs and audit expenses associated with the Company's A Share and H Share listings on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, respectively, and maintain consistency between the financial reports disclosed in both markets, which is in the interests of the Company and its shareholders as a whole.

SECTION II FINANCIAL SUMMARY

III. ITEMS AND AMOUNTS OF NON-RECURRING PROFIT OR LOSSES

☑ Applicable ☐ Not applicable

Unit: RMB

Item	Amount
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	125,317.34
Government grants (except for the government grants closely related to the normal operation of the Company, granted in accordance with an established standard and having an ongoing effect on the Company's profit or loss in compliance with national policies and regulations) accounted for in profit or loss for the current period	24,926,929.02
Except for effective hedging business conducted in the ordinary course of business of the Company, profit or loss arising from the change in fair value of financial assets and financial liabilities held by a non-financial company, as well as profit or loss arising from disposal of its financial assets and financial liabilities	44,935,834.29
Gains or losses from entrusting others to invest or manage assets	2,075,557.81
Other non-operating income and expenses other than the above items	-497,974.30
Less: Effect of income tax	6,355,283.23
Effect of minority interests (after tax)	564,128.21
Total	64,646,252.72

Details of other gain or loss items that fall within the definition of extraordinary gain or loss:

☐ Applicable ☑ Not applicable

The Company did not have details of other gain or loss items that fall within the definition of extraordinary gain or loss.

Explanation on the extraordinary gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No. 1 – Non-Recurring Profit or Losses defined as its recurring gain or loss items

☐ Applicable ☑ Not applicable

The Company has no circumstances where extraordinary gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No. 1 – Non-Recurring Profit or Losses are defined as its recurring gain or loss items.

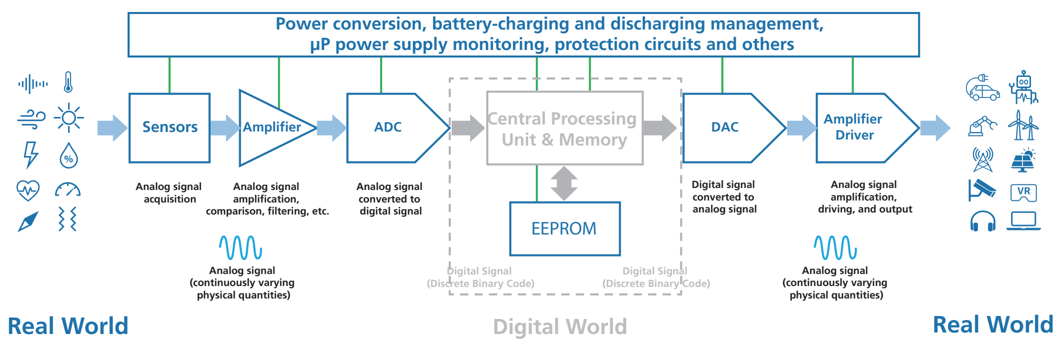
SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

I. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD AND BUSINESS ANALYSIS

(I) Scope of business and principal businesses of the Company

The Company is a high-tech enterprise dedicated to the research, development and sales of high-performance and high-quality analog integrated circuits (ICs). It offers a broad and differentiated portfolio of general-purpose and application-specific optimized analog ICs, encompassing analog and mixed-signal products across signal chains, power management, sensors and memory. Both signal chain and power management ICs serve as the dual pillars of our product matrix, and they have cemented the Company's leadership in the comprehensive analog IC industry. The Company's signal chain ICs capture, amplify, condition, convert and drive output signals from the real world with exceptional fidelity. They thereby ensure end-to-end data integrity from acquisition to output, meeting the demands of precision-driven applications that require high accuracy, low noise and low distortion. The Company's power management ICs, regulate, convert, distribute and protect power flows within electronic systems. As the core components of system energy architectures, they achieve optimal energy efficiency while ensuring stable and reliable system operation. Complementing our analog portfolio, the Company also provides a specialized range of sensor products and EEPROM memory devices. Sensors mark the entry point of connection between the real and digital worlds, delivering high-precision measurement and monitoring of key environmental and physical parameters. EEPROMs and related products store microcontroller parameters, configuration files, calibration data and plug-and-play information, widely applied across automotive electronics, home appliances, smart wearables and robotics.

The following diagram illustrates the functional representation of products of the Company in the electronic system, in which the blue color denotes the analog and mixed-signal products of the Company:



Functional diagram of products of SG Micro

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

As the fundamental building blocks of all electronic systems, our high-performance analog IC, sensor and memory product portfolios possess full-chain technical capabilities, including high-sensitivity signal sensing, precision signal conditioning, high-speed data conversion, precise driving and efficient power management. The Company remains committed to technological innovation and product expansion, and continuously pushes the performance boundaries of electronic technology. The Company offers over 7,200 products across 38 categories. Our signal chain ICs include operational amplifiers, instrumentation amplifiers, comparators, SAR ADCs, Δ-Σ ADCs, pipeline ADCs, DACs, AFEs, audio power amplifiers, audio DACs, video buffers, line drivers, analog switches, level shifters, interface circuits, voltage references, small logic ICs. Our power management ICs include LDOs, system monitoring circuits, DC/DC buck converters, boost converters, buck-boost converters, backlight and flash LED drivers, AMOLED power supply ICs, PMUs, load switches, over-voltage protection, ESD/TVS devices, battery charge/discharge management ICs, battery protection ICs, motor drivers, MOSFET drivers, MOSFETs and auxiliary power ICs. Our sensor products include temperature sensors and magnetic sensors; and our memory products include EEPROM and DIMM peripheral products. In particular, for the automotive market, the Company continues to launch new signal chain ICs, power management ICs, sensor and memory products that have obtained automotive-grade certification, thereby empowering the development of the intelligent automotive industry.

Our analog products are widely used in industrial and energy, automotive, networking and computing, and consumer electronics markets. They are also suitable for emerging markets across EVs, data centers, robotics, renewable energy and next-generation consumer devices.

During the Reporting Period, the principal business of the Company did not undergo any material change.

(II) Principal business model of the Company

1. *Profitability model*

The Company generates revenue and profit by research, development, outsourced manufacture and sales of high-performance, high-quality analog products with independent intellectual property rights. The products of the Company are defined, designed and developed in a targeted manner according to market needs and customer application requirements. They are then manufactured by manufacturing partners in compliance with technical standards of the Company. After rigorous performance testing, they become qualified products compliance with REACH SVHC and RoHS 2.0 green environmental standards. Their overall performance and quality are comparable to the advanced products in the market, and some key specifications achieve internationally-advanced levels. By providing customers with reliable products, responsive support and services, and good cost-performance, the Company has won wide trust and favor. As a result, product sales continue to grow and the customer base steadily expands.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

2. *R&D model*

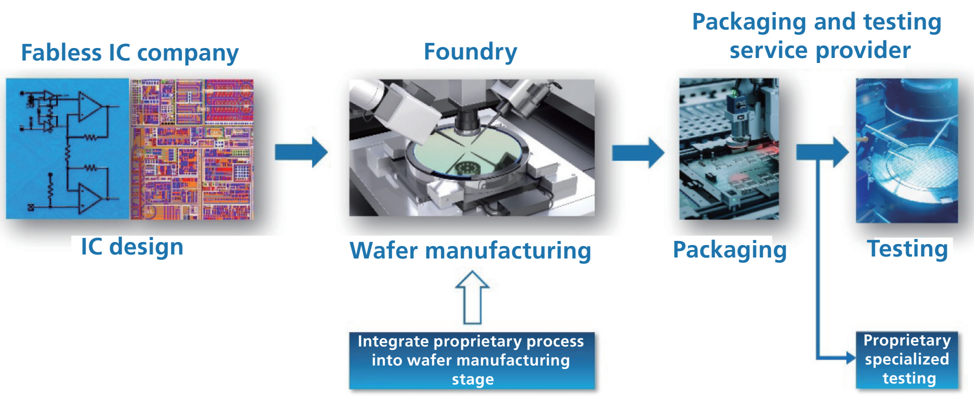
The Company places great emphasis on R&D. We view product R&D capabilities as our most critical core competency and have established a comprehensive R&D management system and processes. Since our inception, we have consistently pursued an independent, innovation-driven technical development strategy. With technical innovation at our core, we continuously increase R&D investment, accumulating numerous critical core technologies. The Company conducts technological R&D in response to market trends and customer needs, and promptly provides target market customers with competitive product portfolios. While ensuring R&D for existing product lines, the Company also actively develops next-generation new technologies and products.

3. *Production model*

The Company is a fabless semiconductor company that focuses on IC research, development and sales, and outsources production to specialized manufacturing partners. Specifically, the Company commissions wafer foundries to produce customized wafers, and then arranges for packaging and testing vendors to complete the assembly and testing, thereby finishing product manufacturing. In recent years, the Company has continuously expanded its capability to develop proprietary process devices, and has integrated its own processes into wafer manufacturing to achieve better performance and cost. Meanwhile, the Company has also established in-house special testing capabilities, enabling us to test products with higher testing requirements and complexity, extending beyond the traditional Fabless model.

The Company continues to select qualified suppliers through stringent evaluation and assessment criteria. During the Reporting Period, the principal wafer manufacturer of the Company was TSMC. TSMC possesses advanced wafer manufacturing processes and stable, reliable product performance, and it is the largest wafer foundry in the world. Its market share in the wafer foundry market has remained above 50% for over a decade. The Company has maintained business cooperation and a sound relationship with TSMC since our inception. In recent years, the Company has also cooperated with certain foundries such as SMIC, a leading domestic wafer foundry, and DB HiTek of South Korea, for wafer manufacturing to meet the process requirements of certain products. During the Reporting Period, the Company maintained long-term, stable and reliable cooperation with leading global packaging and testing vendors including JCET, Tongfu Microelectronics, Huatian Technology and Carsem Semiconductor. In addition, the Company has actively strengthened resource integration with suppliers and continuously expanded production capacity to meet customer demand. During the Reporting Period, the IC R&D and testing base of the Company located in Jiangyin City, Jiangsu Province, was operating stably and continued to undertake certain special testing businesses. The conventional packaging and testing operations of the Company were still conducted on outsourcing basis.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS



4. *Sales model*

In line with industry practice and its own characteristics, the Company adopts a sales model primarily based on distribution, supplemented by direct sales. This model is adopted for two reasons: first, the end customers of the Company are numerous and they are widely distributed, and to this end, the distribution model helps improve efficiency in the sales process; and second, distributors themselves have extensive customer resources, which facilitates effective promotion of products of the Company. During the Reporting Period, the majority of sales revenue of the Company derived from the distribution model. It is expected that in the coming years, the Company will continue to sell its products through the same model.

During the Reporting Period, the principal business model of the Company did not undergo any material change.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

(III) Principal performance drivers during the Reporting Period

The Company possesses strong independent R&D capabilities and innovation capacity. Over the past two decades, the Company has been increasing R&D investment, further strengthening its core technology innovation capability. The Company has accumulated a number of key core technologies in fields such as signal chain, power management, sensor and memory products. It has also launched series of products that meet market demand and feature diversity, completeness and segmentation. Key technical specifications of certain products have reached internationally leading levels.

During the Reporting Period, the global economy achieved steady growth, driven jointly by artificial intelligence, digital transformation and green energy. The semiconductor industry experienced a historically high boom driven by AI computing, displaying multi-dimensional and distinct development characteristics. According to the latest data released by the World Semiconductor Trade Statistics (WSTS) and published by the Semiconductor Industry Association (SIA) on August 6, 2026, global semiconductor sales reached USD702.0 billion in the first half of 2026, up 102% year-on-year, which means the sales was doubled during a half year. In June 2026 alone, monthly global semiconductor sales reached USD134.45 billion, rising 123.6% year-on-year and 9.7% month-on-month, continuously hitting new record highs. Meanwhile, WSTS raised its full-year forecast on August 6, 2026, and expected global semiconductor sales to reach USD1.655 trillion in 2026, up 108% year-on-year, and to exceed USD2.1 trillion in 2027, up 29% year-on-year. AI computing chips and memory chips became the core growth drivers. DRAM prices continued to rise, and capital expenditures of memory and advanced-process wafer fabs increased, driving strong demand across the entire upstream chain of materials, equipment and packaging/testing. In addition, a J.P. Morgan research report noted that if the second half grew only according to historical seasonal patterns, global semiconductor revenue in 2026 could exceed 90% year-on-year growth, reaching USD1.5 to USD1.6 trillion, implying compound annual growth rates of approximately 23% and 16% over the past 5 and 10 years, respectively. During the Reporting Period, growth in global semiconductor sales was driven by AI infrastructure construction, large-scale expansion of data centers and regional restructuring of global supply chains. The growth momentum of the semiconductor IC industry significantly outpaced the average level of the macroeconomy. Technological demand, particularly for AI computing, together with long-term structural trends, constituted the core drivers of industry growth.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, China's automotive market as a whole remained relatively subdued, with domestic sales under pressure, while structural growth was primarily sustained by exports and higher level of intelligence of new energy vehicles. The expansion of vehicle electrification and the evolution of advanced intelligent driving have been steadily driving up the chip value per vehicle. The proliferation of 800V architectures, multi-display cockpits and ADAS systems continues to propel demand for automotive-grade MCUs, power semiconductors, automotive-grade analog solutions, automotive-grade memory chips and sensors, creating rigid, structural incremental demand for the IC industry. At the same time, tight production capacity and rising prices have further accelerated the domestic dominance of automotive-grade ICs across the industry chain.

The industrial sector has shown a structural recovery trend, with AI and new energy related automation equipment maintaining strong momentum, while demand in traditional general manufacturing has been recovering at a moderate pace, but witnessing the overall demand growth further driving the need for mid-to-high-end industrial MCUs, driver and analog ICs. Tight production capacity and rising prices for mature-node chips have accelerated the verification and adoption of local semiconductor solutions in the industrial sector.

Facing profound changes in the market environment and industry cycle, the Company actively addressed the challenges it faced, closely monitored market dynamics and customer needs, proactively positioned itself in structural growth applications, and rapidly launched new product series that met market expectations. While consolidating its existing market and customer base, the Company vigorously expanded new customer groups and emerging application areas, providing optimal analog solutions for customers' next-generation product innovation and development.

Against the backdrop of a global economy displaying multi-dimensional development and with significant uncertainties remaining in the future economic outlook, the Company, as always, actively responded to various changes. We continuously deepened cooperation with customers, continued to increase investment in networking and computing, automotive, industrial and energy, actively explored new markets and new customers, further improved supply chain management and cost control, and maintained sustainable and steady development of the Company.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Company maintained stable operations, achieving revenue of RMB2,595.4256 million, representing a year-on-year increase of 42.70%; and net profit of RMB421.7413 million, representing a year-on-year increase of 117.76%, of which net profit attributable to shareholders of the parent company amounted to RMB420.3154 million, indicating a year-on-year growth of 109.28%.

(IV) Industry analysis of the Company

1. Overview of industry development

The industry in which the Company operates is the semiconductor integrated circuit industry. Integrated circuits are generally classified into two categories: analog and digital ICs. Analog ICs are circuits composed of resistors, capacitors, transistors and other components to process analog signals in continuous function form (such as sound, light, temperature, etc.). In contrast, digital ICs perform arithmetic and logic operations on discrete digital signals (i.e., binary codes represented by two logic levels 0 and 1), and their basic building blocks are logic gates. Electronic products generally require both analog and ICs to work together to accomplish various functions.

The principal business of the Company is the research, development and sales of analog ICs, and it operates in the IC design sector within the semiconductor IC industry. Over the course of several decades, the IC industry has evolved into three sub-sectors: design, manufacturing, and packaging and testing. IC design houses, with their close ties to and deep understanding of the market, drive the upgrade of electronic devices by continuously innovating and rolling out high-value-added products. At the same time, they reap profits from innovation, accumulate capital as they grow rapidly and reinvest in new endeavors. These efforts constantly fuel the growth of the entire IC industry and propel the broader semiconductor sector forward. As a result, the IC design industry has become the pacesetter of the semiconductor value chain. It features relatively stable growth and strong resilience to economic cycles. Upstream, wafer fabrication and packaging/testing influence the design sector in terms of process technology, yield, cost, capacity and delivery schedules.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

Since its inception in 1958, the integrated circuit has spurred rapid development across the global semiconductor industry and numerous related sectors, in particular the electronic information industry. In recent years, emerging applications such as 5G communications, the Internet of Things, smart homes, intelligent manufacturing, big data, green energy, new energy vehicles, robotics and artificial intelligence have sustained an upward trajectory in aggregate market demand for integrated circuits. From 2021 to 2022, this demand even led to a global chip shortage stemming from insufficient production capacity. From the second half of 2022, however, persistently high global inflation, contraction in end-consumer demand and a weakening macroeconomic environment caused the semiconductor industry to experience a rapid decline in sentiment, ushering in a downward cycle with overall slowdowns in both shipments and sales. In 2023, the global macroeconomy remained sluggish, and demand for traditional consumer electronics such as smartphones and PCs continued to weaken. Coupled with large-scale inventory destocking across the supply chain and the release of prior overcapacity pressures, the global semiconductor market contracted notably in year-on-year size. The industry displayed a strongly structural character: chips for new energy vehicles grew against the trend, artificial intelligence chips began to see modest volume increases, while the vast majority of general-purpose chips continued to face headwinds. In 2024, the global economy underwent a mild repair but still faced downward pressures, with recovery remaining tepid. The semiconductor market initiated a structurally weak recovery: memory chips were the first to bottom out and warm up, demand for AI computing chips gradually expanded, yet the consumer electronics segment stayed weak. Entering 2025, the global semiconductor industry, building on the weak recovery of 2024, achieved rapid growth driven by large-scale construction of AI computing infrastructure and a price-increase cycle brought by tight memory chip capacity, thus formally entering a new strong upward cycle. In the first half of 2026, with the explosive growth of AI computing, persistent undersupply of high bandwidth memory, and the steady penetration of automotive intelligence as additional positive factors, industry sentiment accelerated its ascent. According to WSTS, global semiconductor sales reached USD299 billion in the first quarter of 2026, then surged to USD403 billion in the second quarter, marking a quarter-on-quarter increase of 35.1 percent and a year-on-year increase of 124 percent, with an accelerating upward trend. The full-year forecast has been raised to above USD1.6 trillion.

In the first half of 2026, China’s economy maintained growth amid a complex and volatile domestic and international environment. According to data released by the National Bureau of Statistics on July 15, 2026, the country’s gross domestic product (GDP) reached RMB69.5704 trillion in the first half of 2026, up by 4.7 percent year-on-year at constant prices. China’s IC industry also registered steady growth. According to statistics released by the National Bureau of Statistics, China’s output of integrated circuits reached 279.8 billion pieces in the first half of 2026, representing a year-on-year increase of 23.1%. Furthermore, according to statistics released by the General Administration of Customs of China on July 14, 2026, China’s IC exports in the first half of 2026 totaled 179.44 billion pieces, up about 7 percent year-on-year; export value amounted to approximately USD177.28 billion, surging by 96.1 percent year-on-year, nearly doubling. Imports of ICs reached 304.75 billion pieces, an increase of 8.1 percent, and import value was USD298.02 billion, up by 55.8 percent. The growth rate of IC exports outpaced that of imports, and the ratio of export value to import value continued to rise, indicating that the global competitiveness of domestically produced chips has strengthened and reliance on foreign sources has gradually declined.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

2. *Product segment overview and industry position of the Company*

The Company is primarily engaged in the research, development and sales of analog ICs, and falls under the IC design sector within the semiconductor integrated circuit industry. All of the Company's high-performance and high-quality analog IC products are developed independently. Their comprehensive performance indicators have been comparable to the advanced products in the market, with some key specifications achieve internationally-advanced levels. These products are widely used in areas such as industrial & energy, automotive, networking & computing and consumer electronics, as well as in application fields including electric vehicles, data centers, robotics, renewable energy and next-generation consumer devices.

As a leading analog IC company in China, we boast a comprehensive product portfolio covering analog and mixed-signal ICs across signal chain, power management, sensor and memory sectors, with over 7,200 products in 38 categories. Since its establishment, the Company has maintained a strong commitment to R&D investment, with annual spending increasing year by year. This sustained effort has enabled the development and accumulation of a series of core technologies and products that reach the advanced levels in the industry. These include high-precision operational amplifiers, ultra-low-noise operational amplifiers, high-speed operational amplifiers, ultra-low-power operational amplifiers, high-precision current-sense amplifiers, zero-drift precision instrumentation amplifiers, high-speed comparators, low-EMI Class-D audio power amplifiers, high-voltage high-precision digital power monitoring AFEs, high-speed high-precision ADCs, high-precision temperature sensors, high-sensitivity AMR magnetic sensors, large-dynamic backlight LED drivers, multi-channel AMOLED display power supply ICs, high-precision low-noise LDOs, various high-efficiency low-power power management ICs, high-efficiency lithium battery charger and protection ICs, high-performance charge pump chargers, electronic fuses, multiple types of high-power motor driver ICs, GaN drivers, power MOSFETs, EEPROM and DIMM peripheral products, and over 600 automotive-grade ICs spanning dozens of categories including high-side and low-side drivers. The Company has deeply cultivated the domestic market. Leveraging local advantages, it closely aligns with market needs and delivers rapid responses. Its customer recognition and brand influence have been continuously enhanced, accompanied by expanding market share.

According to an independent industry report prepared by Frost & Sullivan, in terms of revenue in 2025, the Company ranked first among domestic players in the China analog IC market. The Company also ranked first among domestic players in sub-categories of high-performance analog IC products such as amplifiers and comparators, ADC/DAC, AMOLED power ICs and LDOs in the China analog IC market.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

II. CORE COMPETITIVENESS ANALYSIS

(I) Adhering to an independent innovation-driven technology R&D strategy and strengthening intellectual property portfolio

Through years of R&D investment and technological accumulation, the Company has gained extensive experience in developing high-performance analog IC products and has built a portfolio of core proprietary technologies. The Company has consistently adhered to an independent innovation-oriented R&D strategy. Its intellectual property strength has grown steadily. The comprehensive performance specifications of its products have achieved the advanced level of products in the market, and the products can be widely applied in areas such as industrial and energy, automotive, networking and computing and consumer electronics.

As of the end of the Reporting Period, the Company had obtained a total of 724 granted patents, comprising 615 domestic invention patents, 65 utility model patents, 7 design patents and 37 overseas granted patents; 468 integrated circuit layout design registrations; 18 software copyright registrations; and 156 approved registered trademarks.

(II) Superior product performance, closer alignment with market needs and faster product renewal cycles

The Company focuses on the research and development of analog ICs, and has built a portfolio of core technologies and products that meet international advanced standards. The comprehensive performance specifications of its products have achieved the advanced level of products in the market. Certain key technical specifications have reached internationally leading levels. Many product categories are progressively driving innovation and leading technical trends. For example, the Company has launched a number of high-performance analog IC products, including industry-leading ultra-low-power operational amplifiers and comparators, high-precision current-sense amplifiers, 60nA ultra-low-power DC/DC step-down converters, high-precision low-noise instrumentation amplifiers, small-package high-current anti-interference LDOs, high-efficiency lithium battery chargers, battery protection ICs, 24-bit high-precision ADCs, multi-channel AMOLED display power supply ICs, high-precision voltage reference circuits, high-precision temperature sensors, micro-power high-precision current-sense amplifiers, high-sensitivity magnetic sensors, EEPROMs and multiple series of automotive-grade ICs. In addition, analog ICs feature high versatility, rich diversity, full completeness, long life-cycle and broad application scope. The Company currently offers over 7,200 self-developed products for sale, covering 38 product categories, which can satisfy the diverse needs of its customers. The Company continuously monitors market developments and changes, with particular attention to emerging applications. It makes early deployments and accumulates relevant technologies in advance. To date, the Company has achieved certain progresses in areas such as automotive electronics, artificial intelligence, robotics, green energy, intelligent manufacturing, next-generation mobile communications, the Internet of Things, smart homes, wearable devices and drones. Going forward, the Company will continue to leverage its strengths in product performance and rapid market responsiveness, and work closely with customers to capture business opportunities accurately and in a timely manner, so as to further expand market share.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

(III) A world-class quality management system and production processes to ensure superior product performance

The Company has established a comprehensive quality assurance system in line with the most stringent industry standards. Adhering to the quality management policy of "advanced technology, reliable quality, customer satisfaction and continuous improvement," the Company exercises strict quality control over every product. On the one hand, the Company selects foundries and packaging and testing partners with high reliability and high yield as suppliers. On the other hand, the Company performs a full set of high-standard tests on each new product. In this way, the Company ensures product quality while steadily enriching its product portfolio. In addition, new product development is increasingly characterized by multiple functionality, high-end positioning and greater complexity. More new products are adopting more advanced analog IC processes and packaging forms, such as next-generation high-voltage BCD processes with lower on-resistance, 90nm analog and mixed-signal processes, and WLCSP packaging. The Company has always imposed strict requirements on metrics including reliability, anti-interference, production yield and stability. These metrics rank among the best in the industry both domestically and internationally, giving the Company strong market competitiveness. The Company further strengthened the capacities built on the collaborative operation of multiple management systems. The ISO 9001 Quality Management System, the IATF 16949 automotive industry-specific quality management requirements, the ISO 26262 Road Vehicles Functional Safety Management System and the ISO 14001 Environmental Management System have, over years of application, become normalized in daily operations. Additionally, the Company has established an integrated management architecture covering all business processes with its deep insight into customers' demands for customization, boosting improvement in management efficiency by system integration, and providing system support for sustainable business development and continuous refinement of management practices.

(IV) Consolidating upstream and downstream resources and attracting outstanding industry talents

The Company places great emphasis on maintaining stable and sustained strategic cooperation with its suppliers. Meanwhile, the Company's business continues to grow through distribution and direct-sales channels. High-quality upstream and downstream resources have enabled the Company to gain strong brand recognition in the industry.

The core members of the Company's technology R&D team, production management team and sales and marketing team are all composed of internationally seasoned experts, who possess years of work and management experience at renowned international semiconductor companies. This constitutes one of the Company's core competitive strengths. The Company has always attached importance to talent development and reserve. During the Reporting Period, the Company actively recruited talent through various channels, and both the R&D team and the sales and marketing team grew significantly. In particular, the addition of a number of senior R&D personnel enhanced the Company's overall R&D capability, expanded its product lines, and further increased the technical sophistication of its products. The successful implementation of the several Share Incentive Plans of the Company has stimulated employee motivation and vitality, strengthened the Company's cohesiveness, and propelled the Company's sustained and rapid development. Under the leadership of its core team, the Company champions a corporate culture of "people-oriented, diligent and innovative, team work, and responsible", and continues to cultivate outstanding talents who are highly aligned with its corporate culture and values, thereby laying a solid foundation for the Company's future rapid growth.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. FINANCIAL REVIEW

1. Revenue analysis

During the Reporting Period, the Group's revenue was mainly derived from signal chain and power management products. During the Reporting Period, the Group recorded a revenue of RMB2,595 million, representing an increase of 42.70% as compared with RMB1,819 million for the corresponding period of 2025. The increase was mainly attributable to, among others, during the Reporting Period, (1) the Company's continued introduction of new products over the years, leading to a gradual increase in the proportion of high-end products, while further expanding application areas and customer base; (2) the completion of a multi-category product portfolio layout in market segments such as optical modules, achieving comprehensive customer coverage and enabling it to capture opportunities from industry growth; and (3) the increase in sales volume of relevant products driven by its long-term accumulation in the industrial sector, resulting in a year-on-year increase in operating revenue.

The following table sets out an analysis of the Group's income by industry, product, sales region and sales channel:

Unit: RMB

	For the Reporting Period		For the corresponding period of last year		
Item	**Amount**	**Percentage of revenue**	Amount	Percentage of revenue	**Year-on-year increase or decrease**
Total income	**2,595,425,649.90**	**100.00%**	1,818,780,295.23	100.00%	42.70%
By industry					
IC industry	**2,595,425,649.90**	**100.00%**	1,818,780,295.23	100.00%	42.70%
By product					
Signal chain product	**1,035,790,956.57**	**39.91%**	676,426,484.86	37.19%	53.13%
Power management product	**1,521,252,719.71**	**58.61%**	1,123,073,021.68	61.75%	35.45%
Others	**38,381,973.62**	**1.48%**	19,280,788.69	1.06%	99.07%
By sales region					
Chinese Mainland	**1,156,789,790.53**	**44.57%**	768,052,076.39	42.23%	50.61%
Hong Kong	**1,274,121,524.22**	**49.09%**	888,747,127.93	48.87%	43.36%
Taiwan	**85,198,972.78**	**3.28%**	75,490,732.32	4.15%	12.86%
Others	**79,315,362.37**	**3.06%**	86,490,358.59	4.75%	-8.30%
By sales channel					
Distribution sales	**2,450,401,516.91**	**94.41%**	1,689,706,541.63	92.90%	45.02%
Direct sales	**140,209,204.59**	**5.40%**	125,221,059.87	6.88%	11.97%
Others	**4,814,928.40**	**0.19%**	3,852,693.73	0.22%	24.98%

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

2. Gross profit and gross profit margin

During the Reporting Period, the Group recorded gross profit of RMB1,345 million, representing an increase of 47.47% as compared with RMB912 million in the corresponding period of 2025. The overall gross profit margin was 51.84%, representing an increase of 1.68% as compared with 50.16% in the corresponding period of 2025. The increase was primarily attributable to the ongoing optimization of product mix after the Company's successive launch of new and premium products, and the growing demand of the broad industrial sector, which collectively drove the improvement in gross profit margin.

The following table sets out an analysis of the Group's gross profit and gross profit margin by industry, product, sales region and sales channel:

Unit: RMB

	For the Reporting Period		For the corresponding period of last year	
Item	Gross profit	Gross profit margin	Gross profit	Gross profit margin
Total gross profit	1,345,452,921.87	51.84%	912,329,768.04	50.16%
By industry				
IC industry	1,345,452,921.87	51.84%	912,329,768.04	50.16%
By product				
Signal chain product	591,526,505.46	57.11%	399,059,647.00	59.00%
Power management product	729,684,404.81	47.97%	501,381,542.80	44.64%
Others	24,242,011.60	63.16%	11,888,578.24	61.66%
By sales region				
Chinese Mainland	594,836,162.74	51.42%	396,537,461.83	51.63%
Hong Kong	671,950,529.29	52.74%	436,492,691.74	49.11%
Taiwan	35,499,571.11	41.67%	35,514,440.95	47.04%
Others	43,166,658.73	54.42%	43,785,173.52	50.62%
By sales channel				
Distribution sales	1,281,107,279.20	52.28%	857,820,185.24	50.77%
Direct sales	60,214,090.44	42.95%	50,714,706.15	40.50%
Others	4,131,552.23	85.81%	3,794,876.65	98.50%

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

3. Expenses

Unit: RMB

Item	For the Reporting Period	For the corresponding period of last year	Year-on-year increase or decrease	Description of change
R&D expenses	**616,943,199.10**	507,521,190.33	21.56%	
Selling expenses	**167,373,250.18**	131,594,566.23	27.19%	
Administrative expenses	**73,064,409.76**	59,902,664.54	21.97%	
Finance costs	**22,248,045.40**	-9,951,338.03	323.57%	Mainly due to changes in foreign exchange gains or losses during the Reporting Period

4. Analysis of Non-Principal Operations

Unit: RMB

Item	Amount	Percentage of total profit	Reason	Sustainable or not
Investment income	16,822,450.07	3.84%	Investment income from associates and joint ventures accounted for using the equity method	No
Gains or losses on changes in fair value	44,483,076.27	10.14%	Changes in fair value of financial assets held for trading and listed and unlisted equity investments	No
Asset impairment	-107,828,525.83	-24.59%	Provision for write-down of inventories	No
Non-operating income	107,464.60	0.02%	Liquidated damages and others	No
Non-operating expenses	605,438.90	0.14%	Losses on scrapping of long-term assets and external donations	No
Other income	28,456,698.89	6.49%	Government grants, refund of handling fees for withholding taxes, and additional VAT deductions	No
Credit impairment losses	-1,177,734.45	-0.27%	Provision for bad debts of accounts receivable and other receivables	No

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

5. Assets and liabilities

(1) Explanation of balance sheet items

Unit: RMB

Item	At the end of the Reporting Period		At the end of the last year		Change in proportion	Explanation of significant changes
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Monetary funds	4,629,700,233.07	39.34%	1,225,567,201.84	17.62%	21.72%	Receipt of proceeds from the listing and issuance of shares on the Main Board of the Hong Kong Stock Exchange
Accounts receivable	450,159,887.46	3.82%	361,712,052.30	5.20%	-1.38%	
Contract assets	1,253,335.25	0.01%	2,084,463.11	0.03%	-0.02%	
Inventories	1,677,078,919.35	14.25%	1,448,216,300.11	20.83%	-6.58%	
Investment properties						
Long-term equity investments	570,341,552.18	4.85%	555,363,553.93	7.99%	-3.14%	
Fixed assets	640,985,263.67	5.45%	539,299,228.27	7.76%	-2.31%	
Construction in progress						
Right-of-use assets	36,349,254.68	0.31%	20,488,153.99	0.29%	0.02%	
Short-term borrowings	452,449,323.74	3.84%	300,927,956.05	4.33%	-0.49%	
Contract liabilities	24,371,498.74	0.21%	18,389,108.03	0.26%	-0.05%	
Long-term borrowings	34,916,976.22	0.30%	67,171,615.80	0.97%	-0.67%	
Lease liabilities	16,868,845.20	0.14%	7,767,478.94	0.11%	0.03%	
Financial assets held for trading	2,071,505,097.06	17.60%	1,340,087,286.51	19.27%	-1.67%	

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

(2) *Asset-liability ratio*

As at June 30, 2026, the Group's asset-liability ratio was 16.64% (December 31, 2025: 23.40%). The asset-liability ratio decreased, mainly due to the Company's issuance of shares during the Reporting Period, which led to a corresponding increase in owners' equity. The table below sets forth the Group's position as at June 30, 2026 and December 31, 2025 the absolute amounts of total assets and total liabilities, the asset-liability ratio (defined as total liabilities as a percentage of total assets) and the capital-liability ratio (defined as total liabilities as a percentage of net assets)

Item	**June 30, 2026**	December 31, 2025
Total assets	**11,769,472,714.04**	6,954,149,664.98
Total liabilities	**1,958,908,742.02**	1,627,044,091.50
Asset-liability ratio	**16.64%**	23.40%
Capital-liability ratio	**19.97%**	30.54%

(3) *Pledge/charge of assets*

Neither the Company nor any of its subsidiaries had any assets mortgaged or pledged during the Reporting Period.

6. Cash flow

Unit: RMB

Item	**Reporting period**	Same period of last year	**Year-on-year increase or decrease**
Net cash flow from operating activities	**381,858,165.72**	239,733,251.08	59.28%
Net cash flow from investing activities	**-927,498,052.66**	-49,902,867.63	-1,758.61%
Net cash flows from financing activities	**3,992,903,316.87**	34,284,444.77	11,546.40%
Net increase in cash and cash equivalents	**3,403,416,987.63**	223,544,569.78	1,422.48%

During the Reporting Period, the Company's net cash flow from operating activities increased by RMB142 million year-on-year, representing a rise of 59.28%, primarily due to steady growth in operating revenue and an increase in cash collection from sales; The Company's net cash flow from investing activities decreased by RMB878 million compared to the last year, representing a decline of 1,758.61%, primarily due to an increase in purchases of wealth management products; The Company's net cash flow from financing activities increased by RMB3.959 billion compared to the last year, representing an increase of 11,546.40%, primarily due to proceeds from the issuance of shares listed on Main Board of the Hong Kong Stock Exchange.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

7. Liquidity, financial resources and capital structure

As at June 30, 2026, the Group's cash and cash equivalents amounted to RMB4,584,444,519.47 (as at December 31, 2025: RMB1,181,027,531.84), primarily comprising deposits in RMB, USD and HKD.

As at June 30, 2026, the Group's total borrowings amounted to RMB537,290,621.16 (as at December 31, 2025: RMB396,900,291.67), of which RMB502,373,644.94 was repayable within one year. As at June 30, 2026, the Group's outstanding loans were RMB loans. The Group's borrowings are at floating interest rates.

The Group primarily raises funds required for its development through cash generated from operating activities and financing activities such as the issuance of shares and external borrowings.

The Group has sufficient liquidity to meet its daily working capital management, repayment of maturing debts, and capital expenditure requirements.

8. Exchange rate fluctuation risk and related hedging arrangements

Exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Exchange rate risk may arise from financial instruments denominated in foreign currencies other than the functional currency.

The Company's business is mainly divided into domestic sales and export sales, among which: domestic sales are primarily settled in RMB, and export sales are primarily settled in foreign currencies. The Company is exposed to foreign exchange risk arising from its recognized foreign currency assets and liabilities and future foreign currency transactions (the currency of denomination for the foreign currency assets and liabilities and foreign currency transactions is primarily USD and HKD). The Company closely monitors the effects of changes in the exchange rates on the Group's exchange rate risk. Management is responsible for monitoring exchange rate risk and will consider hedging significant exchange rate risk when required.

9. Material investments, material acquisitions and disposals

As at June 30, 2026, the Group did not hold any material investments, where a material investment refers to an investment in an investee company where the investment amount accounts for 5% or more of the Group's total assets.

During the Reporting Period, the Group did not undertake any material acquisitions or disposals of subsidiaries, associates or joint ventures.

As at June 30, 2026, the Group had no other material investment or capital asset acquisition plans.

10. Contingent liabilities

For details of contingent liabilities, please refer to "2. Contingent Matters" under "XVI. Commitments and Contingencies" in "Section V Financial Report" of this report.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

IV. OUTLOOK FOR FUTURE DEVELOPMENT OF THE COMPANY

(I) Industry landscape and trends

Analog ICs are indispensable core components of modern electronic products. The rapid development of emerging applications such as the Internet of Things, wearable devices, artificial intelligence, communications, new energy and robotics has accelerated the iteration of electronic products and given rise to many new types of terminal equipment, thereby driving continued expansion of market demand for analog ICs. As customers and the market gradually move from basic functional requirements to deeper demands for overall system performance, next-generation electronic products are required to deliver superior performance in terms of higher precision, faster speed, stable and clear audio, vivid graphics, lower power consumption, greater anti-interference capability and smaller form factors. Against this backdrop, analog IC technologies represented by various amplifiers, data converters and power management ICs have become the key technical engine underpinning innovation and development in the electronics industry. In addition, with the gradual implementation of national and local policies supporting the integrated circuit industry and the vigorous catch-up efforts of Chinese IC companies, China's IC industry has made considerable progress, and its international competitiveness and influence have increased year by year.

The global analog IC market is expanding steadily, with China being the largest consumer market, consistently accounting for more than one third of the global analog IC market. Automotive, industrial, communications, consumer electronics, new energy and artificial intelligence are the major sectors driving growth in the analog IC industry. Automotive electrification, Industry 4.0 upgrades, and the large-scale deployment of new energy and artificial intelligence constitute the core growth drivers for the industry. At present, European and American companies still hold an absolutely dominant position in the global analog IC market. Domestic Chinese analog IC companies, while still holding a relatively modest overall market share, have achieved remarkable growth in recent years. The growing market demand and favorable industrial policies have created favorable external conditions for the Company's continued future development.

(II) Future development strategy of the Company

The overall development strategy of the Company is market-oriented, innovation-driven, and grounded in the fundamental principles of enhancing economic returns and creating value for society. To that end, the Company will make prudent and well-considered plans for its future development. The Company will remain committed to independent R&D, strive to achieve breakthroughs in a number of key technologies, upgrade its existing products, and simultaneously develop new technologies for high-performance analog ICs. The goal is to roll out a new generation products that are on a par with international benchmarks in terms of performance, power consumption and reliability, and that also demonstrate strong international competitiveness and sound commercialization prospects in pricing, quality and technical support. Through these efforts, the Company will consolidate its leading position in China's analog IC industry and endeavor to become a world-class brand in the global analog IC market.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

(III) Business plan for 2026

The Company will build a research and development center to strengthen its independent innovation capabilities. It will also expand its product sub-lines in signal chain, power management, sensor and memory sectors, while improving product performance and broadening application areas, so as to enhance its core competitiveness. The Company will refine and optimize its marketing system and management processes, thereby raising brand awareness, expanding regional and industry coverage, and proactively exploring new markets.

The business plan for 2026 represents a prudent planning for the Company's business development over the coming year, based on its past operational trajectory and taking into account the prevailing macroeconomic environment and industry conditions. However, given the intense competition and rapid evolution of the industry, the realization of this plan is subject to a degree of uncertainty. Accordingly, the Company does not rule out the possibility of adjusting and revising the plan in light of its actual operating performance, changes in the macroeconomic climate, and developments in the industry. Specifically, the Company's business plan for 2026 is as follows:

1. *Further advancing R&D of core technologies and new products*

The R&D centers of the Company will continue to drive research and development efforts across a wide range of technology areas, including high-reliability automotive-grade IC technologies, high-precision low-noise signal amplification and conditioning technologies, low-power amplifiers and comparators, magnetic sensor technologies, high-precision high-speed AD/DA data conversion technologies, low-voltage level translation and logic IC technologies, high-efficiency micro-power power conversion technologies, high-voltage high-power power management IC technologies, high-efficiency high-reliability battery management IC technologies, analog IC technologies for network communications, high-performance ESD and high-voltage protection technologies, isolated power technologies, multiphase power controllers and DrMOS technologies, MOSFET and MOSFET driver technologies, EEPROM and DIMM peripheral products, third-generation semiconductors, advanced analog and mixed-signal manufacturing processes, small-package technologies, and the improvement of design simulation environments. Through these efforts, the Company will achieve a series of commercially viable technological outcomes, which will effectively support and facilitate the development and commercialization of our signal chain, power management, sensor and memory products. In response to market demand, the Company will continue to expand its product lines in signal chain, power management, sensor and memory sectors. Specific initiatives include developing a broad portfolio of automotive-grade ICs, extending the high-performance operational amplifier and comparator product lines, broadening the ADC/DAC product lines, improving the small-logic series product lines, expanding EEPROM and DIMM peripheral products, enriching and refining the DC/DC converter product lines – particularly high-voltage high-power converters – upgrading LED drivers, enriching AMOLED display power supply ICs, developing high-performance motor drivers, MOSFET/GaN drivers, isolated power ICs, multiphase power ICs, analog ICs for network communications, developing multiple series of high-power MOSFETs, TVS and ESD protection devices, and expanding the sensor product lines. While continuing to strengthen its existing core competitive technologies and products, the Company will also explore and investigate new high-end technology and product areas, such as next-generation industrial and automotive ICs, third-generation semiconductors, high-power power supplies, new energy and energy storage. These efforts will enable the Company to conduct pre-research and build technology reserves for new product lines and future growth drivers.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

2. *Strengthening the marketing system and developing key markets and key accounts*

   The Company will further intensify marketing efforts, build up its marketing team, and carry out marketing by diversified promotional and marketing approaches. While actively securing existing markets, the Company will also vigorously tap into next generation market opportunities in automotive electronics, intelligent manufacturing, the Internet of Things, smart homes, artificial intelligence, new energy, communications and industrial application areas. The Company will deploy more technical and market resources to make targeted inroads into key markets and key accounts.

3. *Strengthening the talent team development and improving operational management of the Company*

   The Company will actively recruit talents and bring in high-level technical and management specialists to continuously expand its R&D and marketing teams. The Company will also steadily improve its overall management, strengthen the learning and training of management personnel, and refine its management systems. The Company will adopt various differentiated incentive measures, including compensation, employee benefits and equity incentives, to stabilize and expand its workforce. Furthermore, the Company will further reinforce its corporate culture of "people-oriented,diligent and innovative, team work, and responsible", so as to fully mobilize the enthusiasm and initiative of its employees.

4. *Proactively advancing industrial investment and mergers and acquisitions*

   The Company will continue to advance its efforts in industrial investment and M&As. While fostering organic growth and maintaining a focus on its core business, the Company will actively seek external development opportunities that align with its long-term strategic direction. Through these efforts, the Company will strengthen industrial integration, drive overall rapid development, and continuously enhance its comprehensive competitiveness.

V. SUBSEQUENT EVENTS

For details, please refer to "XVII. Events After the Reporting Period" under "Section V Financial Report" of this report.

SECTION IV SIGNIFICANT EVENTS

I. CORPORATE GOVERNANCE

1. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. The Company has adopted the Corporate Governance Code as its own code of corporate governance. Save for the following deviation from Code Provision C.2.1 of Part 2 of the Corporate Governance Code, the Company has complied with all applicable code provisions set out in the Corporate Governance Code from the Listing Date (i.e. June 26, 2026) up to June 30, 2026. The Board will continue to review and monitor the corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

Pursuant to code provision C.2.1 of Part 2 of the Corporate Governance Code, companies listed on the Main Board of the Hong Kong Stock Exchange should comply with, but may choose to deviate from, the requirement that the roles of the chairman of the board and the general manager should be segregated and should not be performed by the same individual. The roles of Chairman and General Manager of the Company are not separated and are currently held concurrently by Dr. Zhang Shilong. The Board believes that vesting the roles of Chairman and General Manager in the same person is conducive to ensuring leadership consistency within the Group and making the Group's overall strategic planning more effective and efficient. The Board considers that the balance of power and authority under the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. The Board will continue to review the matter and consider separating the roles of the Chairman and the General Manager of the Company when appropriate after taking into account the overall circumstances of the Group.

2. Changes of Directors and Chief Executive and Changes in Their Information

☑Applicable ☐ Not applicable

In June 2026, Ms. Tang Chunlin, an independent non-executive Director, was appointed as an independent director of Avicopter Plc (stock code: 600038), a company listed on the Shanghai Stock Exchange.

During the Reporting Period and up to the date of this report, save as disclosed above, there was no other change in the information of the Directors and chief executive of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

3. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 of the Hong Kong Listing Rules as the code of conduct for securities transactions by Directors and the relevant employees who may possess inside information related to securities of the Company due to their roles or work. Having made specific enquiries of all Directors and the relevant employees, they have confirmed that they have complied with the required standards as set out in the Model Code from the date of the Company's listing to the date of this report.

SECTION IV SIGNIFICANT EVENTS

II. SHARE CAPITAL AND SHAREHOLDERS' INFORMATION

1. Shares in issue

As at June 30, 2026, the Company had issued a total of 676,907,572 ordinary shares. Details of the movements in the Company's share capital during the Reporting Period were as follows:

Unit: shares

Item	Number of Shares as at December 31, 2025	Changes during the Reporting Period				Number of Shares as at June 30, 2026
		Issuance of new shares	Transfer from reserves	Others	Total	
A Shares	620,138,644	0	0	2,767,728	2,767,728	**622,906,372**
H Shares	0	54,001,200	0	0	54,001,200	**54,001,200**
Total	620,138,644	54,001,200	0	2,767,728	56,768,928	**676,907,572**

2. Shareholding of the Top Ten Shareholders

As at June 30, 2026, the Company had a total of 44,630 shareholders, of which 2 were H Shareholders and 44,628 were A Shareholders. The shareholdings of the Company's top ten shareholders, calculated by percentage of the Company's share capital, are as follows:

No.	Name of shareholder	Class of Shares	Number of Shares (Shares)	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of the total number of issued shares of the Company
1	Chongqing Hongshun Xiangtai Enterprise Management Co., Ltd.	A Shares	117,449,624	18.86%	17.35%
2	HKSCC NOMINEES LIMITED	H Shares	54,001,100	100.00%	7.98%
3	Chongqing Baoli Hongya Enterprise Management Co., Ltd.	A Shares	50,712,118	8.14%	7.49%
4	Hong Kong Securities Clearing Company Limited	A Shares	44,655,737	7.17%	6.60%
5	Power Trend International Development Limited	A Shares	28,792,495	4.62%	4.25%
6	Lin Lin	A Shares	23,661,452	3.80%	3.50%
7	China Merchants Bank Co., Ltd. – Galaxy Innovation Growth Mixed Securities Investment Fund	A Shares	10,276,957	1.65%	1.52%
8	China CITIC Bank Corporation Limited – Yongying Pioneer Semiconductor Smart Selection Mixed Initiated Securities Investment Fund	A Shares	8,000,000	1.28%	1.18%

SECTION IV SIGNIFICANT EVENTS

No.	Name of shareholder	Class of Shares	Number of Shares (Shares)	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of the total number of issued shares of the Company
9	Industrial and Commercial Bank of China Limited – Lion Growth Stock Securities Investment Fund	A Shares	7,552,193	1.21%	1.12%
10	China Construction Bank Corporation Limited – Guangfa Technology Vanguard Hybrid Securities Investment Fund	A Shares	4,232,156	0.68%	0.63%

Note: The Company has listed the top ten shareholders at the end of the Reporting Period based on the register of A Share shareholders issued by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and the register of H Share shareholders provided by the H Share Registrar.

3. Public Float

As at the end of the Reporting Period, based on publicly available information and to the best knowledge of the Directors, the Company's public float complied with the minimum public float requirement for the relevant class of shares as set out in Rule 19A.28B(2) of the Hong Kong Listing Rules.

SECTION IV SIGNIFICANT EVENTS

III. DISCLOSURE OF INTERESTS

1. Substantial Shareholders' Interests And/Or Short Positions In The Shares And Underlying Shares Of The Company

As at June 30, 2026, to the knowledge of the Directors of the Company, the following Shareholders had interests in A Shares and H Shares which were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company under section 336 of the SFO:

Name of shareholder	Nature of interest	Class of Shares	Long/short position	Number of shares held directly or indirectly (Shares)	Approximate percentage of the relevant class of Shares[1]	Approximate percentage of the total number of issued Shares of the Company[1]
Chongqing Hongshun Xiangtai Enterprise Management Co., Ltd.	Beneficial owner; interest held jointly with other persons[2]	A Shares	Long position	221,512,150	35.56%	32.72%
Chongqing Baoli Hongya Enterprise Management Co., Ltd.	Beneficial owner; interest held jointly with other persons[2]	A Shares	Long position	221,512,150	35.56%	32.72%
Power Trend International Development Limited	Beneficial owner; interest held jointly with other persons[2]	A Shares	Long position	221,512,150	35.56%	32.72%
Ms. Wen Li	Interest in controlled corporations[4]; interest held jointly with other persons[2]; spouse's interest[3]	A Shares	Long position	221,512,150	35.56%	32.72%
JPMorgan Chase & Co.[5]	Beneficial owner	H Shares	Long position	116,000	0.21%	0.02%
	Beneficial owner	H Shares	Short position	64,100	0.12%	0.01%
	Investment Manager	H Shares	Long position	5,855,600	10.84%	0.87%
	Person having a security interest in shares	H Shares	Long position	1,575,700	2.92%	0.23%
	Approved lending agent	H Shares	Long position	738,408	1.37%	0.11%
GIC Private Limited	Investment Manager	H Shares	Long position	6,607,100	12.24%	0.98%
China International Capital Corporation (International) Limited[6]	Interest of controlled corporation	H Shares	Long position	6,230,200	11.54%	0.92%
	Interest of controlled corporation	H Shares	Short position	8,100,100	15.00%	1.20%

SECTION IV SIGNIFICANT EVENTS

Name of shareholder	Nature of interest	Class of Shares	Long/short position	Number of shares held directly or indirectly (Shares)	Approximate percentage of the relevant class of Shares[1]	Approximate percentage of the total number of issued Shares of the Company[1]
China International Capital Corporation Limited[7]	Interest of controlled corporation	H Shares	Long position	6,230,200	11.54%	0.92%
	Interest of controlled corporation	H Shares	Short position	8,100,100	15.00%	1.20%
	Beneficial owner	H Shares	Short position	34,200	0.06%	0.01%
China International Capital Corporation Hong Kong Securities Limited[8]	Underwriter	H Shares	Long position	6,147,900	11.38%	0.91%
	Underwriter	H Shares	Short position	8,100,100	15.00%	1.20%
JPMORGAN ASSET MANAGEMENT (ASIA PACIFIC) LIMITED	Investment Manager	H Shares	Long position	5,783,800	10.71%	0.85%
HHLR Advisors, Ltd.	Investment Manager	H Shares	Long position	5,480,700	10.15%	0.81%
HACF, L.P.	Beneficial owner	H Shares	Long position	3,586,200	6.64%	0.53%
CPE Ginkgo Investment Limited	Beneficial owner	H Shares	Long position	3,494,200	6.47%	0.52%
CPE Global Opportunities Fund II, L.P.	Interest of controlled corporation	H Shares	Long position	3,494,200	6.47%	0.52%
CPE GOF GP Limited	Interest of controlled corporation	H Shares	Long position	3,494,200	6.47%	0.52%
CPE Management International II Limited	Interest of controlled corporation	H Shares	Long position	3,494,200	6.47%	0.52%
CPE Management International Limited	Interest of controlled corporation	H Shares	Long position	3,494,200	6.47%	0.52%
Morgan Stanley[9]	Interest of controlled corporation	H Shares	Long position	3,445,701	6.38%	0.51%
	Interest of controlled corporation	H Shares	Short position	4,112	0.01%	0.00%

SECTION IV SIGNIFICANT EVENTS

Notes:

(1) The calculation is based on the total number of 676,907,572 issued Shares as at June 30, 2026 (comprising 622,906,372 A Shares and 54,001,200 H Shares).

(2) Pursuant to the Concert Party Agreement dated June 10, 2015 (as amended and supplemented by the supplemental agreement to the Concert Party Agreement dated January 21, 2021), Hongshun Xiangtai (wholly-owned by Dr. Zhang Shilong), Baoli Hongya (wholly-owned by Ms. Zhang Qin), Power Trend (indirectly wholly-owned by Ms. Wen Li), Ms. Zhang Qin and Mr. Lin Lin agreed (among other things) that, as long as Hongshun Xiangtai remains a Shareholder, (i) they shall act in concert with Hongshun Xiangtai on relevant business decision-making matters, including the exercise of voting rights at general meetings, the right to submit proposals to the Board of Directors and general meetings, and the right to nominate directors, independent directors and supervisors, and (ii) they shall ensure that the directors nominated by them vote consistently with Dr. Zhang Shilong at Board meetings. Accordingly, pursuant to the SFO, Hongshun Xiangtai, Baoli Hongya, Power Trend, Dr. Zhang Shilong, Ms. Zhang Qin, Mr. Lin Lin and Ms. Wen Li are each deemed to be interested in all the Shares in which they are respectively interested.

(3) Ms. Wen Li is the spouse of Dr. Zhang Shilong. Therefore, under the SFO, Ms. Wen Li and Dr. Zhang Shilong are each deemed to be interested in the shares held by the other.

(4) As at June 30, 2026, Power Trend was indirectly wholly-owned by Ms. Wen Li. Therefore, Ms. Wen Li is deemed to be interested in the 28,792,495 A Shares held by Power Trend.

(5) According to the information disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, such shares are held by certain corporations over which JPMorgan Chase & Co. has direct or indirect 100% control. Among these, 64,100 shares (short position) are unlisted derivatives settled in cash.

(6) According to the information disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, such shares are held by certain corporations over which China International Capital Corporation (International) Limited has direct or indirect 100% control. Among these, 6,147,900 shares (long position) and 8,100,100 shares (short position) are unlisted derivatives settled by physical delivery.

(7) According to the information disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, such shares are held by certain corporations over which China International Capital Corporation Limited has direct or indirect 100% control. Among these, 6,230,200 shares (long position) and 8,100,100 shares (short position) are unlisted derivatives settled by physical delivery; 34,200 shares (short position) are unlisted derivatives settled in cash.

(8) According to the information disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, such shares are held by China International Capital Corporation Hong Kong Securities Limited. Among these, 6,147,900 shares (long position) and 8,100,100 shares (short position) are unlisted derivatives settled by physical delivery.

(9) According to the information disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, such shares are held by Morgan Stanley. Among these, 4,112 shares (short position) are unlisted derivatives settled in cash.

Save as disclosed above, as at June 30, 2026, to the knowledge of the Directors of the Company, no person (other than a Director or chief executive of the Company) had any interest or short position in the shares and underlying shares of the Company which would be required to be disclosed to the Company and The Stock Exchange of Hong Kong Limited under the provisions of Divisions 2 and 3 of Part XV of the SFO or which was required to be entered in the register referred to therein pursuant to section 336 of the SFO.

SECTION IV SIGNIFICANT EVENTS

2. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at June 30, 2026, to the knowledge of the Directors of the Company, the interests and short positions of the Directors and chief executive in the shares 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 the Model Code were as follows:

Name	Position	Nature of interest	Class of shares	Long/short position	Number of shares held directly or indirectly	Approximate percentage of the relevant class of Shares[(1)]	Approximate percentage of the total number of issued Shares of the Company[(1)]
Dr. Zhang Shilong	Executive Director, Chairman and General Manager	Interest in a controlled corporation[(2)]; interest held jointly with other persons[(3)]; spouse's interest[(4)]	A Shares	Long position	221,512,150	35.56%	32.72%
Ms. Zhang Qin	Executive Director, Vice Chairman, Deputy General Manager, Secretary to the Board and Joint Company Secretary	Beneficial owner; interest in a controlled corporation[(5)]; interest held jointly with other persons[(3)]	A Shares	Long position	221,512,150	35.56%	32.72%
Mr. Lin Lin	Non-executive Director	Beneficial owner; interest held jointly with other persons[(3)]	A Shares	Long position	221,512,150	35.56%	32.72%
Ms. Liu Ming	Non-executive Director	Interest in a controlled corporation[(6)]	A Shares	Long position	43,648	0.01%	0.01%

SECTION IV SIGNIFICANT EVENTS

Notes:

(1) The calculation is based on the total number of 676,907,572 issued Shares as at June 30, 2026 (comprising 622,906,372 A Shares and 54,001,200 H Shares).

(2) As at June 30, 2026, Hongshun Xiangtai was wholly-owned by Dr. Zhang Shilong. Therefore, Dr. Zhang Shilong is deemed to be interested in the 117,449,624 A Shares held by Hongshun Xiangtai.

(3) Pursuant to the Concert Party Agreement dated June 10, 2015 (as amended and supplemented by the supplemental agreement to the Concert Party Agreement dated January 21, 2021), Hongshun Xiangtai (wholly-owned by Dr. Zhang Shilong), Baoli Hongya (wholly-owned by Ms. Zhang Qin), Power Trend (indirectly wholly-owned by Ms. Wen Li), Ms. Zhang Qin and Mr. Lin Lin agreed, among other things, that as long as Hongshun Xiangtai remains a Shareholder, (i) they shall act in concert with Hongshun Xiangtai on relevant business decision-making matters, including the exercise of voting rights at general meetings, the right to submit proposals to the Board of Directors and general meetings, and the right to nominate directors, independent directors and supervisors, and (ii) they shall ensure that the directors nominated by them vote in line with Dr. Zhang Shilong at Board meetings. Accordingly, pursuant to the SFO, Hongshun Xiangtai, Baoli Hongya, Power Trend, Dr. Zhang Shilong, Ms. Zhang Qin, Mr. Lin Lin and Ms. Wen Li are each deemed to be interested in all the Shares in which they are respectively interested.

(4) As at June 30, 2026, Ms. Wen Li, the spouse of Dr. Zhang Shilong, indirectly held 28,792,495 A Shares of the Company. Pursuant to the SFO, Dr. Zhang Shilong is deemed to be interested in the shares held by his spouse.

(5) As at June 30, 2026, Baoli Hongya was wholly-owned by Ms. Zhang Qin. Therefore, Ms. Zhang Qin is deemed to be interested in the 50,712,118 A Shares held by Baoli Hongya.

(6) As at June 30, 2026, Ms. Liu Ming was the general partner of Beijing Gaodidatian Enterprise Management Center (Limited Partnership). Therefore, Ms. Liu Ming is deemed to be interested in the 43,648 A Shares held by Beijing Gaodidatian Enterprise Management Center (Limited Partnership).

Save as disclosed above, as at June 30, 2026, to the knowledge of the Directors of the Company, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

SECTION IV SIGNIFICANT EVENTS

IV. ISSUE OF SECURITIES AND PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

1. Issuance of Securities and Use of Net Proceeds

To further advance the Company's global strategic positioning, establish an international capital operation platform, and enhance its overall competitiveness, and with the approval of the Hong Kong Stock Exchange, the H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on June 26, 2026 at an offer price of HKD85.20 per H share. Following the Global Offering, a total of 62,101,300 H shares with a nominal value of RMB1.00 each were issued (including the H shares issued pursuant to the over-allotment option as described in the prospectus). As at June 30, 2026 (prior to the exercise of the over-allotment option), the gross proceeds from the Global Offering of the Company amounted to approximately HKD4,600.90 million. After deducting underwriting commissions, fees and other expenses in connection with the Global Offering, the net proceeds amounted to approximately HKD4,542.60 million (net proceeds per share were approximately HKD84.12). As of the Latest Practicable Date (after the exercise of the over-allotment option), the gross proceeds from the Global Offering of the Company were approximately HKD5,291.03 million and the net proceeds were approximately HKD5,224.38 million (net proceeds per share were approximately HKD84.13).

The proceeds from the Global Offering will be utilized in accordance with the plan disclosed in the section headed "Use of Proceeds" in the Prospectus, namely:

	Planned amount of proceeds to be utilized					
Item	Percentage of proceeds	As at June 30, 2026 (before the exercise of the Over-allotment Option) (HKD million)	As at Latest Practicable Date (after the exercise of the Over-allotment Option) (HKD million)	Amount utilized as at June 30, 2026 (HKD million)	Unutilized amount as at June 30, 2026 (HKD million)	Expected timeline for full utilization[1]
To be used to enhance our R&D capabilities and expand our product portfolio over the next five years	60.00%	2,725.56	3,134.63	–	2,725.56	By the end of June 2031 or before
To be used for strategic investment and/or acquisitions aimed at integrating industry resources	26.00%	1,181.08	1,358.34	–	1,181.08	By the end of June 2031 or before
To be used for expanding overseas sales network over the next five years	6.00%	272.56	313.47	–	272.56	By the end of June 2031 or before
To be allocated to working capital and general corporate purposes	8.00%	363.40	417.94	–	363.40	By the end of June 2031 or before
Total	100.00%	4,542.60	5,224.38	–	4,542.60	

Note: The expected timeline for the use of unused proceeds set out in the table above represents the Group's best estimates based on the anticipated market conditions, which may be subject to change in response to current and future market developments.

SECTION IV SIGNIFICANT EVENTS

2. **Purchase, Sale or Redemption of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including treasury shares (as defined in the Hong Kong Listing Rules)) during the Reporting Period. As at June 30, 2026, the Company did not hold any treasury shares.

V. A SHARE EQUITY INCENTIVE PLAN

During the Reporting Period, the Company implemented the 2021 Restricted Share Incentive Scheme, the 2022 Share Option Incentive Scheme, the 2023 Share Option Incentive Scheme, the 2025 Share Option Incentive Scheme and the 2025 Second Phase Share Option Incentive Scheme.

The following is a summary of the principal terms of the equity incentive plans currently being implemented by the Company. The terms of the equity incentive plans do not involve the grant of equity incentives by the Company after its H-share listing and are not subject to the restrictions stipulated in Chapter 17 of the Hong Kong Listing Rules. The terms of each equity incentive plan are summarized below:

1. *Purpose*

The equity incentive plans aim to further establish and improve the Company's long-term incentive mechanism, attract and retain outstanding talent, fully motivate the Company's core team, and effectively align the interests of shareholders, the Company and the core team members, enabling all parties to jointly focus on the Company's long-term development.

2. *Types of Equity Incentives*

Equity incentives are granted in two forms: (i) Type II restricted shares (hereinafter referred to as "Restricted Shares") and (ii) share options. Pursuant to the 2021 Restricted Share Incentive Scheme, the Company granted Restricted Shares to eligible participants. Pursuant to the 2022 Share Option Incentive Scheme, the 2023 Share Option Incentive Scheme, the 2025 Share Option Incentive Scheme and the 2025 Second Phase Share Option Incentive Scheme, the Company granted share options to eligible participants.

The A Shares corresponding to the Restricted Shares or share options under the equity incentive plans shall only be issued after their vesting or exercise.

SECTION IV SIGNIFICANT EVENTS

3. *Administration*

   Each equity incentive plan shall be subject to the approval of the general meeting of shareholders of the Company, managed and implemented by the Board of Directors, and supervised by the supervisory committee (the Company approved and adopted new articles of association on September 19, 2025, abolishing the supervisory committee and assigning its functions and powers under the Company Law of the People's Republic of China to the audit committee of the Board of Directors of the Company) and the independent non-executive Directors.

4. *Participants*

   Participants in the equity incentive plans (as the case may be) include the senior management, core management personnel and core technical (business) personnel of the Company (including its subsidiaries) (excluding independent non-executive directors, supervisors, and shareholders who individually or collectively hold 5% or more of the Company's shares, or the actual controller and their spouses, parents and children); All participants must have an employment or service relationship with the Company at the time the Company grants Restricted Shares or share options and during the assessment period stipulated in the incentive plan.

5. *Source of Shares and Maximum Number of Shares*

   The shares under the equity incentive plans are A Shares of the Company to be issued by way of a directional issue to the participants by the Company. Under all currently effective equity incentive plans of the Company, the shares granted to any individual shall not exceed 1% of the total share capital of the Company.

   Subject to the adjustment mechanism set out in the paragraph headed "—Adjustments" below, the maximum number of initial equity incentives that may be granted under each equity incentive plan is as follows:

Equity Incentive Plan	**Class of shares**	**Maximum number of shares corresponding to the initial equity incentives that may be granted**
2021 Restricted Share Incentive Scheme	A Shares	2,100,000 Shares
2022 Share Option Incentive Scheme	A Shares	4,760,000 Shares
2023 Share Option Incentive Scheme	A Shares	10,325,000 Shares
2025 Share Option Incentive Scheme	A Shares	12,500,000 Shares
2025 Second Phase Share Option Incentive Scheme	A Shares	12,700,000 Shares

SECTION IV SIGNIFICANT EVENTS

As at the end of the Reporting Period, save for the equity incentives granted under the equity incentive plans and disclosed in this report, there were no additional equity incentives available for grant under the equity incentive plans.

6. *Grant Date and Validity Period of the Equity Incentive Plans*

The grant date of an equity incentive plan shall be determined by the Board of Directors after the equity incentive plan has been approved by the shareholders' meeting. Unless otherwise provided by laws and regulations, the grant date shall be a trading day on the Shenzhen Stock Exchange. The grant of equity incentives shall be subject to the approval of the Board of Directors and shall be registered and announced within 60 days after the shareholders' meeting approves the equity incentive plan. The reserved portion shall be granted within 12 months after the equity incentive scheme has been approved by the shareholders' meeting of the Company.

The validity period of an equity incentive plan shall commence from the date of completion of the grant of the first tranche of equity incentives under the relevant plan and shall continue until all equity incentives have been exercised, canceled, vested or have lapsed (whichever is earlier). This validity period shall not exceed 72 months or 75 months (as the case may be).

7. *Conditions for the Grant of Equity Incentives*

Equity incentives shall only be granted to participants upon satisfaction of the following conditions:

(i) none of the following has occurred in relation to the Company:

(a) the financial accounting report for the most recent accounting year has been issued an adverse opinion or a disclaimer of opinion in the audit report by a certified public accountant;

(b) the internal control over financial reporting for the most recent accounting year has been issued an adverse opinion or a disclaimer of opinion in the audit report by a certified public accountant;

(c) a failure to make profit distributions in accordance with laws and regulations, the Articles of Association or public undertakings has occurred within the 36 months after the Company's listing on the Shenzhen Stock Exchange;

(d) the implementation of any equity incentive plan is prohibited by applicable laws and regulations; or

(e) any other circumstances as determined by the CSRC.

SECTION IV SIGNIFICANT EVENTS

(ii) none of the following has occurred in relation to the participant:

(a) having been identified as an unsuitable person by a stock exchange within the last 12 months;

(b) having been identified as an unsuitable person by the CSRC and its local offices within the last 12 months;

(c) having been subject to administrative penalties or market entry prohibition measures by the CSRC and its local offices for material violations of laws and regulations within the last 12 months;

(d) being disqualified from serving as a director or senior management personnel pursuant to the Company Law of the People's Republic of China;

(e) being prohibited from participating in equity incentive plans of listed companies pursuant to applicable laws and regulations; or

(f) any other circumstances as determined by the CSRC.

8. *Lock-up Arrangements*

The lock-up arrangements under the equity incentive plans shall be implemented in accordance with the provisions of the Articles of Association and applicable PRC laws and regulations:

(i) For a participant who is a director or senior management personnel of the Company, the number of shares he/she may transfer annually during his/her term of office as determined at the time of appointment and within six months after the expiration of such term shall not exceed 25% of his/her total shareholding in the Company; he/she may not transfer any shares of the Company he/she holds within six months after his/her resignation.

(ii) For a participant who is a director or senior management personnel of the Company, if he/she sells the Company's shares within six months after purchasing them, or repurchases the Company's shares within six months after selling them, the resulting profits shall belong to the Company, and the Board of Directors of the Company shall recover such profits.

(iii) If there are any changes to the applicable laws, regulations or relevant provisions in the Articles of Association concerning the aforementioned lock-up requirements during the validity period of the equity incentive plans, the participants shall comply with the revised laws, regulations and Articles of Association.

SECTION IV SIGNIFICANT EVENTS

9. *Vesting/Exercise of Equity Incentives*

The equity incentives shall vest or be exercisable upon (i) the satisfaction of the conditions set out in the paragraph headed "—Conditions for the Grant of Equity Incentives" above; and (ii) the achievement of the performance targets set by the Company and the participants under the relevant plan. The equity incentives granted will vest/be exercised after the lock-up period in accordance with the timetable set out under the relevant plan.

Equity Incentive Plan	Types of Equity Incentives	Vesting Schedule (in respect of Restricted Shares) and Exercise Schedule (in respect of Share Options)
2021 Restricted Share Incentive Scheme	Restricted Shares	The Restricted Shares may vest in four tranches of 22%, 24%, 26% and 28% during each 12-month period from the first trading day after 12 months from the date of grant up to the last trading day within 60 months from the date of grant.
2022 Share Option Incentive Scheme	Share Options	The share options may be exercised in four tranches of 22%, 24%, 26% and 28% during each 12-month period from the first trading day after 15 or 12 months (as the case may be) from the date of grant up to the last trading day within 63 or 60 months (as the case may be) from the date of grant.
2023 Share Option Incentive Scheme, 2025 Share Option Incentive Scheme and 2025 Second Tranche Share Option Incentive Scheme	Share Options	The share options may be exercised in four tranches of 22%, 24%, 26% and 28% during each 12-month period, commencing from the first trading day 12 months after the date of grant until the last trading day within 60 months from the date of grant.

The share options allow exercise under participants' sole discretion. Based on the actual progress of such discretionary exercise procedures, the practicable exercisable period shall commence from the date on which the procedures are completed with Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and end on the last trading day of the 12-month period commencing from the date on which the exercise conditions are satisfied.

The Restricted Shares adopt a centralized vesting model and shall be vested on a single trading day, provided that such trading day does not fall within any lock-up period prescribed by the CSRC and the SZSE.

SECTION IV SIGNIFICANT EVENTS

10. *Grant Price or Exercise Price*

The grant/exercise price of each equity incentive shall not be less than the par value per A Share, and shall in principle not be less than (as stipulated by the relevant equity incentive plan, as the case may be):

Equity Incentive Plan	Types of Equity Incentives	Grant Price (in respect of restricted shares) and Exercise Price (in respect of share options)
2021 Restricted Share Incentive Scheme	Restricted Shares	(i) RMB200 per share; or (ii) shall not be less than 50% of the average trading price of A Shares during the period of 1, 20, 60 or 120 trading days prior to the announcement of the equity incentive plan
2022 Share Option Incentive Scheme	Share Options	(i) RMB133 per share; or (ii) shall not be less than 75% of the average trading price of A Shares during the period of (A) 1 trading day or (B) 20, 60 or 120 trading days prior to the announcement of the equity incentive plan
2023 Share Option Incentive Scheme	Share Options	(i) RMB66 per share; or (ii) shall not be less than 75% of the average trading price of A Shares during the period of (A) 1 trading day or (B) 20, 60 or 120 trading days prior to the announcement of the equity incentive plan
2025 Share Option Incentive Scheme	Share Options	(i) RMB96 per share; or (ii) shall not be less than 75% of the average trading price of A Shares during the period of (A) 1 trading day or (B) 20, 60 or 120 trading days prior to the announcement of the equity incentive plan
2025 Second Phase Share Option Incentive Scheme	Share Options	(i) RMB72.6 per share; or (ii) shall not be less than 75% of the average trading price of A Shares during the period of (A) 1 trading day or (B) 20, 60 or 120 trading days prior to the announcement of the equity incentive plan

11. *Adjustments*

Subject to other terms and conditions contained in the equity incentive plans, from the date of announcement of the relevant equity incentive plan until the completion of relevant registration or exercise by the incentive participants, the number of equity incentives granted and/or the exercise price shall be adjusted upon the occurrence of certain events, which include (as the case may be) (i) capitalisation of capital reserve, (ii) distribution of bonus shares, (iii) distribution of share dividends, (iv) share split, and (v) issue of shares or share consolidation.

SECTION IV SIGNIFICANT EVENTS

12. *Movements of Equity Incentive Plans during the Reporting Period*

As at June 30, 2026, the number of outstanding equity incentives granted under the equity incentive plans was 27,473,787 shares, representing 4.06% of the Company's issued shares as at the same date. The table below sets out details of the equity incentives granted as at June 30, 2026 under the equity incentive plans to all incentive participants.

Participants	Position	Share Incentive Plans	Date of Grant	Types of Share Incentives	Grant/ Exercise price (RMB per share)	Unvested/ Unexercised as at January 1, 2026 (shares)	Granted during the Reporting Period (shares)	Vested/ Exercised during the Reporting Period (shares)	Lapsed/ Cancelled during the Reporting Period (shares)	Adjusted during the Reporting Period (shares)	Unvested/ Unexercised as at June 30, 2026 (shares)	Closing price immediately before the grant date during the Reporting Period (RMB per share)	Fair value at the grant date during the Reporting Period (RMB per share)	Weighted average closing price immediately before the vesting/ exercise date during the Reporting Period (RMB per share)
Employees	Senior management, core management personnel and core technical (business) backbone	2021 Restricted Share Incentive Scheme	April 14, 2022	Restricted Shares	78.09	767,208	–	3,361	365,899	–	397,948	N/A	N/A	76.08
		2022 Stock Option Incentive Plan	August 17, 2022	Stock Options	78.09	1,669,497	–	–	333,899	–	1,335,598	N/A	N/A	N/A
		2023 Stock Option Incentive Plan	September 13, 2023	Stock Options	50.34	6,423,883	–	765,777	65,605	–	5,592,501	N/A	N/A	87.20
			August 29, 2024	Stock Options	44.26	2,296,218	–	176,645	94,188	–	2,025,385	N/A	N/A	85.70
		2025 Stock Option Incentive Plan	May 6, 2025	Stock Options	73.49	337,220	–	32,973	–	–	304,247	N/A	N/A	131.25
		2025 Second Tranche Stock Option Incentive Plan	June 11, 2025	Stock Options	55.49	13,207,220	–	1,788,972	151,840	–	11,266,408	N/A	N/A	135.68
		2025 Stock Option Incentive Plan	March 27, 2026	Stock Options	57.80	–	3,250,000	–	100	–	3,249,900	72.11	13.27	N/A
		2025 Second Tranche Stock Option Incentive Plan	March 27, 2026	Stock Options	57.80	–	3,302,000	–	200	–	3,301,800	72.11	13.27	N/A
Total						**24,701,246**	**6,552,000**	**2,767,728**	**1,011,731**	**–**	**27,473,787**			

Notes:

(1) None of the Directors, chief executives or substantial shareholders of the Company has been granted any restricted shares and/or share options under the share incentive plans of the Company.

(2) Individual grantees may be granted restricted shares and/or stock options under one or more Share Incentive plans.

(3) No employee grantee has individually been granted share incentives exceeding 1% of the issued shares of the Company.

SECTION IV SIGNIFICANT EVENTS

VI. EMPLOYEES

As at June 30, 2026, the Group had approximately 1,927 employees. During the Reporting Period, staff costs were RMB561,260,126.25.

The Company has established a comprehensive remuneration system based on compliance with relevant national laws and regulations, which aligns with the Company's long-term development strategy and values. Our employees' remuneration mainly comprises salaries, bonuses, social security contributions and other employee benefits. We participate in the housing provident fund and various employee social security schemes organized by the applicable local municipal and provincial governments, including housing, pension, medical, maternity, work-related injury and unemployment benefit plans, under which we make contributions in accordance with policy requirements. We have also purchased commercial accident insurance for our employees. According to the different stages of business development, the remuneration structure is continuously improved and optimized to enhance market competitiveness, thereby effectively attracting, retaining and motivating talent, and providing sufficient talent assurance for the achievement of business strategic objectives. The Company is also implementing multiple phases of A Share equity incentive plans to attract, retain and motivate talented employees.

The Company is committed to promoting the career development of its employees and has established a comprehensive training and development system. The Company provides a dual-track career development path to meet diverse career development needs. The Company's training system aims to empower employees at all stages of their careers, covering various technical training and specialized training for managers and recent graduates.

VII. INFORMATION RELATING TO BONDS

☐ Applicable ☑Not applicable

As of the end of the Reporting Period, the Group had not issued any debentures.

VIII. CONTINUING DISCLOSURE OBLIGATIONS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

1. Financial assistance and guarantees provided by the Company to affiliated companies

☐ Applicable ☑ Not applicable

During the Reporting Period, the Group did not provide financial assistance to or give guarantees for its affiliated companies where the amount exceeded 8% of the Group's total assets, and there were no circumstances requiring disclosure under Rules 13.16 and 13.22 of the Hong Kong Listing Rules.

2. Loans granted to an entity

☐ Applicable ☑ Not applicable

During the Reporting Period, the Group did not grant any loans to any entity where the amount exceeded 8% of the Group's total assets, and there were no loans requiring disclosure under Rules 13.13 and 13.20 of the Hong Kong Listing Rules.

SECTION IV SIGNIFICANT EVENTS

3. Pledge of shares by controlling shareholder

☐ Applicable ☑ Not applicable

During the Reporting Period, the controlling shareholder of the Company did not complete any pledge registration procedures for any shares of the Company held by it, and there was no instance of using the shares held to provide guarantees for the Company's debts, or to provide support for the Company's guarantee liabilities and other obligations.

4. Loan agreement contains conditions regarding specific obligations to be fulfilled by the controlling shareholder

☐ Applicable ☑ Not applicable

During the Reporting Period, the loan agreements entered into by the Group did not contain clauses imposing specific performance obligations on the controlling shareholder of the Company, and therefore there was no situation requiring disclosure under Rule 13.18 of the Hong Kong Listing Rules.

5. Company's breach of loan agreement

☐ Applicable ☑ Not applicable

During the Reporting Period, there were no breaches of loan agreements by the Group where the loans involved had a material impact on the Group's business operations.

6. Information on any guarantee regarding the financial performance of an acquired company or business

☐ Applicable ☑ Not applicable

During the Reporting Period, there was no guarantee on the financial performance of any acquired companies or businesses that was subject to the disclosure requirements under Rule 14.36B and/or Rule 14A.63 of the Hong Kong Listing Rules.

IX. INTERIM DIVIDENDS

The Company has resolved not to declare any interim dividend for the six months ended June 30, 2026 (no interim dividend was declared by the Company for the six months ended June 30, 2025).

X. REVIEW OF INTERIM REPORT

The Audit Committee of the Board of Directors of the Company has reviewed the unaudited interim report of the Group for the six months ended June 30, 2026, and considers that the 2026 interim report complies with applicable accounting standards and relevant laws and regulations, and that adequate disclosures have been made.

SECTION V FINANCIAL REPORT

I. AUDIT REPORT

Has the interim report been audited?

☐ Yes ☑ No

The Company's interim financial report is unaudited.

II. FINANCIAL STATEMENTS

The unit of the statements in the financial notes is: RMB

1. Consolidated Balance Sheet

Prepared by: SG Micro Corp

June 30, 2026

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	4,629,700,233.07	1,225,567,201.84
Provision for clearing		
Placements with banks and other financial institutions		
Financial assets held for trading	2,071,505,097.06	1,340,087,286.51
Derivative financial assets		
Bills receivable	722,242.04	1,118,255.87
Accounts receivable	450,159,887.46	361,712,052.30
Receivables financing	47,503.00	259,512.40
Prepayments	13,886,781.71	8,143,171.81
Premiums receivable		
Accounts receivable from reinsurance		
Reinsurance contract reserves receivable		
Other receivables	116,069,940.46	7,808,593.73
Including: Interest receivable		
Dividends receivable		
Financial assets held under resale agreements		
Inventories	1,677,078,919.35	1,448,216,300.11

SECTION V FINANCIAL REPORT

Item	Closing balance	Opening balance
Including: Data resources		
Contract assets	1,253,335.25	2,084,463.11
Held-for-sale assets		
Non-current assets due within one year	221,725,863.46	76,236,195.35
Other current assets	130,103,099.23	127,256,046.76
Total current assets	9,312,252,902.09	4,598,489,079.79
Non-current assets:		
Granted loans and advances		
Debt investment		
Other debt investments		
Long-term receivables		581,934.44
Long-term equity investments	570,341,552.18	555,363,553.93
Other equity instrument investments		
Other non-current financial assets	142,467,959.38	115,990,948.88
Investment properties		
Fixed assets	640,985,263.67	539,299,228.27
Construction in progress		
Productive biological assets		
Oil and gas properties		
Right-of-use assets	36,349,254.68	20,488,153.99
Intangible assets	98,949,132.86	97,974,059.48
Including: Data resources		
Development expenditure		
Including: Data resources		
Goodwill	352,409,055.69	301,276,849.48
Long-term deferred expenses	167,566,303.75	183,038,698.45
Deferred tax assets	180,355,279.49	151,263,827.36
Other non-current assets	267,796,010.25	390,383,330.91
Total non-current assets	2,457,219,811.95	2,355,660,585.19
Total assets	11,769,472,714.04	6,954,149,664.98

SECTION V FINANCIAL REPORT

Item	Closing balance	Opening balance
Current liabilities:		
Short-term borrowings	**452,449,323.74**	300,927,956.05
Borrowings from the central bank		
Placements from banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		
Bills payable		
Accounts payable	**477,231,980.37**	400,909,916.10
Receipts in advance		
Contract liabilities	**24,371,498.74**	18,389,108.03
Financial assets sold under repurchase agreements		
Deposits from customers and interbank deposits		
Accounts for securities trading on behalf of clients		
Accounts for underwriting securities on behalf of clients		
Employee benefits payable	**310,872,267.41**	339,818,792.55
Taxes payable	**36,314,089.16**	13,452,499.97
Other payables	**81,513,938.05**	50,859,715.83
Including: Interest payable		
Dividends payable	**6,292,664.40**	
Handling charges and commissions payable		
Reinsurance accounts payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	**69,105,461.64**	41,552,813.72
Other current liabilities	**81,884,310.84**	66,498,451.34
Total current liabilities	**1,533,742,869.95**	1,232,409,253.59
Non-current liabilities:		
Provision for insurance contracts		
Long-term borrowings	**34,916,976.22**	67,171,615.80
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	**16,868,845.20**	7,767,478.94

SECTION V FINANCIAL REPORT

Item	Closing balance	Opening balance
Long-term payables	190,619,188.86	187,998,972.45
Long-term employee benefits payable	15,581,850.88	8,702,722.22
Provisions		
Deferred income	95,610,796.98	68,194,807.33
Deferred tax liabilities	71,568,213.93	54,799,241.17
Other non-current liabilities		
Total non-current liabilities	425,165,872.07	394,634,837.91
Total liabilities	1,958,908,742.02	1,627,044,091.50
Owners' equity:		
Share capital	676,907,572.00	620,063,014.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	5,627,150,471.40	1,486,937,757.36
Less: Treasury shares		
Other comprehensive income	6,559,121.42	20,307,958.10
Specific reserve		
Surplus reserve	291,430,737.90	291,430,737.90
General risk reserve		
Retained earnings	3,171,826,012.44	2,875,645,539.61
Total equity attributable to owners of the parent company	9,773,873,915.16	5,294,385,006.97
Non-controlling interests	36,690,056.86	32,720,566.51
Total owners' equity	9,810,563,972.02	5,327,105,573.48
Total liabilities and owners' equity	11,769,472,714.04	6,954,149,664.98

Legal Representative: Zhang Shilong   Person in charge of accounting: Zhang Xuan   Head of accounting department: Zhang Xuan

SECTION V FINANCIAL REPORT

2. Balance Sheet of the Parent Company

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	**4,350,195,086.82**	803,006,779.98
Financial assets held for trading	**1,925,495,307.55**	1,242,017,525.96
Derivative financial assets		
Bills receivable		
Accounts receivable	**441,760,329.64**	346,002,689.85
Receivables financing		
Prepayments	**60,641,216.08**	21,055,392.93
Other receivables	**283,566,993.50**	104,248,794.20
Including: Interest receivable		
Dividends receivable		56,230,400.00
Inventories	**1,304,038,971.22**	1,226,958,929.90
Including: Data resources		
Contract assets		
Held-for-sale assets		
Non-current assets due within one year	**221,339,223.67**	75,358,649.02
Other current assets	**81,300,029.34**	78,204,736.71
Total current assets	**8,668,337,157.82**	3,896,853,498.55
Non-current assets:		
Debt investment		
Other debt investments		
Long-term receivables		
Long-term equity investments	**1,646,578,487.34**	1,502,566,819.65
Other equity instrument investments		
Other non-current financial assets	**137,588,775.01**	104,566,858.26
Investment properties	**140,739,985.98**	143,406,172.09
Fixed assets	**234,535,557.78**	130,066,704.07
Construction in progress		
Productive biological assets		

SECTION V FINANCIAL REPORT

Item	Closing balance	Opening balance
Oil and gas properties		
Right-of-use assets	15,963,525.15	5,606,560.53
Intangible assets	40,259,806.61	44,173,478.64
Including: Data resources		
Development expenditure		
Including: Data resources		
Goodwill	75,615,960.54	24,483,754.33
Long-term deferred expenses	135,843,537.83	159,124,980.70
Deferred tax assets	200,346,716.36	171,255,264.23
Other non-current assets	257,803,023.87	385,880,225.12
Total non-current assets	2,885,275,376.47	2,671,130,817.62
Total assets	11,553,612,534.29	6,567,984,316.17
Current liabilities:		
Short-term borrowings	452,449,323.74	300,927,956.05
Financial liabilities held for trading		
Derivative financial liabilities		
Bills payable		
Accounts payable	490,204,350.68	372,742,363.25
Receipts in advance		
Contract liabilities	3,483,162.75	7,899,133.34
Employee benefits payable	147,236,224.44	155,848,777.81
Taxes payable	27,323,932.09	3,507,601.37
Other payables	458,018,138.80	268,747,699.71
Including: Interest payable		
Dividends payable	6,292,664.40	
Held-for-sale liabilities		
Non-current liabilities due within one year	10,705,143.85	3,926,206.69
Other current liabilities	36,953,305.44	16,026,963.68
Total current liabilities	1,626,373,581.79	1,129,626,701.90

SECTION V FINANCIAL REPORT

Item	Closing balance	Opening balance
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	5,306,048.39	1,669,852.33
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income	74,321,192.57	47,841,992.76
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	79,627,240.96	49,511,845.09
Total liabilities	1,706,000,822.75	1,179,138,546.99
Owners' equity:		
Share capital	676,907,572.00	620,063,014.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	5,838,260,888.05	1,703,093,422.26
Less: Treasury shares		
Other comprehensive income	44,429.59	122,282.50
Specific reserve		
Surplus reserve	291,430,737.90	291,430,737.90
Retained earnings	3,040,968,084.00	2,774,136,312.52
Total owners' equity	9,847,611,711.54	5,388,845,769.18
Total liabilities and owners' equity	11,553,612,534.29	6,567,984,316.17

SECTION V FINANCIAL REPORT

3. Consolidated Income Statement

Unit: RMB

Item	For the six months ended June 30, 2026	For the six months ended June 30, 2025
I. Total operating income	2,595,425,649.90	1,818,780,295.23
Including: Operating revenue	2,595,425,649.90	1,818,780,295.23
Interest income		
Premiums earned		
Fee and commission income		
II. Total operating costs	2,137,259,211.09	1,603,889,122.96
Including: Operating costs	1,249,972,728.03	906,450,527.19
Interest expense		
Fee and commission expenses		
Payments on surrender		
Net claims incurred		
Net change in insurance contract reserves		
Policy dividend payout		
Reinsurance expenses		
Taxes and surcharges	7,657,578.62	8,371,512.70
Selling expenses	167,373,250.18	131,594,566.23
General and administrative expenses	73,064,409.76	59,902,664.54
R&D expenses	616,943,199.10	507,521,190.33
Financial expenses	22,248,045.40	-9,951,338.03
Including: Interest expense	8,497,598.17	2,094,376.84
Interest income	15,671,120.57	12,545,329.18
Add: Other income	28,456,698.89	38,839,334.39
Investment income (losses indicated with "-")	16,822,450.07	42,414,038.59
Including: Investment income from associates and joint ventures	14,294,134.24	3,059,328.71
Gains on derecognition of financial assets measured at amortized cost		
Exchange gains (losses indicated with "-")		
Gains on net exposure hedges (losses indicated with "-")		
Gains from changes in fair value (losses indicated with "-")	44,483,076.27	14,011,767.58
Credit impairment losses (losses indicated with "-")	-1,177,734.45	-546,700.29
Asset impairment losses (losses indicated with "-")	-107,828,525.83	-84,490,778.76
Gains on disposal of assets (losses indicated with "-")	125,317.34	1,008,696.39

SECTION V FINANCIAL REPORT

Item	For the six months ended June 30, 2026	For the six months ended June 30, 2025
III. Operating profit (losses indicated with "-")	439,047,721.10	226,127,530.17
Add: Non-operating income	107,464.60	59,021.46
Less: Non-operating expenses	605,438.90	272,343.83
IV. Total profit (total loss indicated with "-")	438,549,746.80	225,914,207.80
Less: Income tax expense	16,808,464.28	32,241,900.56
V. Net profit (net loss indicated with "-")	421,741,282.52	193,672,307.24
(i) By continuity of operations		
1. Net profit from continuing operations (net loss indicated with "-")	421,741,282.52	193,672,307.24
2. Net profit from discontinued operations (net loss indicated with "-")		
(ii) By attribution of ownership		
1. Net profit attributable to owners of the parent company (net loss indicated with "-")	420,315,413.23	200,839,149.29
2. Profit or loss attributable to non-controlling interests (net loss indicated with "-")	1,425,869.29	-7,166,842.05
VI. Other comprehensive income, net of tax	-13,748,836.68	-1,604,645.43
Other comprehensive income, net of tax, attributable to owners of the parent company	-13,748,836.68	-1,604,645.43
(I) Other comprehensive income that will not be reclassified to profit or loss		
1. Changes arising from remeasurement of defined benefit plans		
2. Other comprehensive income that will not be reclassified to profit or loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value arising from the entity's own credit risk		
5. Other		

SECTION V FINANCIAL REPORT

Item	For the six months ended June 30, 2026	For the six months ended June 30, 2025
(II) Other comprehensive income that will be reclassified to profit or loss	-13,748,836.68	-1,604,645.43
1. Other comprehensive income that may be reclassified to profit or loss under the equity method	-77,852.91	-119,821.79
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedge reserve		
6. Exchange differences on translation of foreign currency financial statements	-13,670,983.77	-1,484,823.64
7. Others		
Other comprehensive income, net of tax, attributable to non-controlling interests		
VII. Total comprehensive income	407,992,445.84	192,067,661.81
Total comprehensive income attributable to owners of the parent company	406,566,576.55	199,234,503.86
Total comprehensive income attributable to non-controlling interests	1,425,869.29	-7,166,842.05
VIII. Earnings per share:		
(I) Basic earnings per share	0.6775	0.3258
(II) Diluted earnings per share	0.6667	0.3221

For business combinations under common control that occurred in the current period, the net profit realized by the acquiree before the combination was RMB0.00, and the net profit realized by the acquiree in the previous period was RMB0.00.

Legal Representative:	Person in charge of accounting:	Head of accounting department:
Zhang Shilong	Zhang Xuan	Zhang Xuan

SECTION V FINANCIAL REPORT

4. Income Statement of the Parent Company

Unit: RMB

Item	For the six months ended June 30, 2026	For the six months ended June 30, 2025
I. Operating revenue	2,307,599,519.44	1,680,707,445.31
Less: Operating cost	1,232,955,114.11	878,334,141.00
Taxes and surcharges	5,306,773.13	6,809,751.66
Selling expenses	133,632,247.26	104,970,341.63
General and administrative expenses	46,757,876.78	36,823,965.20
R&D expenses	457,363,757.32	410,264,347.69
Financial expenses	21,014,762.83	-9,993,885.60
Including: Interest expense	4,635,287.32	306,321.89
Interest income	12,008,439.96	10,052,639.50
Add: Other income	19,321,663.58	28,465,492.33
Investment income (losses indicated with "-")	15,994,988.78	15,180,682.18
Including: Investment income from associates and joint ventures	14,294,134.24	3,059,328.71
Gains on derecognition of financial assets measured at amortized cost		
Gains on net exposure hedges (losses indicated with "-")		
Gains from changes in fair value (losses indicated with "-")	46,505,148.05	4,882,877.98
Credit impairment losses (losses indicated with "-")	-6,994,010.67	-3,241,492.13
Asset impairment losses (losses indicated with "-")	-94,463,233.75	-79,495,811.31
Gains on disposal of assets (losses indicated with "-")	15,568.22	902,988.84

SECTION V FINANCIAL REPORT

Item	For the six months ended June 30, 2026	For the six months ended June 30, 2025
II. Operating profit (loss indicated with "-")	**390,949,112.22**	220,193,521.62
Add: Non-operating income	**97,464.60**	42,469.86
Less: Non-operating expenses	**101,541.98**	240,700.19
III. Total profit (total loss indicated with "-")	**390,945,034.84**	219,995,291.29
Less: Income tax expense	**-21,677.04**	21,724,410.22
IV. Net profit (net loss indicated with "-")	**390,966,711.88**	198,270,881.07
(I) Net profit from continuing operations (net loss indicated with "-")	**390,966,711.88**	198,270,881.07
(II)Net profit from discontinued operations (net loss indicated with "-")		
V. Other comprehensive income, net of tax	**-77,852.91**	-119,821.79
(I) Other comprehensive income that will not be reclassified to profit or loss		
1. Changes arising from remeasurement of defined benefit plans		
2. Other comprehensive income that will not be reclassified to profit or loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value arising from the entity's own credit risk		
5. Other		
(II) Other comprehensive income that will be reclassified to profit or loss	**-77,852.91**	-119,821.79
1. Other comprehensive income that may be reclassified to profit or loss under the equity method	**-77,852.91**	-119,821.79
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedge reserve		
6. Exchange differences on translation of foreign currency financial statements		
7. Others		
VI. Total comprehensive income	**390,888,858.97**	198,151,059.28
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

SECTION V FINANCIAL REPORT

5. Consolidated Cash Flow Statement

Unit: RMB

Item	For the six months ended June 30, 2026	For the six months ended June 30, 2025
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	**2,715,658,618.50**	1,916,026,615.20
Net increase in deposits from customers and placements from other banks and financial institutions		
Net increase in borrowings from the central bank		
Net increase in placements from other financial institutions		
Cash received from premiums of original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits and investments from policyholders		
Cash received from interest, fees and commissions		
Net increase in funds borrowed		
Net increase in funds from repurchase transactions		
Net cash received from acting as an agent in trading of securities		
Tax refunds received	**64,302,770.35**	74,344,367.86
Other cash receipts relating to operating activities	**87,813,036.44**	48,983,378.69
Subtotal of cash inflows from operating activities	**2,867,774,425.29**	2,039,354,361.75
Cash paid for goods and services	**1,703,894,730.80**	1,059,485,597.01
Net increase in loans and advances to customers		
Net increase in deposits with the central bank and placements with other banks and financial institutions		
Cash paid for claims of original insurance contracts		
Net increase in funds lent		
Cash paid for interest, fees and commissions		
Cash paid for policy dividends		
Cash paid to and for employees	**610,642,526.52**	547,257,289.26
Taxes and levies paid	**23,587,550.48**	29,447,369.02
Other cash payments relating to operating activities	**147,791,451.77**	163,430,855.38
Subtotal of cash outflows from operating activities	**2,485,916,259.57**	1,799,621,110.67
Net cash flow from operating activities	**381,858,165.72**	239,733,251.08

SECTION V FINANCIAL REPORT

Item	For the six months ended June 30, 2026	For the six months ended June 30, 2025
II. Cash flows from investing activities:		
Cash received from return of investments	3,252,297.79	28,799,295.03
Cash received from investment income	2,668,548.66	28,837,026.90
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	262,304.38	2,154,364.11
Net cash received from disposal of subsidiaries and other business units		
Other cash receipts relating to investing activities	2,818,965,140.05	1,831,865,560.62
Subtotal of cash inflows from investing activities	2,825,148,290.88	1,891,656,246.66
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	178,626,345.38	114,931,634.36
Cash paid for investment		
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business units	52,560,048.16	160,627,479.93
Other cash payments relating to investing activities	3,521,459,950.00	1,666,000,000.00
Subtotal of cash outflows from investing activities	3,752,646,343.54	1,941,559,114.29
Net cash flow from investing activities	-927,498,052.66	-49,902,867.63
III. Cash flows from financing activities:		
Cash received from investments	3,995,091,080.44	119,486,220.96
Including: Cash received from investments in a subsidiary by non-controlling shareholders		
Cash received from borrowings	155,256,040.34	20,081,050.72
Other cash receipts relating to financing activities		
Subtotal of cash inflows from financing activities	4,150,347,120.78	139,567,271.68
Cash repayments of borrowings	14,966,281.92	
Cash paid for distribution of dividends or profits, or for interest payments	123,633,035.51	91,575,747.00
Including: Dividends and profits paid by subsidiaries to non-controlling interests		
Other cash payments relating to financing activities	18,844,486.48	13,707,079.91
Subtotal of cash outflows from financing activities	157,443,803.91	105,282,826.91
Net cash flows from financing activities	3,992,903,316.87	34,284,444.77
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-43,846,442.30	-570,258.44
V. Net increase in cash and cash equivalents	3,403,416,987.63	223,544,569.78
Add: Cash and cash equivalents at the beginning of the period	1,181,027,531.84	813,194,427.13
VI. Cash and cash equivalents at the end of the period	4,584,444,519.47	1,036,738,996.91

SECTION V FINANCIAL REPORT

6. Cash Flow Statement of the Parent Company

Unit: RMB

Item	For the six months ended June 30, 2026	For the six months ended June 30, 2025
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	2,361,172,775.06	1,810,237,514.76
Tax refunds received	64,302,770.35	73,082,795.25
Other cash receipts relating to operating activities	78,843,362.21	39,333,734.79
Subtotal of cash inflows from operating activities	2,504,318,907.62	1,922,654,044.80
Cash paid for goods and services	1,354,579,938.58	1,014,171,132.66
Cash paid to and for employees	179,082,018.83	241,505,929.10
Taxes and levies paid	6,034,876.51	18,914,189.96
Other cash payments relating to operating activities	436,405,247.84	373,492,125.45
Subtotal of cash outflows from operating activities	1,976,102,081.76	1,648,083,377.17
Net cash flow from operating activities	528,216,825.86	274,570,667.63
II. Cash flows from investing activities:		
Cash received from return of investments		
Cash received from investment income	58,556,984.99	40,851,104.62
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	15,568.22	
Net cash received from disposal of subsidiaries and other business units		9,666,654.88
Other cash receipts relating to investing activities	2,700,061,970.82	1,519,701,797.37
Subtotal of cash inflows from investing activities	2,758,634,524.03	1,570,219,556.87
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	133,378,919.38	76,592,083.89
Cash paid for investment		90,000,001.00
Net cash paid for acquisition of subsidiaries and other business units	118,560,048.16	161,688,678.08
Other cash payments relating to investing activities	3,478,240,746.97	1,315,000,000.00
Subtotal of cash outflows from investing activities	3,730,179,714.51	1,643,280,762.97
Net cash flow from investing activities	-971,545,190.48	-73,061,206.10

SECTION V FINANCIAL REPORT

Item	For the six months ended June 30, 2026	For the six months ended June 30, 2025
III. Cash flows from financing activities:		
Cash received from investments	**3,995,091,080.44**	119,486,220.96
Cash received from borrowings	**151,407,315.34**	
Other cash receipts relating to financing activities		
Subtotal of cash inflows from financing activities	**4,146,498,395.78**	119,486,220.96
Cash repayments of borrowings		
Cash paid for distribution of dividends or profits, or for interest payments	**122,363,510.97**	90,221,095.00
Other cash payments relating to financing activities	**13,054,195.96**	5,322,611.22
Subtotal of cash outflows from financing activities	**135,417,706.93**	95,543,706.22
Net cash flows from financing activities	**4,011,080,688.85**	23,942,514.74
IV. Effect of foreign exchange rate changes on cash and cash equivalents	**-21,220,221.89**	1,111,607.81
V. Net increase in cash and cash equivalents	**3,546,532,102.34**	226,563,584.08
Add: Cash and cash equivalents at the beginning of the period	**758,756,593.22**	387,515,863.67
VI. Cash and cash equivalents at the end of the period	**4,305,288,695.56**	614,079,447.75

SECTION V FINANCIAL REPORT

7. Consolidated Statement of Changes in Owners' Equity

Amount for the current period

Unit: RMB

Item	For the six months ended June 30, 2026														
	Equity attributable to owners of the parent company														
		Other equity instruments													
	Share capital	Preference shares	Perpetual bonds	Other	Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings	Other	Subtotal	Non-controlling interests	Total owners' equity
I. Closing balance of the last year	620,063,014.00				1,486,937,757.36		20,307,958.10		291,430,737.90		2,875,645,539.61		5,294,385,006.97	32,720,566.51	5,327,105,573.48
Add: Changes in accounting policies															
Correction of prior period errors															
Other															
II. Opening balance	620,063,014.00				1,486,937,757.36		20,307,958.10		291,430,737.90		2,875,645,539.61		5,294,385,006.97	32,720,566.51	5,327,105,573.48
III. Increase or decrease in the current period (decrease indicated with "-")	56,844,558.00				4,140,212,714.04		-13,748,836.68				296,180,472.83		4,479,488,908.19	3,969,490.35	4,483,458,398.54
(I) Total comprehensive income							-13,748,836.68				420,315,413.23		406,566,576.55	1,425,869.29	407,992,445.84
(II) Capital contributed and reduced by owners	56,844,558.00				4,137,235,206.48								4,194,079,764.48	2,543,621.06	4,196,623,385.54
1. Ordinary shares contributed by owners	56,844,558.00				4,011,767,623.67								4,068,612,181.67		4,068,612,181.67
2. Capital contributed by holders of other equity instruments															
3. Amount of share-based payments included in owners' equity					96,397,807.72								96,397,807.72	2,543,621.06	98,941,428.78
4. Other					29,069,775.09								29,069,775.09		29,069,775.09
(III) Profit distribution											-124,134,940.40		-124,134,940.40		-124,134,940.40
1. Appropriation to surplus reserve															

SECTION V FINANCIAL REPORT

Item	For the six months ended June 30, 2026														
	Equity attributable to owners of the parent company														
		Other equity instruments													
	Share capital	Preference shares	Perpetual bonds	Other	Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings	Other	Subtotal	Non-controlling interests	Total owners' equity
2. Appropriation to general risk reserve															
3. Distributions to owners (or shareholders)											-124,134,940.40		-124,134,940.40		-124,134,940.40
4. Other															
(IV) Internal transfer within owners' equity															
1. Capitalization of capital reserve (or share capital)															
2. Capitalization of surplus reserve (or share capital)															
3. Making up losses with surplus reserve															
4. Transfer of changes in defined benefit plans to retained earnings															
5. Transfer of other comprehensive income to retained earnings															
6. Other															
(V) Specific reserve															
1. Appropriation for the current period															
2. Use in the current period															
(VI) Other					2,977,507.56								2,977,507.56		2,977,507.56
IV. Closing balance	676,907,572.00				5,627,150,471.40		6,559,121.42		291,430,737.90		3,171,826,012.44		9,773,873,915.16	36,690,056.86	9,810,563,972.02

SECTION V FINANCIAL REPORT

Amount for the last year

Unit: RMB

For the six months ended June 30, 2025

Item	Equity attributable to owners of the parent company														
	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Other	Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings	Other	Subtotal	Non-controlling interests	Total owners' equity
I. Closing balance of the last year	473,449,595.00				1,390,631,625.41		30,066,782.25		236,724,797.50		2,478,353,682.04		4,609,226,482.20	-9,967,373.19	4,599,259,109.01
Add: Changes in accounting policies															
Correction of prior period errors															
Other															
II. Opening balance	473,449,595.00				1,390,631,625.41		30,066,782.25		236,724,797.50		2,478,353,682.04		4,609,226,482.20	-9,967,373.19	4,599,259,109.01
III. Increase or decrease in the current period (decrease indicated with "-")	144,438,879.00				-139,899,274.47		-1,604,645.43				105,777,543.29		108,712,502.39	37,491,409.68	146,203,912.07
(I) Total comprehensive income							-1,604,645.43				200,839,149.29		199,234,503.86	-7,166,842.05	192,067,661.81
(II) Capital contributed and reduced by owners	1,846,470.00				-2,425,018.26								-578,548.26		-578,548.26
1. Ordinary shares contributed by owners	1,846,470.00				117,639,750.96								119,486,220.96		119,486,220.96
2. Capital contributed by holders of other equity instruments															
3. Amount of share-based payments included in owners' equity					47,532,883.47								47,532,883.47		47,532,883.47
4. Other					-167,597,652.69								-167,597,652.69		-167,597,652.69
(III) Profit distribution											-95,061,606.00		-95,061,606.00		-95,061,606.00
1. Appropriation to surplus reserve															
2. Appropriation to general risk reserve															

For the six months ended June 30, 2025

Item	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Other	Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings	Other	Subtotal	Non-controlling interests	Total owners' equity
	Equity attributable to owners of the parent company														
3. Distributions to owners (or shareholders)											-95,061,606.00		-95,061,606.00		-95,061,606.00
4. Other															
(IV) Internal transfer within owners' equity	142,592,409.00				-142,592,409.00										
1. Capitalization of capital reserve (or share capital)	142,592,409.00				-142,592,409.00										
2. Capitalization of surplus reserve (or share capital)															
3. Making up losses with surplus reserve															
4. Transfer of changes in defined benefit plans to retained earnings															
5. Transfer of other comprehensive income to retained earnings															
6. Other															
(V) Specific reserve															
1. Appropriation for the current period															
2. Use in the current period															
(VI) Other					5,118,152.79								5,118,152.79	44,658,251.73	49,776,404.52
IV. Closing balance	617,888,474.00				1,250,732,350.94		28,462,136.82		236,724,797.50		2,584,131,225.33		4,717,938,984.59	27,524,036.49	4,745,463,021.08

8. Statement of Changes in Owners' Equity of the Parent Company

Amount for the current period

Unit: RMB

Item	For the six months ended June 30, 2026											
		Other equity instruments				Less:	Other					
	Share capital	Preference shares	Perpetual bonds	Other	Capital reserve	Treasury shares	comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Other	Total owners' equity
I. Closing balance of the last year	620,063,014.00				1,703,093,422.26		122,282.50		291,430,737.90	2,774,136,312.52		5,388,845,769.18
Add: Changes in accounting policies												
Correction of prior period errors												
Other												
II. Opening balance	620,063,014.00				1,703,093,422.26		122,282.50		291,430,737.90	2,774,136,312.52		5,388,845,769.18
III. Increase or decrease in the current period (decrease indicated with "-")	56,844,558.00				4,135,167,465.79		-77,852.91			266,831,771.48		4,458,765,942.36
(I) Total comprehensive income							-77,852.91			390,966,711.88		390,888,858.97
(II) Capital contributed and reduced by owners	56,844,558.00				4,132,189,958.23							4,189,034,516.23
1. Ordinary shares contributed by owners	56,844,558.00				4,011,767,623.67							4,068,612,181.67
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payments included in owners' equity					91,352,559.47							91,352,559.47
4. Other					29,069,775.09							29,069,775.09
(III) Profit distribution										-124,134,940.40		-124,134,940.40
1. Appropriation to surplus reserve												
2. Distributions to owners (or shareholders)										-124,134,940.40		-124,134,940.40
3. Other												

Item	For the six months ended June 30, 2026											
		Other equity instruments				Less:	Other					
	Share capital	Preference shares	Perpetual bonds	Other	Capital reserve	Treasury shares	comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Other	Total owners' equity
(IV) Internal transfer within owners' equity												
1. Capitalization of capital reserve (or share capital)												
2. Capitalization of surplus reserve (or share capital)												
3. Making up losses with surplus reserve												
4. Transfer of changes in defined benefit plans to retained earnings												
5. Transfer of other comprehensive income to retained earnings												
6. Other												
(V) Specific reserve												
1. Appropriation for the current period												
2. Use in the current period												
(VI) Other					2,977,507.56							2,977,507.56
IV. Closing balance	676,907,572.00				5,838,260,888.05		44,429.59		291,430,737.90	3,040,968,084.00		9,847,611,711.54

SECTION V FINANCIAL REPORT

Amount for the previous period

Unit: RMB

Item	For the six months ended June 30, 2025											
		Other equity instruments										
	Share capital	Preference shares	Perpetual bonds	Other	Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Other	Total owners' equity
I. Closing balance of the last year	473,449,595.00				1,446,336,566.22		240,513.64		236,724,797.50	2,462,173,617.96		4,618,925,090.32
Add: Changes in accounting policies												
Correction of prior period errors												
Other												
II. Opening balance	473,449,595.00				1,446,336,566.22		240,513.64		236,724,797.50	2,462,173,617.96		4,618,925,090.32
III. Increase or decrease in the current period (decrease indicated with "-")	144,438,879.00				-116,402,233.71		-119,821.79			103,209,275.07		131,126,098.57
(I) Total comprehensive income							-119,821.79			198,270,881.07		198,151,059.28
(II) Capital contributed and reduced by owners	1,846,470.00				21,072,022.50							22,918,492.50
1. Ordinary shares contributed by owners	1,846,470.00				117,639,750.96							119,486,220.96
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payments included in owners' equity					33,282,856.85							33,282,856.85
4. Other					-129,850,585.31							-129,850,585.31
(III) Profit distribution										-95,061,606.00		-95,061,606.00
1. Appropriation to surplus reserve												
2. Distributions to owners (or shareholders)										-95,061,606.00		-95,061,606.00
3. Other												

For the six months ended June 30, 2025

Item	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Other	Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Other	Total owners' equity
(IV) Internal transfer within owners' equity	142,592,409.00				-142,592,409.00							
1. Capitalization of capital reserve (or share capital)	142,592,409.00				-142,592,409.00							
2. Capitalization of surplus reserve (or share capital)												
3. Making up losses with surplus reserve												
4. Transfer of changes in defined benefit plans to retained earnings												
5. Transfer of other comprehensive income to retained earnings												
6. Other												
(V) Specific reserve												
1. Appropriation for the current period												
2. Use in the current period												
(VI) Other					5,118,152.79							5,118,152.79
IV. Closing balance	617,888,474.00				1,329,934,332.51		120,691.85		236,724,797.50	2,565,382,893.03		4,750,051,188.89

SECTION V FINANCIAL REPORT

III. COMPANY PROFILE

SG Micro Corp is a joint stock company incorporated in Beijing, the People's Republic of China, on January 26, 2007, with its headquarters located at 11/F, No. 87 West 3rd Ring North Road, Haidian District, Beijing.

The Company was listed and commenced trading on the ChiNext of the Shenzhen Stock Exchange on June 6, 2017, and was listed and commenced trading on the Main Board of the Hong Kong Stock Exchange on June 26, 2026.

The Company's principal business activities are: research and development, entrusted manufacturing of integrated circuit products, electronic products, and software; sales of self-produced products; wholesale of integrated circuit products, electronic products, and software; manufacturing of electronic components; provision of technology development, technology transfer, technology consulting, and technical training; and import and export of technology and goods. Primary products of the Company comprise signal chain analog ICs, power management analog ICs, sensors and memories, etc..

The actual controller of the Company is Zhang Shilong.

These financial statement were approved for issue by the Company's Board of Directors on August 28, 2026.

IV. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of Preparation

These financial statements have been prepared in accordance with the "Accounting Standards for Business Enterprises – Basic Standard" promulgated by the Ministry of Finance, and the specific accounting standards, interpretations, and other relevant regulations subsequently promulgated and revised (collectively "Accounting Standards for Business Enterprises"). In addition, these financial statements also disclose relevant financial information in accordance with the "Rules for the Compilation and Reporting of Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reports".

2. Going Concern

These financial statements have been prepared on a going concern basis.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Notice on specific accounting policies and accounting estimates:

The Group has formulated specific accounting policies and accounting estimates based on the actual characteristics of its production and operation, which are mainly reflected in depreciation of fixed assets, amortization of intangible assets, capitalisation conditions for research and development expenses, and revenue recognition policies, among others.

1. Statement on compliance with the accounting standards for business enterprises

The financial statements have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, and present truly and completely the financial position of the Company and the Group as of June 30, 2026, and the results of their operations and cash flows for the first half of 2026.

2. Accounting period

The accounting year of the Group is the calendar year, i.e. from January 1 to December 31 each year.

3. Operating cycle

The operating cycle of the Group is 12 months, which is the basis for distinguishing liquidity of assets and liabilities.

4. Functional currency

The functional currency of the Company and the currency used for the preparation of these financial statements are both Renminbi. Unless otherwise specified, all amounts are expressed in Renminbi Yuan.

The Group and its subsidiaries and associates choose their recording currency on the basis of the primary economic environment in which they operate, and foreign currencies are translated into RMB when preparing financial statements.

5. Method for determining materiality criteria and basis for selection

☑ Applicable ☐ Not applicable

Item	Materiality Standard
Significant associates	An enterprise whose book value accounts for more than 5% of the total assets in the consolidated financial statements, or whose investment income (loss calculated in absolute amount) from associates accounts for more than 10% of the net profit in the consolidated financial statements.
Significant prepayments aged over 1 year	Amounts exceeding RMB5 million for a single item.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Method for determining materiality criteria and basis for selection (Continued)

Item	Materiality Standard
Significant accounts payable aged over 1 year	Accounts payable – items with a single amount exceeding RMB10 million; other payables – items with a single amount exceeding RMB5 million.
Important construction in progress	Projects with an opening or closing balance of more than RMB10 million.
Significant Investment Activities Cash flows	A single investment activity accounts for 10% of the total amount of relevant activities and the amount exceeds RMB50,000,000.
Major non-wholly-owned subsidiaries	A subsidiary whose total revenue or total assets exceed 15% of the consolidated total revenue or consolidated total assets.

6. Accounting treatment for business combinations involving entities under common control and not under common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations involving enterprises not under common control.

(1) *Business combinations involving entities under common control*

A business combination under common control is a business combination in which all the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. Assets and liabilities acquired by the combining party in a business combination under common control (including goodwill formed by the ultimate controlling party's acquisition of the combined party) shall be accounted for based on their carrying amounts in the ultimate controlling party's financial statements at the combination date. The difference between the carrying amount of the net assets acquired by the combining party and the carrying amount of the merger consideration paid (or the total par value of shares issued) shall be adjusted against the share premium in the capital reserve; if the share premium is insufficient to offset the difference, retained earnings shall be adjusted.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Accounting treatment for business combinations involving entities under common control and not under common control (Continued)

(2) Business combinations involving entities not under common control

A business combination not involving enterprises under common control is a business combination in which the combining enterprises are not ultimately controlled by the same party or parties before and after the combination. The identifiable assets, liabilities, and contingent liabilities of the acquiree obtained in a business combination not under common control are measured at fair value on the acquisition date. The excess of the acquisition cost over the fair value of the identifiable net assets acquired from the acquiree in a business combination shall be recognized as goodwill and subsequently measured at cost less accumulated impairment losses. If the cost of combination is less than the fair value share of the identifiable net assets of the acquiree obtained in the combination, the measurement of the fair value of each identifiable asset, liability, and contingent liability of the acquiree and the cost of combination shall be reviewed. If, after review, the cost of combination is still less than the fair value share of the identifiable net assets of the acquiree obtained in the combination, the difference shall be recognized in profit or loss for the current period.

(3) Treatment of transaction costs in a business combination

The intermediary expenses (fees in respect of auditing, legal services, valuation and consultancy services, etc.) and other related administrative expenses incurred for a business combination are recognized in profit or loss in the periods when they are incurred. The transaction costs of equity or debt securities issued as consideration for a business combination shall be included in the initial recognition amount of the equity or debt securities.

7. Criteria for determining control and method of preparing consolidated financial statements

(1) Criteria for determining control

The scope of consolidation for the consolidated financial statements is determined on the basis of control, and includes the financial statements of the Company and all its subsidiaries. A subsidiary is an entity that is controlled by the Company (including an enterprise, a divisible part of an investee, and a structured entity that is controlled by the Company). An investor controls an investee if, and only if, the investor possesses the following three elements: the investor has power over the investee; the investor is exposed to, or has rights to, variable returns from its involvement with the investee; and the investor has the ability to use its power over the investee to affect the amount of the investor’s returns.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Criteria for determining control and method of preparing consolidated financial statements (Continued)

(2) Method of preparing consolidated financial statements

In preparing consolidated financial statements, if the accounting policies or accounting periods adopted by a subsidiary are different from those of the Company, the necessary adjustments are made to the financial statements of the subsidiary in accordance with the Company's accounting policies and accounting periods. All assets, liabilities, equity, income, expenses and cash flows arising from transactions between companies within the Group are eliminated in full upon consolidation.

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

For subsidiaries acquired through business combinations not under common control, the operating results and cash flows of the acquiree are included in the consolidated financial statements from the date on which the Group obtains control until the date on which the Group ceases to have control over it. When preparing consolidated financial statements, the financial statements of subsidiaries are adjusted based on the fair values of identifiable assets, liabilities, and contingent liabilities determined at the acquisition date.

For subsidiaries acquired through a business combination under common control, the operating results and cash flows of the acquiree are included in the consolidated financial statements from the beginning of the period of combination. When preparing comparative consolidated financial statements, adjustments shall be made to the relevant items in the financial statements for the prior period, as if the reporting entity formed upon the combination has been in existence since the ultimate controlling party commenced control.

If changes in relevant facts and circumstances lead to changes in one or more of the elements of control, the Group reassesses whether it controls the investee.

Changes in non-controlling interests without loss of control are treated as equity transactions.

The difference between the cost of a newly acquired long-term equity investment due to the purchase of a minority interest and the share of the subsidiary's net assets continuously calculated from the acquisition date or consolidation date based on the newly increased shareholding percentage, and the difference between the disposal proceeds obtained from a partial disposal of an equity investment in a subsidiary without losing control and the share of the subsidiary's net assets continuously calculated from the acquisition date or consolidation date corresponding to the disposed long-term equity investment, shall both be adjusted against capital reserve (share premium/capital premium) in the consolidated balance sheet. If the capital reserve is insufficient to absorb the adjustment, retained earnings shall be adjusted.

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Criteria for determining control and method of preparing consolidated financial statements (Continued)

(2) Method of preparing consolidated financial statements (Continued)

If control over an original subsidiary is lost due to the disposal of part of an equity investment or other reasons, the remaining equity interest shall be remeasured at its fair value on the date control is lost; the sum of the consideration received from the disposal of the equity interest and the fair value of the remaining equity interest, less the sum of the share of the carrying amount of the net assets of the original subsidiary continuously calculated from the acquisition date based on the original shareholding proportion and goodwill, shall be recognized as investment income for the period in which control is lost.

Other comprehensive income related to equity investments in original subsidiaries shall be accounted for upon loss of control on the same basis as the direct disposal of related assets or liabilities of the original subsidiary, and other changes in owners' equity related to the original subsidiary under the equity method of accounting shall be transferred to profit or loss for the current period upon loss of control.

8. Classification of joint arrangements and accounting treatment methods for joint operations

Joint arrangements are classified into joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint operator recognizes the following items in relation to its interest in a joint operation: its solely-held assets, including its share of any assets held jointly; its solely-assumed liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its solely-incurred expenses, including its share of any expenses incurred jointly.

9. Criteria for determining cash and cash equivalents

Cash refers to the Group's cash on hand and deposits that are readily available for payment; cash equivalents refer to the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Foreign currency transactions and foreign currency statement translation

For foreign currency transactions that occur, the Group converts the foreign currency amounts into the functional currency amounts.

At initial recognition, foreign currency transactions shall be translated into the functional currency amount by applying an exchange rate that approximates the spot exchange rate on the transaction date, determined in a systematic and reasonable manner. At the balance sheet date, monetary items denominated in foreign currencies are translated using the spot exchange rate on the balance sheet date. The resulting exchange differences on settlement and monetary items shall be recognized in profit or loss for the current period, except for those arising from foreign currency specific borrowings related to the acquisition or construction of qualifying assets, which shall be dealt with in accordance with the principles of capitalisation of borrowing costs. Foreign currency non-monetary items measured at historical cost shall still be translated using the exchange rate prevailing at the date of initial recognition, and their amounts in the functional currency shall not be changed. Foreign currency non-monetary items measured at fair value shall be translated using the spot exchange rate at the date the fair value is determined, with the resulting differences recognized in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

For foreign operations, the Group converts their functional currency to Renminbi when preparing financial statements: assets and liabilities in the balance sheet are translated using the spot exchange rate at the balance sheet date; equity items, except for the "undistributed profits" item, are translated using the spot exchange rate at the date of occurrence; income and expense items in the income statement are translated using the average exchange rate for the period in which the transactions occurred. The currency translation differences arising from the above-mentioned translations of foreign currency financial statements are recognized as other comprehensive income. Upon disposal of an overseas operation, other comprehensive income related to that overseas operation shall be reclassified to profit or loss for the current period of disposal, and for a partial disposal, it shall be calculated proportionately to the disposal.

Cash flows in foreign currency and cash flows of overseas subsidiaries are translated at the average exchange rate for the period in which the cash flows occur. The effect of exchange rate changes on cash is presented separately in the statement of cash flows as a reconciling item.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments

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

(1) *Recognition and Derecognition of Financial Instruments*

The Group recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognised when the following conditions are met, meaning the previously recognized financial asset is removed from the balance sheet:

(1) The contractual rights to receive cash flows from the financial asset expire;

(2) the Company has transferred its rights to receive cash flows from the financial asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and has transferred substantially all the risks and rewards of ownership of the financial asset, or, although it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, it has relinquished control over the financial asset.

A financial liability is derecognised when, and only when, the current obligation is discharged or canceled or expires. If an existing financial liability is replaced by another financial liability with substantially different terms from the same creditor, or the terms of an existing liability are substantially modified, such replacement or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference is recognized in profit or loss for the current period.

Regular way purchases and sales of financial assets are recognized and derecognised using trade date accounting. A regular way purchase or sale of financial assets means a purchase or sale of financial assets under a contract whose terms require delivery of the asset within the timeframe generally established by regulation or market convention. The trade date is the date that the Group committed to purchase or sell a financial asset.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(2) Classification and measurement of financial assets

Upon initial recognition, the Group's financial assets are classified, based on the Group's business model for managing financial assets and the contractual cash flow characteristics of the financial assets, as: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

Financial assets are measured at fair value upon initial recognition; however, accounts receivable or notes receivable arising from the sale of goods or rendering of services, etc., that do not contain a significant financing component or for which the financing component is not considered to exceed one year, are initially measured at the transaction price.

For financial assets measured at fair value through profit or loss, related transaction costs are directly charged to profit or loss, while related transaction costs for other categories of financial assets are included in their initial recognition amount.

The subsequent measurement of financial assets depends on their classification:

Debt investments measured at amortized cost

A financial asset is classified as a financial asset measured at amortized cost if it meets both of the following conditions: the Group's management business model for that financial asset is to collect contractual cash flows; and the contractual terms of that financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets is recognized using the effective interest method, and gains or losses arising from their derecognition, modification or impairment are recognized in profit or loss for the current period.

Debt instruments measured at fair value through other comprehensive income

If a financial asset meets both of the following conditions, it is classified as a financial asset at fair value through other comprehensive income: The Group's business model for managing this financial asset is both to collect contractual cash flows and to sell the financial asset; the contractual terms of this financial asset stipulate that cash flows generated on specified dates are solely payments of principal and interest on the outstanding principal amount. Interest income from these financial assets is recognized using the effective interest rate method. Except for interest income, impairment losses and exchange differences recognized in profit or loss for the current period, other fair value changes are recognized in other comprehensive income. When the financial asset is derecognised, the cumulative gains or losses previously recognized in other comprehensive income shall be reclassified from other comprehensive income and recognized in profit or loss.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(2) *Classification and measurement of financial assets (Continued)*

Financial assets at fair value through profit or loss

Financial assets other than the aforementioned financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss. For such financial assets, subsequent measurement is at fair value, and all changes in fair value are recognized in profit or loss for the current period.

(3) *Classification and measurement of financial liabilities*

The Group's financial liabilities are classified upon initial recognition as: financial liabilities measured at fair value through profit or loss, and financial liabilities measured at amortized cost. For financial liabilities measured at fair value through profit or loss, related transaction costs are directly recognized in profit or loss for the current period. For financial liabilities measured at amortized cost, related transaction costs are included in their initial recognition amount.

The subsequent measurement of financial liabilities depends on their classification:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivative instruments that are financial liabilities) and those designated as at fair value through profit or loss at initial recognition. Trading financial liabilities (including derivative instruments classified as financial liabilities) are subsequently measured at fair value, with all changes in fair value recognized in profit or loss for the current period. For financial liabilities designated at fair value through profit or loss, subsequent measurement is at fair value, with other fair value changes recognized in profit or loss, except for changes in fair value arising from changes in the Group's own credit risk, which are recognized in other comprehensive income; if recognizing changes in fair value arising from changes in the Group's own credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, the Group recognizes all fair value changes (including the amount of the effect of changes in its own credit risk) in profit or loss.

Financial liabilities at amortized cost

For such financial liabilities, the effective interest method is adopted and subsequent measurement is carried out at amortized cost.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(4) Impairment of financial instruments

Method for determination of expected credit losses and accounting treatment

Based on expected credit losses, the Group recognizes an impairment allowance and loss provision for financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, and contract assets.

For receivables that do not contain a significant financing component and for contract assets, the Group applies a simplified measurement approach, measuring the loss allowance at an amount equal to the expected credit losses over the entire lifetime.

For financial assets other than those using the simplified measurement approach mentioned above, the Group assesses on each balance sheet date whether their credit risk has significantly increased since initial recognition. If the credit risk has not significantly increased since initial recognition, it is in Stage 1, and the Group measures the loss allowance at an amount equal to the expected credit losses within the next 12 months, and calculates interest income based on the carrying amount and the effective interest rate. If the credit risk has increased significantly since initial recognition but credit impairment has not yet occurred, it is in Stage 2, and the Group measures the loss allowance at an amount equal to the expected credit losses over the entire lifetime, and calculates interest income based on the carrying amount and the effective interest rate; If a credit impairment occurs after initial recognition, it is in Stage 3, and the Group measures the loss allowance at an amount equal to the expected credit losses over the entire lifetime, and calculates interest income based on the amortized cost and effective interest rate.

Regarding the Group's criteria for judging a significant increase in credit risk, the definition of credit-impaired assets, etc. For details, please refer to Note XII, 1.

The factors reflected in the Group's method of measuring expected credit losses on financial instruments include: an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions that is available at the balance sheet date without undue cost or effort.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(4) *Impairment of financial instruments (Continued)*

Categories of groups for which impairment provisions are made based on credit risk characteristics and basis for determination

The Group considers the credit risk characteristics of different customers and assesses the expected credit losses of receivables based on common risk characteristics and on an aging basis. The accounts receivable portfolios classified by the Group are: domestic customer portfolio and overseas customer portfolio. The other receivables portfolios classified are: deposits and security deposits portfolio, imprest funds receivable portfolio, and other receivables portfolio.

Aging calculation method for credit risk characteristic portfolios based on aging

The Group determines the aging of accounts based on the invoice date.

Criteria for individual assessment of impairment provision for bad and doubtful debts

If the credit risk characteristics of a counterparty are significantly different from other counterparties in the portfolio, loss provisions shall be made on an individual basis for amounts receivable from that counterparty, such as: receivables where there is a dispute with or involvement in litigation or arbitration with the counterparty; receivables where there are clear indications that the debtor is highly unlikely to be able to fulfill its repayment obligations, etc.

Write-off of impairment provisions

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

(5) *Derivative financial instruments*

The Group uses derivative financial instruments. Derivative financial instruments are initially measured at fair value on the date the derivative contract is entered into and are subsequently measured at their fair value. Derivative financial instruments with a positive fair value are recognized as assets, while those with a negative fair value are recognized as liabilities. Gains or losses arising from changes in the fair value of derivative instruments are recognized directly in profit or loss for the current period.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(6) Financial assets transfer

If the Group has transferred substantially all the risks and rewards of ownership of a financial asset to the transferee, it shall derecognise the financial asset; if it has retained substantially all the risks and rewards of ownership of a financial asset, it shall not derecognise the financial asset.

When the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, it shall be dealt with as follows: if control over the financial asset has been relinquished, the financial asset shall be derecognised and the assets and liabilities arising therefrom shall be recognized; if control over the financial asset has not been relinquished, the relevant financial asset shall be recognized to the extent of its continuing involvement in the transferred financial asset, and the corresponding liabilities shall be recognized.

Continuing involvement that takes the form of a financial guarantee over the transferred financial asset is recognized at the lower of the carrying amount of the financial asset and the amount of the financial guarantee. Financial guarantee amount means the maximum amount of the consideration received that will be required to be repaid.

12. Fair value measurement

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

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

13. Inventories

Inventories include raw materials, work-in-progress, and finished goods.

Inventories are initially measured at cost. Inventory costs include purchase cost, processing cost and other costs. The weighted average method is used to determine the actual cost of delivered inventories.

The perpetual inventory system is used for inventory counts.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Inventories (Continued)

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. For inventories whose cost is higher than their net realizable value, a provision for write-down of inventories is made and recognized in profit or loss for the current period. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling expenses and related taxes. The Group usually makes provision for impairment of inventories on an item-by-item basis.

Costs to fulfill a contract classified as current assets are presented in inventories.

14. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates.

Long-term equity investments are initially measured at initial investment cost upon acquisition. For long-term equity investments acquired through business combinations under common control, the initial investment cost shall be the share of the book value of the acquiree's owners' equity in the ultimate controlling party's consolidated financial statements as of the combination date; the difference between the initial investment cost and the book value of the merger consideration shall adjust capital reserve (if insufficient to offset, retained earnings shall be offset). For long-term equity investments acquired through business combinations not under common control, the combination cost shall be taken as the initial investment cost (for business combinations not under common control achieved in stages through multiple transactions, the sum of the carrying amount of the equity investment in the acquiree held before the acquisition date and the new investment cost on the acquisition date shall be taken as the initial investment cost). For long-term equity investments acquired by means other than those formed through business combinations, the initial investment cost shall be determined according to the following methods: for those acquired by cash payment, the actual purchase price paid and expenses, taxes, and other necessary expenditures directly related to the acquisition of the long-term equity investment shall be taken as the initial investment cost; for those acquired by issuing equity securities, the fair value of the issued equity securities shall be taken as the initial investment cost.

Long-term equity investments over which the Company is able to exercise control over the investee are accounted for using the cost method in the Company's separate financial statements. Control means having power over an investee, enjoying variable returns by participating in the investee's relevant activities, and having the ability to use that power over the investee to influence the amount of returns.

Under the cost method, a long-term equity investment is measured at initial investment cost. Where additional investments are made or investments are withdrawn, the cost of the long-term equity investment shall be adjusted. The cash dividends or profit distributions declared by the investees are recognized as investment income for the current period.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments (Continued)

Where the Group has joint control or significant influence over an invested entity, the long-term equity investment is accounted for using the equity method. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence means the right to participate in the financial and operating policy decisions of the investee, but not control or joint control with other parties over the formulation of these policies.

When using the equity method, if the initial investment cost of a long-term equity investment is greater than the investor's share of the fair value of the investee's identifiable net assets at the time of investment, it is included in the initial investment cost of the long-term equity investment; if the initial investment cost of a long-term equity investment is less than the investor's share of the fair value of the investee's identifiable net assets at the time of investment, the difference is recognized in profit or loss for the current period, and the cost of the long-term equity investment is adjusted at the same time.

When applying the equity method, after acquiring a long-term equity investment, investment income or loss and other comprehensive income shall be recognized, and the carrying amount of the long-term equity investment shall be adjusted, in accordance with the investor's share of the investee's net profit or loss and other comprehensive income. When confirming the share of net profit or loss of an investee, it shall be based on the fair value of the identifiable assets of the investee at the time of investment, in accordance with the accounting policies and accounting period of the Group, and after offsetting the portion of internal transaction gains and losses between the Group and its associates and joint ventures attributable to the investor calculated in proportion to its share (however, if internal transaction losses constitute asset impairment losses, they shall be recognized in full), and after adjusting the net profit of the investee, except where the assets invested or sold constitute a business. The carrying amount of long-term equity investments shall be reduced accordingly, based on the portion of declared distributed profits or cash dividends calculated as attributable from the investee company. The Group recognizes its share of the net losses of an investee, but the recognition is limited to the extent that the carrying amount of the long-term equity investment and other long-term equity interests that in substance form part of the net investment in the investee are reduced to zero, unless the Group has an obligation to assume additional losses. For other changes in the owners' equity of an investee other than net profit or loss, other comprehensive income and profit distributions, the carrying amount of the long-term equity investment is adjusted and recognized in owners' equity.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Investment property

Measurement model of investment properties

Measured using the cost model

Depreciation or amortization method

Investment property refers to property held to earn rentals or for capital appreciation, or both.

Investment property is initially measured at cost. Subsequent expenditure related to an investment property is included in the cost of the investment property if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. Otherwise, it shall be recognized in profit or loss for the current period when it occurs.

The Group adopts the cost model for subsequent measurement of investment properties.

16. Fixed assets

(1) *Recognition conditions*

A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditures related to fixed assets shall, if they meet the recognition criteria, be capitalized as part of the cost of the fixed assets, and the carrying amount of the replaced part shall be derecognised; otherwise, they shall be recognized in profit or loss for the current period or as part of the cost of relevant assets based on the beneficiary when incurred.

Fixed assets are initially measured at cost. The cost of acquiring fixed assets includes the purchase price, related taxes, and other expenditures directly attributable to the asset incurred before the fixed assets reach their intended usable condition.

(2) *Depreciation method*

Category	Depreciation method	Depreciation period	Residual value rate	Annual depreciation rate
Motor vehicles	Straight-line method	4 years	–	25.00%
Office furniture	Straight-line method	5 years	–	20.00%
Buildings and structures	Straight-line method	30 years	–	3.33%
Electronic equipment and others	Straight-line method	3-10 years	–	33.33%-10.00%

The Group shall review the useful lives, estimated net residual value, and depreciation methods of its fixed assets at least at each year-end, and make adjustments when necessary.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Construction in progress

Construction in progress is measured at actual project expenditure, including all necessary project expenditures incurred during the construction period, borrowing costs that should be capitalized before the project reaches its intended usable condition, and other related expenses.

The criteria for transferring construction in progress to fixed assets when it reaches its intended use are as follows:

	Criteria for transfer to fixed assets
Buildings	Buildings have passed acceptance inspection and reached their intended use

18. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets shall be capitalized, while other borrowing costs shall be recognized as an expense in the period in which they are incurred.

Borrowing costs commence capitalisation when capital expenditures and borrowing costs have been incurred, and construction or production activities necessary to bring the asset to its intended usable or saleable condition have commenced.

Capitalisation of borrowing costs ceases when the qualifying asset is ready for its intended use or sale. Borrowing costs subsequently incurred are charged to profit or loss for the current period.

During the capitalization period, the amount of interest to be capitalized for each accounting period shall be determined according to the following methods: for specific borrowings, it shall be determined by the actual interest expense incurred in the current period, less temporary deposit interest income or investment gains; for general borrowings utilized, it shall be calculated by multiplying the weighted average of asset expenditures exceeding the portion covered by specific borrowings by the weighted average interest rate of the general borrowings utilized.

If, during the acquisition, construction or production of a qualifying asset, an abnormal interruption occurs, other than a necessary part of the process of getting the asset ready for its intended use or sale, and the interruption period is continuous for more than 3 months, the capitalisation of borrowing costs is suspended. Borrowing costs incurred during a period of interruption are recognized as an expense and charged to profit or loss for the current period until the construction or production activities of the asset recommence.

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Intangible assets

(1) *Useful life and the basis for its determination, estimated circumstances, amortization method or review procedures*

Intangible assets are amortized using the straight-line method over their useful lives, which are as follows:

	Useful life	**Basis for determination**
Software	Within 5 years	Estimated useful life
Non-patented technology	5-10 years	Estimated useful life
Land use rights	50 years	Term of Land Use Right
Patent rights	10 to 20 years	Patent Protection Term
Layout-design of integrated circuits	10 years	Estimated useful life
Software copyright	10 years	Term of Copyright Protection

(2) *Scope of aggregation of research and development expenses and related accounting treatment methods*

The Group distinguishes expenditure on internal research and development projects into expenditure during the research phase and expenditure during the development phase. Expenditure during the research phase is recognized in profit or loss for the current period in which it is incurred. Expenditures during the development phase can only be capitalized if all the following conditions are met, namely: it is technically feasible to complete the intangible asset so that it will be available for use or sale; there is an intention to complete the intangible asset and use or sell it; the intangible asset will generate economic benefits, including demonstrating the existence of a market for products produced using the intangible asset or for the intangible asset itself, or, if the intangible asset is to be used internally, demonstrating its usefulness; there are sufficient technical, financial, and other resources to support the completion of the development of the intangible asset, and the ability to use or sell the intangible asset; and the expenditures attributable to the development phase of the intangible asset can be reliably measured. Development expenditures that do not meet the above conditions are recognized in profit or loss for the current period when incurred.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Impairment of long-term assets

Impairment of assets other than inventories, contract assets and assets related to contract costs, deferred income tax, and financial assets shall be determined in accordance with the following methods: At the balance sheet date, the Group assesses whether there are any indications that an asset may be impaired. If such indications exist, the Group estimates its recoverable amount and conducts an impairment test. For goodwill arising from business combinations, intangible assets with indefinite useful lives, and intangible assets not yet available for use, an impairment test is conducted at least at each year-end, regardless of whether there are any indications of impairment.

The recoverable amount is determined as the higher of an asset's fair value less costs of disposal and the present value of its estimated future cash flows. The Group estimates the recoverable amount of an individual asset on an individual asset basis; where it is impracticable to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined based on the asset group to which the asset belongs. The identification of an asset group is based on whether the primary cash inflows generated by the asset group are independent of the cash inflows of other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the Group shall write down its carrying amount to the recoverable amount. The amount written down shall be recognized in profit or loss for the current period, and a corresponding impairment provision for assets shall be made.

For the purpose of impairment testing of goodwill, the carrying amount of goodwill shall be allocated to the related asset groups or groups of asset groups from the date of acquisition using a reasonable method. The relevant asset group or group of asset groups is the asset group or group of asset groups that is expected to benefit from the synergies of the business combination, and is not larger than the operating segment determined by the Group.

The carrying amount of the asset group or group of asset groups containing goodwill is compared with its recoverable amount. If the recoverable amount is lower than the carrying amount, the amount of the impairment loss first reduces the carrying amount of the goodwill allocated to the asset group or group of asset groups, and then reduces the carrying amount of the other assets in the asset group or group of asset groups on a pro-rata basis based on the carrying amount of each asset other than goodwill.

Once recognized, the above asset impairment loss shall not be reversed in subsequent accounting periods.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Long-term deferred expenses

The long-term deferred expenses incurred by the Group are measured at actual cost and amortized evenly over their estimated benefit period. For long-term deferred expense items that cannot benefit subsequent accounting periods, their entire unamortized value shall be recognized in profit or loss for the current period.

	Amortization period
Special tooling	2 years
Parking space use rights	32 years
Leasehold improvements	3-5 years
Others	5 years

22. Employee benefits

(1) *Accounting treatment for short-term employee benefits*

In the accounting period in which an employee has rendered service, the short-term employee benefits actually incurred are recognized as a liability and charged to profit or loss for the current period or the cost of a relevant asset.

(2) *Accounting treatment for post-employment benefits*

Employees of the Group participate in pension insurance and unemployment insurance schemes managed by local governments. The corresponding expenses are recognized in the cost of relevant assets or current profit or loss when incurred.

(3) *Accounting treatment for termination benefits*

Where the Group provides termination benefits to employees, a liability for employee benefits arising from termination benefits shall be recognized and included in profit or loss for the current period at the earlier of the following dates: when the enterprise cannot unilaterally withdraw the termination benefits offered under a plan to terminate employment or a redundancy proposal; or when the enterprise recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

(4) *Accounting treatment for other long-term employee benefits*

For other long-term employee benefits provided by the Group to its employees, the remuneration is recognized and measured in accordance with the relevant provisions of the long-term bonus incentive plan, and changes are recognized in profit or loss for the current period or as part of the cost of relevant assets.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Provisions

Except for contingent consideration and contingent liabilities assumed in business combinations not under common control, the Group recognizes a provision when an obligation related to a contingency is a present obligation of the Group, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably measured.

Provisions are initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors such as the risks, uncertainties, and time value of money associated with contingent events. The carrying amount of a provision is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

24. Share-based payment

Share-based payments are equity-settled share-based payments. Equity-settled share-based payment refers to a transaction in which the Group settles a payment for obtaining services with shares or other equity instruments as consideration.

Equity-settled share-based payments made in exchange for services provided by employees are measured at the fair value of the equity instruments granted to employees. For those immediately exercisable after grant, the fair value shall be recognized as relevant costs or expenses on the grant date, with a corresponding increase in capital reserve; for those exercisable only upon completion of services during the vesting period or achievement of specified performance conditions, on each balance sheet date within the vesting period, based on the best estimate of the number of exercisable equity instruments, the services obtained in the current period shall be recognized as relevant costs or expenses at the fair value on the grant date, with a corresponding increase in capital reserve.

If the terms of an equity-settled share-based payment are modified, the services received shall be recognized at least in accordance with the unmodified terms. In addition, any modification that increases the fair value of the equity instruments granted, or is otherwise beneficial to the employee on the modification date, shall be recognized as an increase in services obtained.

If an equity-settled share-based payment is canceled, it is treated as an acceleration of vesting on the date of cancelation, and any amount not yet recognized is recognized immediately. Where employees or other parties can choose to satisfy non-vesting conditions but fail to do so during the vesting period, such payments shall be treated as a cancelation of equity-settled share-based payments. However, if new equity instruments are granted and, on the grant date of the new equity instruments, it is determined that the new equity instruments granted are to replace the canceled equity instruments, the substitute equity instruments granted shall be accounted for in the same way as a modification of the terms and conditions of the original equity instruments.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Revenue

Disclosure of accounting policies adopted for revenue recognition and measurement by business type

Revenue is recognized when the Group has satisfied its performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services. Obtaining control of the relevant good or service means being able to direct the use of, and obtain substantially all of the economic benefits from, the good or service.

Contract for the sale of goods

The Group's revenue from sales of analog IC products all pertains to revenue from sales of goods, and contracts for the sale of goods between the Group and its customers typically contain only one performance obligation, which is the transfer of goods. The Group generally takes into account the following factors: obtaining the present right to payment for the asset, transfer of the significant risks and rewards of ownership of the asset, transfer of legal title to the asset, transfer of physical possession of the asset, and customer acceptance of the asset:

Domestic Sales

For domestic customers, revenue is recognized in the current period based on the price terms agreed in the contract when the relevant products are delivered to the customer's designated delivery location and confirmed as received by the customer.

Overseas Sales

For overseas customers, revenue realized in the current period shall be recognized based on the price terms stipulated in the contract, upon customs declaration for export, delivery to the customer's designated receiving location, and confirmation of receipt by the customer.

Variable consideration

The Group provides price adjustment policies to some distributors and has stipulated price adjustment clauses with such distributors in their distribution cooperation agreements, offering appropriate price adjustments to distributors to ensure they obtain reasonable profits. When sales to distributors are realized, the Group makes the best estimate of the price adjustment based on the most probable amount, accrues the price adjustment amount, reduces current revenue, and re-estimates it at each balance sheet date.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Revenue (Continued)

Variable consideration (Continued)

For sales with a right of return, when the customer obtains control of the relevant goods, the Group recognizes revenue in the amount of consideration it expects to be entitled to in exchange for transferring the goods to the customer, and recognizes a provision for the amount expected to be refunded due to sales returns; at the same time, it recognizes an asset, namely the right to recover returned goods, at the carrying amount of the goods expected to be returned at the time of transfer, less the estimated costs of recovering such goods (including any reduction in the value of the returned goods); and the cost of sales is recognized as the net amount of the carrying amount of the transferred goods at the time of transfer, less the cost of the aforementioned asset. On each balance sheet date, the Company re-estimates future sales returns and remeasures the aforementioned assets and liabilities.

Different business models for the same type of business involving different revenue recognition and measurement methods.

None

26. Contract assets and contract liabilities

The Group presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance of performance obligations and customer payments. The Group offsets contract assets and contract liabilities under the same contract and presents them on a net basis.

(1) Contract assets

The right to receive consideration for goods or services already transferred to a customer (and such right depends on factors other than the passage of time) before the customer actually pays the contract consideration or before such consideration is due, is recognized as a contract asset; it is subsequently reclassified as a receivable when the unconditional right to receive payment is obtained.

For the method of determining and accounting for expected credit losses on the Group's contract assets, please refer to Note V, 11.

(2) Contract liabilities

An obligation to transfer goods or services to a customer for which consideration has been received from the customer or for which the entity has an unconditional right to receive consideration, before the goods or services are transferred to the customer, is recognized as a contract liability.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Contract costs

The Group's assets related to contract costs include contract acquisition costs and contract performance costs. Based on their liquidity, they are separately presented in inventories, other current assets, and other non-current assets.

Incremental costs incurred by the Group in obtaining a contract are recognized as an asset as contract acquisition costs if they are expected to be recovered.

Costs incurred by the Group to fulfill a contract that are not within the scope of the standards for inventories, fixed assets or intangible assets, etc., and that simultaneously satisfy the following conditions, are recognized as an asset as costs to fulfill a contract:

(1) The costs relate directly to a contract or an anticipated contract, including direct labor, direct materials, manufacturing overheads (or similar costs), costs explicitly chargeable to the customer, and other costs that are incurred only because the entity entered into the contract;

(2) The costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future;

(3) The cost is expected to be recovered.

The Group's assets related to the cost of the contract are amortized on the same basis as the revenue recognition related to the asset and are recognized in profit or loss.

For an asset related to contract costs, if its carrying amount is higher than the difference between the following two items, the Group will make a provision for impairment on the excess amount and recognize it as an asset impairment loss:

(1) The remaining consideration expected to be obtained as a result of the transfer of goods or services related to the asset;

(2) The estimated costs that will be incurred to transfer the relevant goods or services.

28. Government grants

Government grants are recognized when there is reasonable assurance that the conditions attached to them will be met and the grants will be received. If a government grant is in the form of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value; if the fair value cannot be reliably obtained, it is measured at a nominal amount.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Government grants (Continued)

Where government documents stipulate that a grant is for the construction or acquisition or otherwise formation of long-term assets, it shall be classified as a government grant related to assets; where government documents are unclear, the classification shall be determined based on the fundamental conditions required to obtain the grant, with grants for which the construction or acquisition or otherwise formation of long-term assets is a fundamental condition being classified as government grants related to assets, and all others being classified as government grants related to income.

Government grants related to income, if intended to compensate for related costs, expenses or losses in subsequent periods, are recognized as deferred income, and are credited to profit or loss or offset against related costs during the periods in which the related costs, expenses or losses are recognized; if intended to compensate for related costs, expenses or losses already incurred, they are directly credited to profit or loss or offset against related costs in the current period.

Government grants related to assets shall reduce the carrying amount of the related asset; or be recognized as deferred income and amortized to profit or loss on a rational and systematic basis over the useful life of the related asset (however, government grants measured at a nominal amount shall be directly recognized in current profit or loss). If the related asset is sold, transferred, scrapped, or damaged before the end of its useful life, the remaining balance of the related deferred income shall be transferred to profit or loss in the period of asset disposal.

29. Deferred tax assets and deferred tax liabilities

The Group recognizes deferred income tax using the balance sheet liability method for temporary differences arising from the difference between the carrying amounts of assets and liabilities at the balance sheet date and their tax bases, and for temporary differences arising from the difference between the carrying amounts of items not recognized as assets and liabilities but whose tax bases can be determined according to tax laws.

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

(1) Taxable temporary differences arise from the following transactions: initial recognition of goodwill, or initial recognition of an asset or liability arising from a single transaction that has the following characteristics: the transaction is not a business combination, at the time of the transaction it affects neither accounting profit nor taxable profit or deductible loss, and the initially recognized asset and liability do not give rise to equal amounts of taxable temporary differences and deductible temporary differences;

(2) For taxable temporary differences related to investments in subsidiaries, joint ventures and associates, the timing of the reversal of the temporary differences can be controlled and the temporary differences are likely not to be reversed in the foreseeable future.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Deferred tax assets and deferred tax liabilities (Continued)

For deductible temporary differences, deductible losses and tax credits that can be carried forward to subsequent years, the Group recognizes the resulting deferred tax assets to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized, unless:

(1) Deductible temporary differences arise from the following individual transactions: The transaction is not a business combination, neither affects accounting profit nor taxable income or deductible loss when it occurs, and the initially recognized assets and liabilities do not result in taxable temporary differences and deductible temporary differences of equal amounts;

(2) For deductible temporary differences arising from investments in subsidiaries, joint ventures and associates, it is probable that the temporary differences will be reversed in the foreseeable future and that taxable profit will be available in the future against which the temporary differences can be utilized.

At the balance sheet date, the Group measures deferred tax assets and deferred tax liabilities according to tax laws, using the applicable tax rate during the period when the asset is expected to be recovered or the liability is expected to be settled, and reflects the income tax effects of the manner in which the asset is expected to be recovered or the liability is expected to be settled at the balance sheet date.

At the balance sheet date, the Group reviews the carrying amount of deferred tax assets. If it is not probable that sufficient taxable profit will be available in future periods to allow the benefit of the deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced. At the balance sheet date, the Group reassesses unrecognized deferred tax assets and recognizes deferred tax assets to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are presented at a net amount after offsetting when the following conditions are met simultaneously: there is a legal right to settle current tax assets and current tax liabilities on a net basis; and the deferred tax assets and deferred tax liabilities relate to income tax levied by the same tax authority on the same taxable entity, or relate to different taxable entities, but in each future period in which significant deferred tax assets and deferred tax liabilities are reversed, the taxable entities involved intend to settle current tax assets and current tax liabilities on a net basis or simultaneously realize the assets and settle the liabilities.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Lease

(1) *Accounting treatment method for leases as lessee*

Except for short-term leases and leases of low-value assets, the Group recognizes right-of-use assets and lease liabilities for leases.

On the lease commencement date, the Group recognizes its right to use the leased assets during the lease term as a right-of-use asset, which is initially measured at cost. The cost of a right-of-use asset includes: the initial measurement amount of the lease liability; lease payments made at or before the commencement date (less any lease incentives received); initial direct costs incurred by the lessee; and the estimated costs to be incurred by the lessee to dismantle and remove the leased asset, restore the site on which the leased asset is located, or restore the leased asset to the condition required by the lease terms. Where the Group remeasures its lease liabilities due to changes in lease payments, it shall correspondingly adjust the carrying amount of the right-of-use assets. The Group subsequently depreciates right-of-use assets using the straight-line method. If it can be reasonably determined that the ownership of the leased assets will be obtained at the end of the lease term, the Group depreciates the leased assets over their remaining useful life. If it cannot be reasonably determined that the ownership of the leased assets can be obtained upon the expiration of the lease term, the Group shall depreciate the leased assets over the shorter of the lease term and the remaining useful life of the leased assets.

On the lease commencement date, the Group recognizes the present value of the unpaid lease payments as a lease liability, except for short-term leases and leases of low-value assets. Lease payments include fixed payments and substantive fixed payments less any lease incentives, variable lease payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option or payments for exercising a termination option, provided that the Group is reasonably certain to exercise that option or the lease term reflects that the Group will exercise a termination option. Variable lease payments not included in the measurement of lease liabilities shall be included in current profit or loss when they actually occur, except where otherwise provided to be included in the cost of related assets. When the actual fixed payment changes, the estimated residual value guarantee payable changes, the index or ratio used to determine the lease payment amount changes, or the assessment results or actual exercise of a purchase option, renewal option, or termination option change, the Group remeasures the lease liability at the present value of the changed lease payments.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Lease (Continued)

(1) Accounting treatment method for leases as lessee (Continued)

At the commencement date of a lease, the Group identifies a lease with a lease term of 12 months or less that does not contain a purchase option as a short-term lease; it identifies a lease for which the underlying asset is of low value when new as a lease of a low-value asset. The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The lease payments are recognized as an expense in the relevant asset cost or profit or loss for the current period on a straight-line basis over the lease term.

(2) Accounting treatment method for leases as lessor

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

Rental income from operating leases is recognized in profit or loss for the current period on a straight-line basis over the lease term. Variable lease payments not included in the lease receipts are recognized in profit or loss for the current period when they are actually incurred. Initial direct costs are capitalized, amortized on the same basis as rental income recognition over the lease term, and recognized in profit or loss by stages.

31. Share repurchases

Consideration paid and transaction costs for the repurchase of own equity instruments reduce shareholders' equity. Except for share-based payments, the issuance (including refinancing), repurchase, sale, or cancelation of own equity instruments shall be treated as a change in equity.

32. Other important accounting policies and accounting estimates

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

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Other important accounting policies and accounting estimates (Continued)

(1) Judgment

In the application of the Group's accounting policies, management has made the following judgements that are material to the amounts recognized in the financial statements:

Business Model

The classification of financial assets upon initial recognition depends on the Group's business model for managing financial assets. In determining the business model, the Group considers factors including how the enterprise evaluates and reports the performance of financial assets to key management personnel, the risks affecting the performance of financial assets and how they are managed, and how relevant business management personnel are remunerated. When assessing whether the objective is to collect contractual cash flows, the Group needs to analyze and judge the reasons, timing, frequency, and value of sales of financial assets before their maturity date.

Contractual cash flow characteristics

The classification of a financial asset at initial recognition depends on its contractual cash flow characteristics. It is necessary to determine whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. When assessing modifications to the time value of money, it is necessary to determine whether there is a significant difference compared to the benchmark cash flows. For financial assets with prepayment features, it is necessary to determine whether the fair value of the prepayment feature is insignificant, among other things.

(2) Estimation uncertainty

Impairment of financial instruments and contract assets

The Group adopts the expected credit loss model to assess the impairment of financial instruments and contract assets. The application of the expected credit loss model requires significant judgment and estimation, and all reasonable and supportable information, including forward-looking information, must be considered. In making these judgments and estimates, the Group infers the expected changes in debtors' credit risk based on historical repayment data combined with factors such as economic policies, macroeconomic indicators, and industry risks. Different estimates may affect the recognition of impairment provisions, and the impairment provisions already recognized may not be equal to the actual amount of future impairment losses.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Other important accounting policies and accounting estimates (Continued)

(2) Estimation uncertainty (Continued)

Impairment of goodwill

The Group tests goodwill for impairment at least annually. This requires an estimation of the present value of the future cash flows of the asset group or group of asset groups to which goodwill has been allocated. When estimating the present value of future cash flows, the Group needs to estimate the future cash flows to be generated by the asset group or group of asset groups and select an appropriate discount rate to determine the present value of the future cash flows. For details, see Note VII, 20.

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

At the balance sheet date, the Group assesses whether there is any indication that non-current assets other than financial assets may be impaired. For non-current assets other than financial assets, an impairment test shall be made if there are indications that their carrying value is not recoverable. Impairment occurs when the carrying amount of an asset or an asset group is higher than its recoverable amount, which is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from it. Fair value less costs of disposal is determined with reference to the price in a binding sales agreement for a similar asset in an arm's length transaction or an observable market price, less incremental costs directly attributable to the disposal of the asset. When estimating the present value of future cash flows, management must estimate the expected future cash flows of the asset or asset group and select an appropriate discount rate to determine the present value of the future cash flows.

Provision for write-down of inventories

In accordance with its inventory accounting policies, the Group measures inventories at the lower of cost and net realizable value, and makes provision for inventory write-downs for inventories whose cost exceeds their net realizable value and for obsolete and slow-moving inventories. The write-down of inventories to net realizable value is based on an assessment of their saleability and their net realizable value. The identification of inventory impairment requires management to make judgements and estimates based on conclusive evidence, taking into account the purpose for which the inventory is held, the effect of events after the balance sheet date, and other factors. The difference between the actual results and the original estimation will affect the carrying amount of inventories and the provision for impairment of inventories (or its reversal) during the period in which the estimation is changed.

SECTION V FINANCIAL REPORT

V. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Other important accounting policies and accounting estimates (Continued)

(2) Estimation uncertainty (Continued)

Fair value of unlisted equity investments

The Group selects and determines the valuation methods for the fair value of unlisted equity investments and makes relevant assumptions and estimates based on its assessment of current market conditions. Should any estimates and assumptions change, this may lead to significant changes in the fair value of each of these financial assets, and thus they are subject to uncertainty.

Deferred tax asset

Deferred tax assets are recognized for all unused deductible losses to the extent that it is probable that sufficient taxable profit will be available against which the deductible losses can be utilized. This requires management to exercise significant judgment to estimate the timing and amount of future taxable profits, in conjunction with tax planning strategies, to determine the amount of deferred tax assets to be recognized.

Variable consideration involving price adjustments or sales returns

For portfolios of contracts with similar characteristics, the Group makes reasonable estimates of price adjustments or return rates, etc., based on historical sales data and current sales conditions, after considering all relevant information such as changes in customer demand and market conditions. The estimated price adjustments or return rates may not be equal to the actual future price adjustments or return rates. The Group reassesses the price adjustments or return rates at least at each balance sheet date and determines the accounting treatment based on the reassessed price adjustments or return rates.

33. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

☐ Applicable ☑ Not applicable

(2) Changes in significant accounting estimates

☐ Applicable ☑ Not applicable

(3) Adjustments to relevant items of the financial statements at the beginning of the year due to initial application of new accounting standards since 2026

☐ Applicable ☑ Not applicable

VI. TAXATION

1. Main types of taxes and corresponding tax rates

Tax type	Tax base	Tax rate
Value-added tax	Output tax is calculated at a tax rate on the taxable income, and the value-added tax is levied according to the difference after deducting deductible input tax for the current period	13%, 9%, 6%
Urban maintenance and construction tax	Turnover tax payable	7%
Enterprise income tax	Taxable income	See the table below for details
Educational surcharge	Turnover tax payable	3%
Local educational surcharge	Turnover tax payable	2%
Property tax	Based on the taxable residual value of the property (70% of the original value of the property) and the rental income from the property	1.2%, 12%

SECTION V FINANCIAL REPORT

VI. TAXATION (CONTINUED)

1. Main types of taxes and corresponding tax rates (Continued)

Companies subject to different income tax rates are disclosed as follows:

Taxpayer	Income tax rate
SG Micro Corp	10.00%
SG MICRO (HK) LIMITED	16.50%
SHANGHAI SG MICRO CO., LTD.	15.00%
SHANGHAI PINGSHENG MICRO CO., LTD.	25.00%
SHEN AN MICRO CO., LTD.	25.00%
SG MICRO SUZHOU CO., LTD.	25.00%
SG MICRO JIANGYIN CO., LTD.	25.00%
SG MICRO HANGZHOU CO., LTD.	25.00%
SG MICRO HARBIN CO., LTD.	15.00%
SG MICRO GMBH	15.00%
SG MICRO JAPAN K.K.	15.00%
SHENZHEN SHENAN MICRO CO., LTD.	25.00%
SG MICRO SHANGHAI CO., LTD.	25.00%
SG MICRO SHENZHEN CO., LTD.	25.00%
GANRUI TECH (CHANGZHOU) CO., LTD.	25.00%
VTRAN TECH (CHANGZHOU) CO., LTD.	25.00%
SG MICRO DALIAN CO., LTD.	25.00%
TeraDevices Inc.	25.00%
SG MICRO CHENGDU CO., LTD.	25.00%
SG MICRO WUHAN CO., LTD.	25.00%
SG MICRO QIANHAI CO., LTD.	25.00%
SG MICRO XIAN CO., LTD.	25.00%

SECTION V FINANCIAL REPORT

VI. TAXATION (CONTINUED)

2. Tax preferential treatments

(1) According to the Notice on Issues Concerning the Preferential Enterprise Income Tax Policies for the Software and Integrated Circuit Industry (Cai Shui [2016] No. 49) (《關於軟件和集成電路產業企業所得稅優惠政策有關問題的通知》(財稅[2016]49 號)) jointly issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission, and the Ministry of Industry and Information Technology, the Company meets the conditions for enterprise income tax preferential treatment applicable to key integrated circuit design enterprises within the national planning layout, and is subject to a tax rate of 10% for the year 2026.

(2) According to the Notice on Additional VAT Credit Policies for Integrated Circuit Enterprises (Cai Shui [2023] No. 17) (《關於集成電路企業增值稅加計抵減政策的通知》(財稅[2023]17號)) issued by the Ministry of Finance and the State Taxation Administration, from January 1, 2023 to December 31, 2027, IC design, production, packaging and testing, equipment, and materials companies may deduct 15% of their current deductible input VAT against their payable VAT. The Company and its wholly-owned subsidiaries, SG MICRO HARBIN CO., LTD., SG MICRO SUZHOU CO., LTD., and SHANGHAI SG MICRO CO., LTD., are eligible for this preferential policy.

(3) SG MICRO HARBIN CO., LTD., the Company's wholly-owned subsidiary, obtained the High-tech enterprise certificate with certificate number GR202523000157 on December 8, 2025, which is valid for three years. Starting from December 8, 2025, it is entitled to the relevant preferential policies for high-tech enterprises under the state for three consecutive years, with enterprise income tax levied at a tax rate of 15%.

(4) SHANGHAI SG MICRO CO., LTD., the Company's wholly-owned subsidiary, obtained the High-tech enterprise certificate with certificate number GR202531006666 on December 25, 2025, which is valid for three years. Starting from December 25, 2025, it is entitled to the relevant preferential policies for high-tech enterprises under the state for three consecutive years, with enterprise income tax levied at a tax rate of 15%.

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Cash on hand	**4,704.61**	4,750.30
Cash at banks	**4,627,479,388.53**	1,225,562,278.70
Other monetary funds	**2,216,139.93**	172.84
Deposits with Finance Company		
Total	**4,629,700,233.07**	1,225,567,201.84
Including: Total amount deposited overseas	**3,885,322.10**	1,850,687.48

On June 30, 2026, the Group had restricted funds totaling RMB45,255,713.60, of which RMB1,255,713.60 represented accrued interest, and RMB44,000,000.00 represented frozen funds arising from property preservation.

2. Financial assets held for trading

Unit: RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	**2,071,505,097.06**	1,340,087,286.51
Including:		
Principal of bank wealth management products that had not yet matured	**2,062,459,950.00**	1,339,000,000.00
Fair value changes of bank wealth management products that had not yet matured	**9,045,147.06**	1,087,286.51
Total	**2,071,505,097.06**	1,340,087,286.51

As of June 30, 2026, the Group's bank wealth management products that had not yet matured mainly consisted of low-risk floating-yield wealth management products.

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Bills receivable

(1) *Bills receivable by category*

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bills		308,800.00
Commercial acceptance bills	722,242.04	809,455.87
Total	722,242.04	1,118,255.87

(2) *Classified disclosure by provision for bad debt method*

Unit: RMB

	Closing balance					Opening balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Category	Amount	Proportion	Amount	Proportion of provision	Carrying amount	Amount	Proportion	Amount	Proportion of provision	Carrying amount
Including:										
Bills receivable with the provision for bad debts based on a collective basis	722,242.04	100.00%			722,242.04	1,118,255.87	100.00%			1,118,255.87
Including:										
Total	722,242.04	100.00%			722,242.04	1,118,255.87	100.00%			1,118,255.87

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Bills receivable (Continued)

(3) *Bills receivable endorsed or discounted by the Company but not yet due as at the balance sheet date*

Unit: RMB

Item	Amount derecognized as at the end of the period	Amount not yet derecognized as at the end of the period
Bank acceptance bills		**124,992.56**
Total		**124,992.56**

4. Accounts receivable

(1) *Disclosure by aging*

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	**455,254,151.02**	366,273,901.20
1 to 2 years	**3,147,064.09**	2,216,566.27
2 to 3 years	**537,832.17**	1,078,651.25
Over 3 years	**3,104,781.75**	2,719,726.20
3 to 4 years	**1,027,822.05**	1,252,175.70
4 to 5 years	**1,902,237.20**	1,312,828.00
Over 5 years	**174,722.50**	154,722.50
Total	**462,043,829.03**	372,288,844.92

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(2) *Classified disclosure by provision for bad debt method*

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion	Amount	Proportion of provision	Carrying amount	Amount	Proportion	Amount	Proportion of provision	Carrying amount
Accounts receivable with provision for the bad debts based on an individual basis	2,950,448.65	0.64%	2,950,448.65	100.00%		3,401,186.75	0.91%	3,401,186.75	100.00%	
Including:										
Domestic clients	2,950,448.65	0.64%	2,950,448.65	100.00%		3,401,186.75	0.91%	3,401,186.75	100.00%	
Accounts receivable with the provision for bad debts based on a collective basis	459,093,380.38	99.36%	8,933,492.92	1.95%	450,159,887.46	368,887,658.17	99.09%	7,175,605.87	1.95%	361,712,052.30
Including:										
Domestic clients	195,852,623.18	42.39%	5,116,501.90	2.61%	190,736,121.28	167,853,246.10	45.09%	4,260,606.89	2.54%	163,592,639.21
Overseas clients	263,240,757.20	56.97%	3,816,991.02	1.45%	259,423,766.18	201,034,412.07	54.00%	2,914,998.98	1.45%	198,119,413.09
Total	462,043,829.03	100.00%	11,883,941.57	2.57%	450,159,887.46	372,288,844.92	100.00%	10,576,792.62	2.84%	361,712,052.30

Category name of provision for bad debts based on an individual basis: Domestic clients

Unit: RMB

Name	Opening balance		Closing balance			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Proportion of provision	Reason for provision
Domestic clients	3,401,186.75	3,401,186.75	2,950,448.65	2,950,448.65	100.00%	Overdue accounts receivable
Total	3,401,186.75	3,401,186.75	2,950,448.65	2,950,448.65		

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(2) Classified disclosure by provision for bad debt method (Continued)

Category name of provision for bad debts based on a collective basis: Domestic clients

Unit: RMB

Name	Closing balance Book balance	Provision for bad debts	Proportion of provision
Domestic clients	195,852,623.18	5,116,501.90	2.61%
Total	195,852,623.18	5,116,501.90	

Category name of provision for the bad debts based on a collective basis: Overseas clients

Unit: RMB

Name	Closing balance Book balance	Provision for bad debts	Proportion of provision
Overseas clients	263,240,757.20	3,816,991.02	1.45%
Total	263,240,757.20	3,816,991.02	

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(2) *Classified disclosure by provision for bad debt method (Continued)*

If provision for bad debts of accounts receivable was made using the general approach of expected credit loss:

☑ Applicable ☐ Not applicable

Unit: RMB

Provision for bad debts	Stage 1 Expected credit losses in the next 12-month	Stage 2 Lifetime expected credit losses (not credit-impaired)	Stage 3 Lifetime expected credit losses (credit-impaired)	Total
Balance at January 1, 2026	10,576,792.62			10,576,792.62
Balance at January 1, 2026 in the current period				
Provision for the period	1,342,976.86			1,342,976.86
Reversal for the period				0.00
Written-back for the period				0.00
Write-off for the period				0.00
Other changes	-35,827.91			-35,827.91
Balance at June 30, 2026	11,883,941.57			11,883,941.57

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(3) *Provision, recovery or reversal of bad debt provision for the period*

Provision for bad debts for the current period:

Unit: RMB

Category	Opening balance	Changes in the period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Provision, recovery or reversal of bad debt provision for the period	10,576,792.62	1,342,976.86			-35,827.91	11,883,941.57
Total	10,576,792.62	1,342,976.86			-35,827.91	11,883,941.57

(4) *Top five accounts receivable and contract assets with the closing balances classified by debtors*

Unit: RMB

Debtor	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	As a percentage of the closing balance of the total accounts receivable and contract assets	Closing balance of bad debt provision of accounts receivable and impairment provision of contract assets
Debtor 1	65,964,569.51		65,964,569.51	14.23%	974,971.30
Debtor 2	31,008,940.37		31,008,940.37	6.69%	469,927.05
Debtor 3	26,537,094.62		26,537,094.62	5.73%	419,051.85
Debtor 4	24,286,346.28		24,286,346.28	5.24%	411,564.14
Debtor 5	22,873,532.13		22,873,532.13	4.94%	437,282.99
Total	170,670,482.91		170,670,482.91	36.83%	2,712,797.33

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Contract assets

(1) *Contract assets*

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Domestic clients	1,413,977.66	160,642.41	1,253,335.25	2,494,535.46	410,072.35	2,084,463.11
Total	1,413,977.66	160,642.41	1,253,335.25	2,494,535.46	410,072.35	2,084,463.11

(2) *Classified disclosure by provision for bad debt method*

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion	Amount	Proportion of provision	Carrying amount	Amount	Proportion	Amount	Proportion of provision	Carrying amount
Including:										
Provision for bad debts based on a collective basis	1,413,977.66	100.00%	160,642.41	11.36%	1,253,335.25	2,494,535.46	100.00%	410,072.35	16.44%	2,084,463.11
Including:										
Domestic clients	1,413,977.66	100.00%	160,642.41	11.36%	1,253,335.25	2,494,535.46	100.00%	410,072.35	16.44%	2,084,463.11
Total	1,413,977.66	100.00%	160,642.41	11.36%	1,253,335.25	2,494,535.46	100.00%	410,072.35	16.44%	2,084,463.11

Number of categories of provision for bad debts based on a collective basis: 1

Category name of provision for bad debts based on a collective basis: Domestic clients

Unit: RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Proportion of provision
Domestic clients	1,413,977.66	160,642.41	11.36%
Total	1,413,977.66	160,642.41	

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Contract assets (Continued)

(3) Provision, recovery or reversal of bad debt provision for the period

Unit: RMB

Item	Provision for the period	Recovery or reversal for the period	Written-back/ Write-off for the period	Reason
Provision, recovery or reversal of bad debt provision for the period		249,429.94		Reversal of bad debt provision for warranty
Total		249,429.94		——

6. Receivables financing

(1) Receivables financing by category

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	**47,503.00**	259,512.40
Total	**47,503.00**	259,512.40

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Receivables financing (Continued)

(2) *Receivables financing endorsed or discounted by the Company at the end of the period but not yet due as at the balance sheet date*

Unit: RMB

Item	Amount derecognized as at the end of the period	Amount not yet derecognized as at the end of the period
Bank acceptance bills	44,000.00	
Total	44,000.00	

7. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Other receivables	**116,069,940.46**	7,808,593.73
Total	**116,069,940.46**	7,808,593.73

(1) *Classification of other receivables by nature*

Unit: RMB

Nature	Closing book balance	Opening book balance
Deposit and guarantee deposit	**9,256,842.74**	8,870,719.67
Petty cash	**749,218.87**	487,485.80
Proceeds for exercise of share incentives and withholding tax on dividends	**107,616,355.11**	
Other payments	**15,065.68**	191,202.85
Total	**117,637,482.40**	9,549,408.32

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(2) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	111,642,464.52	2,628,203.91
1 to 2 years	1,606,759.07	3,636,967.87
2 to 3 years	2,811,181.49	1,920,334.96
Over 3 years	1,577,077.32	1,363,901.58
3 to 4 years	696,088.69	481,269.40
4 to 5 years	30,678.90	837,632.18
Over 5 years	850,309.73	45,000.00
Total	117,637,482.40	9,549,408.32

(3) Provision, recovery or reversal of bad debt provision for the period

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Changes in the period				Closing balance
		Provision	Recovery or reversal	Written off or charged off	Others	
Deposit and guarantee deposit	1,694,923.07		170,723.33		-7,877.45	1,516,322.29
Petty cash	9,809.57	3,017.90			-152.79	12,674.68
Other payments	36,081.95	2,463.02				38,544.97
Total	1,740,814.59	5,480.92	170,723.33		-8,030.24	1,567,541.94

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(4) Top five other receivables with the closing balances classified by debtors

Unit: RMB

Debtor	Nature	Closing balance	Aging	As a percentage of the closing balance of the total other receivables	Closing balance of bad debt provision
Debtor 1	Proceeds for exercise of share incentives and withholding tax on dividends	107,616,355.11	Within 1 year	91.48%	
Debtor 2	Deposit	1,758,739.65	Within 1 year	1.50%	35,878.29
Debtor 3	Deposit	1,050,942.42	2 to 3 years, over 5 years	0.89%	321,588.38
Debtor 4	Guarantee deposit	974,834.58	Within 1 year, 2 to 3 years	0.83%	178,178.31
Debtor 5	Deposit	705,313.06	2 to 3 years	0.60%	215,825.80
Total		112,106,184.82		95.30%	751,470.78

8. Prepayments

(1) Prepayments by aging

Unit: RMB

	Closing balance		Opening balance	
Aging	**Amount**	**Percentage**	Amount	Percentage
Within 1 year	**13,812,366.92**	**99.46%**	8,128,982.66	99.83%
1 to 2 years	**74,414.79**	**0.54%**	14,189.15	0.17%
Total	**13,886,781.71**		8,143,171.81	

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Prepayments (Continued)

(2) *Top five prepayments with the closing balances classified by prepaid parties*

Unit: RMB

No.	Closing balance	As a percentage of the closing balance of the total prepayments
First	3,328,137.98	23.97%
Second	2,776,407.50	19.99%
Third	1,915,541.71	13.79%
Fourth	963,770.63	6.94%
Fifth	877,873.95	6.32%
Total	9,861,731.77	71.01%

9. Inventories

(1) *Classification of inventories*

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision of inventories or impairment provision of contract fulfilment costs	Carrying value	Book balance	Impairment provision of inventories or impairment provision of contract fulfilment costs	Carrying value
Raw materials	1,055,453,847.62	124,678,007.49	930,775,840.13	836,638,591.79	113,936,410.32	722,702,181.47
Work in progress	286,901,860.82	7,145,283.33	279,756,577.49	234,568,460.41	3,864,667.94	230,703,792.47
Finished goods	688,122,038.82	221,575,537.09	466,546,501.73	686,945,985.70	192,628,544.58	494,317,441.12
Contract fulfilment costs				492,885.05		492,885.05
Total	2,030,477,747.26	353,398,827.91	1,677,078,919.35	1,758,645,922.95	310,429,622.84	1,448,216,300.11

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Inventories (Continued)

(2) Impairment provision of inventories and impairment provision of contract fulfilment costs

Unit: RMB

Item	Opening balance	Increase during the period: Provision	Increase during the period: Others	Decrease during the period: Reversal or write-off	Decrease during the period: Others	Closing balance
Raw materials	113,936,410.32	29,814,122.26		19,072,525.09		**124,678,007.49**
Work in progress	3,864,667.94	3,632,671.57		352,056.18		**7,145,283.33**
Finished goods	192,628,544.58	74,631,137.46		45,684,144.95		**221,575,537.09**
Total	310,429,622.84	108,077,931.29		65,108,726.22		**353,398,827.91**

10. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	**386,639.79**	877,546.33
Time deposits due within one year and interest	**211,289,223.67**	65,308,649.02
Packaging and testing fees due within one year	**10,050,000.00**	10,050,000.00
Total	**221,725,863.46**	76,236,195.35

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Return costs receivables	**28,089,375.29**	17,018,303.34
Prepaid enterprise income tax	**11,872,102.04**	29,884,721.57
Input VAT to be deducted	**73,434,294.36**	31,676,820.04
Input VAT to be certified	**9,646,011.32**	4,454,245.94
Listing expenses		20,371,116.36
Time deposits		16,501,094.35
Others	**7,061,316.22**	7,349,745.16
Total	**130,103,099.23**	127,256,046.76

12. Long-term receivables

Unit: RMB

	Closing balance			Opening balance			
Item	Book balance	Provision for bad debts	Carrying value	Book balance	Provision for bad debts	Carrying value	Discount rate range
Instalment sales of goods				581,934.44		581,934.44	4.75%
Total				581,934.44		581,934.44	

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments

Unit: RMB

Investee	Opening balance (carrying value)	Opening balance of impairment provision	Changes during the period: Additional investments	Reduction of investments	Investment gains or losses under equity method	Other comprehensive income adjustments	Other equity movements	Declaration and distribution of cash dividends or profits	Impairment provision	Others	Closing balance (carrying value)	Closing balance of impairment provision
I. Joint ventures												
II. Associates												
ETA Semiconductor Limited	316,345,174.88				10,237,460.58	-77,852.91	2,139,134.09				328,643,916.64	
Xiamen UX IC Co., Ltd.	196,509,081.45				4,629,865.53		838,373.47	-2,215,790.64			199,761,529.81	
HICOOL Fund Investment Management (Beijing) Co., Ltd.	42,509,297.60				-573,191.87						41,936,105.73	
Subtotal	555,363,553.93				14,294,134.24	-77,852.91	2,977,507.56	-2,215,790.64			570,341,552.18	
Total	555,363,553.93				14,294,134.24	-77,852.91	2,977,507.56	-2,215,790.64			570,341,552.18	

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Other non-current financial assets

Unit: RMB

Item	Closing balance	Opening balance
Unlisted equity investment – JWinsights (Shanghai) Technology Co., Ltd	**2,861,887.25**	2,861,887.25
Unlisted equity investment – Suzhou Yaotu Equity Investment Partnership L.P.	**43,443,096.22**	38,187,941.68
Unlisted equity investment – Shanghai Lixin Investment Management Centre L.P.	**58,253,392.33**	32,575,836.02
Unlisted equity investment – Infotech (Beijing) Technology Innovation Equity Investment Fund (Limited Partnership)	**33,030,399.21**	30,941,193.31
Listed equity investment – BaTeLab Co., Ltd.	**4,879,184.37**	11,424,090.62
Total	**142,467,959.38**	115,990,948.88

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	640,985,263.67	539,299,228.27
Total	640,985,263.67	539,299,228.27

(1) Particulars of fixed assets

Unit: RMB

Item	Motor vehicles	Office furniture	Buildings	Electronic equipment and others	Total
I. Original carrying amount:					
1. Opening balance	1,419,697.35	11,978,487.10	340,282,385.91	513,187,943.73	866,868,514.09
2. Increase during the period	22,000.00	310,353.90	56,983,555.49	95,890,004.50	153,205,913.89
(1) Acquisition	22,000.00	310,353.90	56,983,555.49	88,606,273.15	145,922,182.54
(2) Transferred from construction in progress				6,575,889.40	6,575,889.40
(3) Business combination				707,841.95	707,841.95
3. Decrease during the period		9,011.49		249,804.30	258,815.79
(1) Disposal or retirement		9,011.49		249,804.30	258,815.79
4. Closing balance	1,441,697.35	12,279,829.51	397,265,941.40	608,828,143.93	1,019,815,612.19
II. Accumulated depreciation					
1. Opening balance	1,413,456.34	7,413,891.04	22,372,984.80	296,368,953.64	327,569,285.82
2. Increase during the period	7,715.63	986,187.80	6,149,984.37	44,328,483.92	51,472,371.72
(1) Provision	7,715.63	986,187.80	6,149,984.37	44,328,483.92	51,472,371.72
3. Decrease during the period		2,753.65		208,555.37	211,309.02
(1) Disposal or retirement		2,753.65		208,555.37	211,309.02
4. Closing balance	1,421,171.97	8,397,325.19	28,522,969.17	340,488,882.19	378,830,348.52
III. Impairment provision					
1. Opening balance					
2. Increase during the period					
(1) Provision					
3. Decrease during the period					
(1) Disposal or retirement					
4. Closing balance					
IV. Carrying value					
1. Closing carrying value	20,525.38	3,882,504.32	368,742,972.23	268,339,261.74	640,985,263.67
2. Opening carrying value	6,241.01	4,564,596.06	317,909,401.11	216,818,990.09	539,299,228.27

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets (Continued)

(2) Fixed assets leased out under operating leases

Unit: RMB

Item	Closing carrying value
Machinery and equipment	**1,040,707.16**

16. Right-of-use assets

Unit: RMB

Item	Buildings	Total
I. Original carrying amount		
1. Opening balance	52,430,727.95	52,430,727.95
2. Increase during the period	28,167,781.21	28,167,781.21
(1) Leases	28,167,781.21	28,167,781.21
3. Decrease during the period	27,904,686.61	27,904,686.61
(1) Expiry or modification	27,904,686.61	27,904,686.61
4. Closing balance	**52,693,822.55**	**52,693,822.55**
II. Accumulated depreciation		
1. Opening balance	31,942,573.96	31,942,573.96
2. Increase during the period	10,162,597.93	10,162,597.93
(1) Provision	10,162,597.93	10,162,597.93
3. Decrease during the period	25,760,604.02	25,760,604.02
(1) Disposal	25,760,604.02	25,760,604.02
4. Closing balance	**16,344,567.87**	**16,344,567.87**
III. Impairment provision		
1. Opening balance		
2. Increase during the period		
(1) Provision		
3. Decrease during the period		
(1) Disposal		
4. Closing balance		
IV. Carrying value		
1. Closing carrying value	**36,349,254.68**	**36,349,254.68**
2. Opening carrying value	20,488,153.99	20,488,153.99

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets

Unit: RMB

Item	Land use rights	Patents	Non-patented technology	Software	Integrated circuit layout designs	Software copyrights	Total
I. Original carrying amount							
1. Opening balance	12,968,371.13	34,023,950.24	17,168,829.13	118,366,204.27	1,482,912.27	897,682.38	184,907,949.42
2. Increase during the period		2,700,000.00		10,420,037.18	3,120,000.00		16,240,037.18
(1) Acquisitions				10,420,037.18			10,420,037.18
(2) In-house R&D							
(3) Business combination		2,700,000.00			3,120,000.00		5,820,000.00
3. Decrease during the period			127,471.50	5,002.11		538,609.41	671,083.02
(1) Disposal			127,471.50	5,002.11		538,609.41	671,083.02
4. Closing balance	12,968,371.13	36,723,950.24	17,041,357.63	128,781,239.34	4,602,912.27	359,072.97	200,476,903.58
II. Accumulated amortization							
1. Opening balance	972,627.79	2,613,131.79	9,971,851.45	73,152,462.86	154,763.19	69,052.86	86,933,889.94
2. Increase during the period	129,683.71	2,150,929.36	825,239.40	11,459,650.09	117,591.82	18,414.06	14,701,508.44
(1) Provision	129,683.71	2,150,929.36	825,239.40	11,459,650.09	117,591.82	18,414.06	14,701,508.44
(2) Business combination							
3. Decrease during the period			66,035.27	1,695.11		39,897.28	107,627.66
(1) Disposal			66,035.27	1,695.11		39,897.28	107,627.66
4. Closing balance	1,102,311.50	4,764,061.15	10,731,055.58	84,610,417.84	272,355.01	47,569.64	101,527,770.72
III. Impairment provision							
1. Opening balance							
2. Increase during the period							
(1) Provision							
3. Decrease during the period							
(1) Disposal							
4. Closing balance							
IV. Carrying value							
1. Closing carrying value	11,866,059.63	31,959,889.09	6,310,302.05	44,170,821.50	4,330,557.26	311,503.33	98,949,132.86
2. Opening carrying value	11,995,743.34	31,410,818.45	7,196,977.68	45,213,741.41	1,328,149.08	828,629.52	97,974,059.48

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Goodwill

(1) *Original carrying amount of goodwill*

Unit: RMB

Name of investee or items forming goodwill	Opening balance	Increase during the period Arising from business combination	Decrease during the period Disposal	Closing balance
Acquisition of equity interest in Suzhou Qingxinfang Electronic Technology Co., Ltd. (蘇州青新方電子科技有限公司)	49,850,582.60			49,850,582.60
Acquisition of asset group of Shanghai Fangtai Electronic Technology Co., Ltd. (上海方泰電子科技有限公司)	16,554,692.61			16,554,692.61
Acquisition of asset group of Dalian Alpha Simulation Technology Co., Ltd. (大連阿爾法模擬技術股份有限公司)	7,929,061.72			7,929,061.72
Acquisition of equity interest in SHEN AN MICRO CO., LTD. (杭州深諳微電子科技有限公司)	4,357,730.77			4,357,730.77
Acquisition of equity interest in SHANGHAI PINGSHENG MICRO CO., LTD. (上海萍生微電子科技有限公司)	2,182,621.58			2,182,621.58
Acquisition of equity interest in TeraDevices Inc. (上海億存芯半導體有限公司)	71,224,563.91			71,224,563.91
Acquisition of equity interest in GANRUI TECH (CHANGZHOU) Co., Ltd. (感睿智能科技(常州)有限公司)	151,360,217.87			151,360,217.87
Acquisition of ADC and DAC business asset group		51,132,206.21		51,132,206.21
Total	303,459,471.06	51,132,206.21		354,591,677.27

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Goodwill (Continued)

(2) Provision for goodwill impairment

Unit: RMB

Name of investee or items forming goodwill	Opening balance	Increase during the period Accrual	Decrease during the period Disposal	Closing balance
Acquisition of equity interest in SHANGHAI PINGSHENG MICRO CO., LTD. (上海苹生微電子科技有限公司)	2,182,621.58			2,182,621.58
Total	2,182,621.58			2,182,621.58

19. Long-term deferred expenses

Unit: RMB

Item	Opening balance	Increase in the period	Amortization for the period	Other decrease	Closing balance
Special tooling	168,119,468.63	13,173,127.08	28,619,856.48	1,233,565.36	151,439,173.87
Parking space use rights	6,353,383.50		112,781.96		6,240,601.54
Leasehold improvements	4,406,159.03	186,624.35	2,101,855.96	18,599.02	2,472,328.40
Other	4,159,687.29	4,255,204.00	1,000,691.35		7,414,199.94
Total	183,038,698.45	17,614,955.43	31,835,185.75	1,252,164.38	167,566,303.75

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Deferred tax assets/deferred tax liabilities

(1) Un-offset deferred income tax assets

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairment	331,331,791.59	33,133,179.16	285,946,249.68	28,594,624.97
Deductible losses	645,225,392.70	64,522,539.27	679,466,073.90	67,946,607.39
Unpaid wages and salaries expenses	123,792,379.86	12,379,237.99	97,454,820.97	9,745,482.10
Tax-accounting differences on share-based payments	522,236,854.24	52,223,685.42	241,799,169.24	24,179,916.92
Purchase of assets with amortization period shorter than that stipulated by tax laws	4,242,239.61	424,223.96	16,760,320.75	1,676,032.08
Provision for sales returns and allowances	23,743,376.72	2,374,337.67	10,378,679.25	1,037,867.93
Accrued and estimated expenses	277,463,743.31	27,746,374.33	261,748,197.57	26,174,819.75
Deferred income	74,321,192.57	7,432,119.26	47,841,992.76	4,784,199.28
Lease liabilities	16,584,266.85	1,658,426.69	6,227,302.23	622,730.22
Total	2,018,941,237.45	201,894,123.75	1,647,622,806.35	164,762,280.64

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Deferred tax assets/deferred tax liabilities (Continued)

(2) *Un-offset deferred income tax liabilities*

Unit: RMB

Item	Closing balance Taxable temporary differences	Closing balance Deferred tax liabilities	Opening balance Taxable temporary differences	Opening balance Deferred tax liabilities
Asset revaluation surplus from business combinations not under common control	**5,820,396.84**	**1,472,476.99**	6,526,675.23	1,618,379.92
Differences in accumulated depreciation of fixed assets	**153,137,573.10**	**15,313,757.31**	122,139,786.20	12,213,978.62
Undistributed profits of overseas subsidiaries	**467,304,912.95**	**70,095,736.94**	354,539,075.00	53,180,861.25
Changes in fair value	**44,509,750.18**	**4,450,975.02**	4,887,400.06	488,740.01
Right-of-use assets	**15,963,525.15**	**1,596,352.52**	5,606,560.53	560,656.05
Investment income from partnership enterprises	**1,777,594.14**	**177,759.41**	2,350,786.01	235,078.60
Total	**688,513,752.36**	**93,107,058.19**	496,050,283.03	68,297,694.45

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

Unit: RMB

Item	Amount of deferred tax assets and liabilities offset at the end of the period	Balance of deferred tax assets or liabilities after offsetting at the end of the period	Amount of deferred tax assets and liabilities offset at the beginning of the period	Balance of deferred tax assets or liabilities after offsetting at the beginning of the period
Deferred tax assets	**21,538,844.26**	**180,355,279.49**	13,498,453.28	151,263,827.36
Deferred tax liabilities	**21,538,844.26**	**71,568,213.93**	13,498,453.28	54,799,241.17

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Deferred tax assets/deferred tax liabilities (Continued)

(4) Details of unrecognized deferred tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	**185,179,387.62**	142,167,314.70
Deductible losses	**1,259,868,159.33**	1,165,029,312.82
Total	**1,445,047,546.95**	1,307,196,627.52

(5) Deductible losses for which deferred tax assets are not recognized will expire in the following years

Unit: RMB

Year	Closing amount	Opening amount
2026	**3,785,903.98**	3,785,903.98
2027	**7,380,384.90**	7,442,018.45
2028	**26,585,783.48**	26,849,929.26
2029	**101,543,069.08**	101,788,006.05
2030	**176,881,892.30**	178,804,536.36
2031	**184,249,553.32**	188,997,226.85
2032	**125,769,718.82**	129,943,196.47
2033	**211,782,889.44**	223,064,421.18
2034	**276,515,556.21**	304,354,074.22
2035	**145,373,407.80**	
Total	**1,259,868,159.33**	1,165,029,312.82

Note: Pursuant to Article 14 of the Inland Revenue Ordinance of the Hong Kong Special Administrative Region of the People's Republic of China, Hong Kong tax law adopts a territorial concept, and only profits arising in or derived from Hong Kong are subject to profits tax. All business activities of SG MICRO (HK) LIMITED are conducted outside Hong Kong, and its operating income is considered non-Hong Kong sourced income under Hong Kong tax law. The profit distribution of SG HK for each period is subject to corporate income tax at a rate of 15%. As at June 30, 2026, the undistributed profits, equivalent to RMB467,304,912.95, are exempt from profits tax in Hong Kong in accordance with the relevant provisions of the Hong Kong Inland Revenue Ordinance. The Company has recognized a deferred income tax liability for the undistributed profits of SG HK.

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Other non-current assets

Unit: RMB

Item	Closing balance Book balance	Closing balance Impairment provision	Closing balance Carrying value	Opening balance Book balance	Opening balance Impairment provision	Opening balance Carrying value
Large-denomination certificates of deposit	236,183,796.65		236,183,796.65	371,753,849.32		371,753,849.32
Prepayments for equipment	28,795,820.16		28,795,820.16	16,604,688.15		16,604,688.15
Prepayments for packaging and testing fees	1,800,000.00		1,800,000.00	1,800,000.00		1,800,000.00
Prepayments for engineering	1,016,393.44		1,016,393.44	224,793.44		224,793.44
Total	267,796,010.25		267,796,010.25	390,383,330.91		390,383,330.91

22. Assets with restricted ownership or right of use

Unit: RMB

Item	At the end of the period Book balance	At the end of the period Carrying value	At the end of the period Type of restriction	At the end of the period Details of restriction	At the beginning of the period Book balance	At the beginning of the period Carrying value	At the beginning of the period Type of restriction	At the beginning of the period Details of restriction
Monetary funds	1,255,713.60	1,255,713.60	Accrued interest	Restricted	539,670.00	539,670.00	Accrued interest	Restricted
Monetary funds	44,000,000.00	44,000,000.00	Frozen for property preservation	Restricted	44,000,000.00	44,000,000.00	Frozen for property preservation	Restricted
Total	45,255,713.60	45,255,713.60			44,539,670.00	44,539,670.00		

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Short-term borrowings

(1) *Classification of short-term borrowings*

Unit: RMB

Item	Closing balance	Opening balance
Credit loans	**452,449,323.74**	300,927,956.05
Total	**452,449,323.74**	300,927,956.05

24. Accounts payable

(1) *Accounts payable by nature*

Unit: RMB

Item	Closing balance	Opening balance
Payments for raw materials	**111,399,644.65**	140,770,949.16
Packaging and testing service fees	**365,832,335.72**	260,138,966.94
Total	**477,231,980.37**	400,909,916.10

(2) *Accounts payable by aging*

Unit: RMB

Aging	Closing balance	Opening balance
Within 1 year	**477,231,980.37**	400,909,916.10
Total	**477,231,980.37**	400,909,916.10

Accounts payable are non-interest-bearing and are normally settled within 3 months. As at June 30, 2026, the Group had no accounts payable aged over 1 year (December 31, 2025: None).

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Dividends payable	**6,292,664.40**	
Other payables	**75,221,273.65**	50,859,715.83
Total	**81,513,938.05**	50,859,715.83

(1) Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
Dividends on ordinary shares	**6,292,664.40**	
Total	**6,292,664.40**	

(2) Other payables

Unit: RMB

Item	Closing balance	Opening balance
Payables for acquisition of long-term assets	**29,329,114.73**	14,543,311.83
Technology development	**4,211,716.91**	7,516,130.25
Intermediary service fees	**17,185,670.48**	5,609,534.43
Freight and insurance premiums	**3,297,848.47**	3,725,676.98
Final payment for investment	**5,100,000.00**	3,703,340.23
Reimbursements and social insurance	**3,341,400.60**	3,683,598.03
Rent, renovation and utility fees	**967,710.10**	1,149,550.98
Other	**11,787,812.36**	10,928,573.10
Total	**75,221,273.65**	50,859,715.83

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Sale of products	**23,734,523.74**	13,167,213.03
Rendering of services	**636,975.00**	5,221,895.00
Total	**24,371,498.74**	18,389,108.03

27. Employee benefits payable

(1) Employee benefits payable

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Short-term benefits	337,335,000.94	534,649,460.79	563,809,997.46	**308,174,464.27**
II. Post-employment benefits – defined contribution plans	2,483,791.61	40,712,869.31	40,498,857.78	**2,697,803.14**
III. Termination benefits		3,885,344.05	3,885,344.05	
Total	339,818,792.55	579,247,674.15	608,194,199.29	**310,872,267.41**

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Employee benefits payable (Continued)

(2) *Short-term benefits*

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Wages, bonuses, allowances and subsidies	239,500,015.80	460,780,783.24	503,171,397.95	197,109,401.09
2. Employee welfare expenses		4,226,391.20	4,214,862.46	11,528.74
3. Social insurance contributions	1,458,933.41	22,073,666.56	21,954,352.76	1,578,247.21
Including: Medical insurance contributions	1,416,715.28	20,826,242.00	20,713,966.34	1,528,990.94
Work injury insurance contributions	40,171.89	779,408.68	770,324.30	49,256.27
Maternity insurance contributions	2,046.24	468,015.88	470,062.12	
4. Housing provident fund	902,643.00	30,909,678.48	30,820,131.48	992,190.00
5. Labor union funds and employee education funds	95,298,778.29	15,062,467.24	2,028,541.04	108,332,704.49
6. Other short-term benefits	174,630.44	1,596,474.07	1,620,711.77	150,392.74
Total	337,335,000.94	534,649,460.79	563,809,997.46	308,174,464.27

(3) *Defined contribution plan*

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Basic pension insurance	2,397,942.62	39,258,503.85	39,068,125.31	2,588,321.16
2. Unemployment insurance contributions	85,848.99	1,454,365.46	1,430,732.47	109,481.98
Total	2,483,791.61	40,712,869.31	40,498,857.78	2,697,803.14

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Value-added tax	**3,565,320.76**	4,345,183.71
Corporate income tax	**127,120.55**	145,177.23
Individual income tax	**30,940,072.76**	7,149,914.31
Urban maintenance and construction tax	**144,382.89**	211,371.01
Education surcharge	**63,977.76**	92,164.15
Local education surcharge	**42,651.84**	61,442.77
Stamp duty	**930,131.00**	1,029,533.17
Property tax	**435,047.41**	387,193.84
Land use tax	**65,384.19**	30,519.78
Total	**36,314,089.16**	13,452,499.97

29. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	**49,924,321.20**	28,800,719.82
Lease liabilities due within one year	**19,181,140.44**	12,752,093.90
Total	**69,105,461.64**	41,552,813.72

30. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Output VAT to be transferred	**1,686,982.82**	403,973.31
Provision for sales returns and allowances	**80,072,335.46**	65,866,907.43
Unmatured bills receivable	**124,992.56**	227,570.60
Total	**81,884,310.84**	66,498,451.34

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term borrowings

(1) *Classification of long-term borrowings*

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed loans	**34,916,976.22**	67,171,615.80
Total	**34,916,976.22**	67,171,615.80

Notes to classification of long term borrowings:

The Group's long-term borrowings were incurred by its subsidiaries and guaranteed by SG Micro Corp.

Other information, including interest rate range:

The interest rate for the above guaranteed borrowings is 2.65%.

32. Lease liabilities

Unit: RMB

Item	Closing balance	Opening balance
Lease liabilities for buildings	**36,049,985.64**	20,519,572.84
Lease liabilities due within one year	**-19,181,140.44**	-12,752,093.90
Total	**16,868,845.20**	7,767,478.94

The interest expense on lease liabilities accrued during the Reporting Period was RMB499,560.53, which was recognized as finance costs – interest expense in the amount of RMB499,560.53.

33. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	**190,619,188.86**	187,998,972.45
Total	**190,619,188.86**	187,998,972.45

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Long-term payables (Continued)

(1) *Long-term payables by nature*

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables arising from acquisition of subsidiaries	**145,759,028.90**	144,083,005.77
Long-term payables arising from repurchase obligations	**44,860,159.96**	43,915,966.68
Total	**190,619,188.86**	187,998,972.45

(1) The Company acquired the equity interests in GANRUI TECH (CHANGZHOU) CO., LTD. and TeraDevices Inc. Pursuant to the equity transfer agreements, the Company is obligated to acquire the remaining equity interests in the future. This change in long-term payables represents interest expense recognized for the current year.

(2) Pursuant to the Capital Increase Agreement and the Shareholders Agreement entered into by and among the Company, SHEN AN MICRO CO., LTD.("Shen An"), Xu Peng, Hangzhou Kuangzhi Technology Co., Ltd. (杭州曠志科技有限公司), Hangzhou Lixin Enterprise Management Consulting Partnership (Limited Partnership) (杭州勵新企業管理諮詢合夥企業(有限合夥)), Hangzhou Lixing Enterprise Management Partnership (Limited Partnership) (杭州勵行企業管理合夥企業(有限合夥)), and Harmonious Surpassing Small and medium-sized Enterprise Development Fund (Yixing) Partnership (Limited Partnership) (和諧超越中小企業發展基金(宜興)合夥企業(有限合夥)) (collectively "Hexie Fund"), the Hexie Fund subscribed for a 10% equity interest in Shen An on a fully diluted basis after closing, at a price of RMB50,000,000. Upon the occurrence of a repurchase trigger event, the Hexie Fund shall have the right to issue a written repurchase notice to Xu Peng, Shen An and the Company. If Shen An and/or the Company is the repurchasing obligor, it shall repurchase in accordance with the agreement, and the repurchase price shall be the Hexie Fund's average price per RMB1.00 of registered capital corresponding to the registered capital of Shen An subscribed for by the Hexie Fund pursuant to the Capital Increase Agreement. Shen An recognized the aforesaid repurchase obligation as a liability.

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term employee benefits payable

Unit: RMB

Item	Closing balance	Opening balance
Long-term employee benefits payable	**15,581,850.88**	8,702,722.22
Total	**15,581,850.88**	8,702,722.22

35. Deferred income

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reason for formation
Government grants	68,194,807.33	41,170,000.00	13,754,010.35	**95,610,796.98**	Government grants
Total	68,194,807.33	41,170,000.00	13,754,010.35	**95,610,796.98**	

36. Share capital

Unit: RMB

	Opening balance	Increase or decrease in the period					Closing balance
		Issuance of new shares	Bonus shares	Conversion of capital reserve into share capital	Other	Subtotal	
Total number of shares	620,063,014.00	54,001,200.00			2,843,358.00	56,844,558.00	676,907,572.00

(1) From January 1, 2026 to June 30, 2026, 2,843,358 shares were exercised and vested under equity incentive plans, increasing the registered capital by RMB2,843,358.00 and the capital reserve by RMB149,377,194.22.

(2) On June 26, 2026, the Company commenced trading on the Main Board of the Hong Kong Stock Exchange and issued 54,001,200 ordinary H shares at an issue price of HKD85.20 per share (excluding any shares issued upon exercise of the over-allotment option). The registered capital increased by RMB54,001,200 and the capital reserve increased by RMB3,862,390,429.45.

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Capital reserve

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Capital premium (share premium)	1,038,361,424.81	4,076,216,229.77		5,114,577,654.58
Other capital reserves	448,576,332.55	124,587,275.30	60,590,791.03	512,572,816.82
Total	1,486,937,757.36	4,200,803,505.07	60,590,791.03	5,627,150,471.40

(1) Increase in share premium:

① See Note 36, (1).

② See Note 36, (2).

③ During the period, shares exercised and vested from restrictions were transferred from capital reserve – other capital reserves to capital reserve – share premium, amounting to RMB60,590,791.03.

④ According to the provisions of Announcement No. 18 [2012] of the State Administration of Taxation ("Announcement No. 18"), the relevant costs and expenses calculated and recognized for accounting purposes during the vesting period of the Company's equity incentive plan shall not be deducted when calculating and paying enterprise income tax for the corresponding year. After the equity incentive plan becomes exercisable, the difference between the closing price at the time of actual exercise of the shares and the actual exercise price paid by the incentive recipients in that year, multiplied by the number of shares, shall be calculated and determined as wages and salaries expense for that year, and shall be tax-deductible in accordance with tax laws. The difference between the tax-deductible amount at the exercise date of equity instruments exercised by the Company during the period and the actual amortized share-based incentive expenses recognized in the books increased the capital reserve by RMB3,857,815.07.

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Capital reserve (Continued)

(2) Increase in other capital reserves:

① Other equity changes in associates accounted for using the equity method resulted in an increase in capital reserve of RMB2,977,507.56.

② During the period, the capital reserve increased by RMB96,397,807.72 due to share-based payments.

③ According to Announcement No. 18, the difference between the estimated exercise price of the unvested restricted shares in the period and the actual amortized share-based incentive expenses recognized in the books resulted in the recognition of deferred income tax assets, which increased the capital reserve by RMB25,211,960.02.

(3) Decrease in other capital reserves:

① Upon the expiry of the vesting period of the Company's equity incentive plan, employees exercised their rights, resulting in the transfer of RMB60,590,791.03 from other capital reserves to capital reserve – share premium.

38. Other comprehensive income

Unit: RMB

		Amount incurred in the period						
Item	Opening balance	Amount incurred before income tax in the period	Less: Amount included in other comprehensive income in prior periods and transferred to profit or loss in the period	Less: Amount included in other comprehensive income in prior periods and transferred to retained earnings in the period	Less: Income tax expense	Attributable to the parent company, net of tax	Attributable to minority shareholders, net of tax	Closing balance
II. Other comprehensive income that will be reclassified to profit or loss	20,307,958.10	-13,748,836.68				-13,748,836.68		6,559,121.42
Including: Other comprehensive income that can be reclassified to profit or loss under the equity method	122,282.50	-77,852.91				-77,852.91		44,429.59
Translation differences on foreign currency financial statements	20,185,675.60	-13,670,983.77				-13,670,983.77		6,514,691.83
Total of other comprehensive income	20,307,958.10	-13,748,836.68				-13,748,836.68		6,559,121.42

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Surplus reserve

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	291,430,737.90			291,430,737.90
Total	291,430,737.90			291,430,737.90

40. Undistributed profits

Unit: RMB

Item	Current period	Prior period
Undistributed profits at the end of the prior period before adjustment	2,875,645,539.61	2,478,353,682.04
Undistributed profits at the beginning of the period after adjustment	2,875,645,539.61	2,478,353,682.04
Add: Net profit attributable to owners of the parent company for the period	420,315,413.23	200,839,149.29
Dividends payable on ordinary shares	124,134,940.40	95,061,606.00
Undistributed profits at the end of the period	3,171,826,012.44	2,584,131,225.33

41. Operating revenue and operating cost

Unit: RMB

	Amount incurred in the period		Amount incurred in the prior period	
Item	Revenue	Cost	Revenue	Cost
Main business	2,595,310,499.80	1,249,885,866.49	1,818,708,682.72	906,392,710.11
Other business	115,150.10	86,861.54	71,612.51	57,817.08
Total	2,595,425,649.90	1,249,972,728.03	1,818,780,295.23	906,450,527.19

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Operating revenue and operating cost (Continued)

Breakdown information of operating revenue and operating cost:

Unit: RMB

Contract classification	Operating revenue	Operating cost
By business type		
IC industry	2,595,425,649.90	1,249,972,728.03
By sales region		
Chinese Mainland	1,156,789,790.53	561,953,627.79
Hong Kong	1,274,121,524.22	602,170,994.93
Taiwan	85,198,972.78	49,699,401.67
Others	79,315,362.37	36,148,703.64
By contract type		
Signal chain product	1,035,790,956.57	444,264,451.11
Power management product	1,521,252,719.71	791,568,314.90
Others	38,381,973.62	14,139,962.02
By sales channel		
Distribution	2,450,401,516.91	1,169,294,237.71
Direct sales	140,209,204.59	79,995,114.15
Others	4,814,928.40	683,376.17
Total	2,595,425,649.90	1,249,972,728.03

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Taxes and surcharges

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period
Urban maintenance and construction tax	2,733,537.23	3,636,948.42
Education surcharge	1,180,231.91	1,558,818.21
Property tax	1,254,945.54	1,068,083.44
Land use tax	99,350.13	62,572.68
Stamp duty	1,602,643.96	1,002,169.17
Local education surcharge	786,821.25	1,039,212.12
Others	48.60	3,708.66
Total	7,657,578.62	8,371,512.70

43. General and administrative expenses

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period
Wages and social insurance, etc.	38,558,700.38	35,647,737.14
Share-based payments expenses	7,700,568.26	4,142,057.32
Professional service fees	14,461,397.84	2,876,531.85
Travel and transportation expenses	1,236,653.71	1,157,135.34
Depreciation expense	6,887,537.22	6,542,071.65
Rent, utilities and property management	1,640,343.41	1,356,085.08
Others	2,579,208.94	8,181,046.16
Total	73,064,409.76	59,902,664.54

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Sales expenses

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period
Wages and social insurance, etc.	**127,563,392.25**	104,491,953.74
Share-based payments expenses	**19,681,632.12**	9,196,537.59
Marketing and promotion expenses	**10,314,219.52**	8,982,864.06
Depreciation expense	**3,222,785.16**	3,477,935.82
Rent, utilities and property management	**1,459,995.28**	1,395,377.69
Others	**5,131,225.85**	4,049,897.33
Total	**167,373,250.18**	131,594,566.23

45. Research and development expenses

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period
Wages and social insurance, etc.	**406,634,635.83**	352,855,072.54
Consumables	**66,427,502.06**	54,290,490.49
Amortization of intangible assets	**13,918,618.31**	11,309,211.60
Rent, utilities and property management	**4,631,858.07**	4,681,072.85
Depreciation expense	**32,714,754.82**	31,494,579.09
Share-based payments expenses	**70,265,334.82**	37,442,140.26
Others	**22,350,495.19**	15,448,623.50
Total	**616,943,199.10**	507,521,190.33

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Finance costs

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period
Interest expense	**8,497,598.17**	2,113,775.43
Less: Interest capitalization		19,398.59
Interest income	**15,671,120.57**	12,545,329.18
Exchange gains or losses	**29,083,387.11**	186,017.31
Handling fees and others	**338,180.69**	313,597.00
Total	**22,248,045.40**	-9,951,338.03

47. Other income

Unit: RMB

Source of other income	Amount incurred in the period	Amount incurred in the prior period
Government grants	**24,926,929.02**	20,982,219.34
Refund of handling fees for withholding and payment of taxes	**1,372,082.37**	1,312,300.75
VAT additional deduction	**2,157,687.50**	16,544,814.30
Total	**28,456,698.89**	38,839,334.39

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Gains on changes in fair value

Unit: RMB

Source of gains from changes in fair value	Amount incurred in the period	Amount incurred in the prior period
Financial assets held for trading	14,131,972.12	736,802.74
Changes in fair value of equity investments in listed companies	-2,670,812.60	8,982,084.12
Changes in fair value of equity investments in unlisted companies	33,021,916.75	4,292,880.72
Total	44,483,076.27	14,011,767.58

49. Investment income

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period
Income from long-term equity investments accounted for under the equity method	14,294,134.24	3,059,328.71
Investment income from financial assets held for trading during the holding period		26,679,049.92
Investment income from the disposal of financial assets held for trading	2,075,557.81	12,675,659.96
Investment income from disposal of other non-current financial assets	452,758.02	
Total	16,822,450.07	42,414,038.59

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Credit impairment losses

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period
Bad debt loss on accounts receivable	-1,342,976.86	-104,982.39
Bad debt loss on other receivables	165,242.41	-19,606.62
Bad debt loss on contract assets		-422,111.28
Total	-1,177,734.45	-546,700.29

51. Asset impairment losses

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period
Loss on decline in value of inventories and impairment loss on costs to fulfill a contract	-108,077,931.29	-84,490,778.76
Impairment loss on contract assets	249,405.46	
Total	-107,828,525.83	-84,490,778.76

52. Gains from asset disposal

Unit: RMB

Source of gains from asset disposal	Amount incurred in the period	Amount incurred in the prior period
Gain on disposal of right-of-use assets	125,317.34	1,008,696.39
Total	125,317.34	1,008,696.39

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Non-operating income

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period	Amount included in non-recurring profit or loss for the period
Liquidated damages	20,000.00	30,000.00	20,000.00
Other	87,464.00	29,021.46	87,464.00
Total	107,464.60	59,021.46	107,464.60

54. Non-operating expenses

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period	Amount included in non-recurring profit or loss for the period
External donations	95,169.42	239,283.12	95,169.42
Loss on scrapping of long-term assets	492,574.11		492,574.11
Other	17,695.37	33,060.71	17,695.37
Total	605,438.90	272,343.83	605,438.90

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Income tax expense

(1) *Table of income tax expense*

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period
Current income tax expense	61,168.56	29,031,389.00
Deferred income tax expense	16,747,295.72	3,210,511.56
Total	16,808,464.28	32,241,900.56

(2) *Reconciliation of accounting profit to income tax expense*

Unit: RMB

Item	Amount incurred in the period
Total profit	438,549,746.80
Income tax expense calculated at the statutory/applicable tax rate	43,854,974.68
Effect of different tax rates applicable to subsidiaries	2,024,286.20
Effect of non-deductible costs, expenses and losses	91,868.70
Tax effect of unrecognized deductible losses and deductible temporary differences	9,957,649.11
Tax effect of additional deduction for research and development expenses ("-")	-37,633,581.80
Profit or loss of joint ventures and associates accounted for under the equity method	-1,486,732.61
Income tax expense	16,808,464.28

56. Other comprehensive income

For details, see Note VII, 38.

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Items in the statement of cash flows

(1) *Cash related to operating activities*

Other cash receipts relating to operating activities

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period
Subsidy income	52,342,918.67	40,959,405.06
Proceeds for exercise of share incentives and withholding tax on dividends	24,923,446.17	
Interest income	8,951,974.53	7,574,143.83
Refund of handling fees for withholding and payment of taxes	1,372,082.37	319,195.83
Non-operating income	107,464.60	59,021.46
Other	115,150.10	71,612.51
Total	87,813,036.44	48,983,378.69

Other cash payments relating to operating activities

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period
Cash expenses	147,678,586.98	119,158,511.55
Frozen for property preservation		44,000,000.00
Non-operating expenses	112,864.79	272,343.83
Total	147,791,451.77	163,430,855.38

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Items in the statement of cash flows (Continued)

(2) Cash related to investing activities

Other cash receipts relating to investing activities

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period
Redemption of wealth management products and large-denomination certificates of deposit	2,804,501,094.35	1,818,000,000.00
Returns from wealth management products and large-denomination certificates of deposit	14,464,045.70	12,675,659.96
Performance bond for construction contract		1,189,900.66
Total	2,818,965,140.05	1,831,865,560.62

Other cash payments relating to investing activities

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period
Purchase of wealth management products and large-denomination certificates of deposit	3,521,459,950.00	1,661,000,000.00
Other		5,000,000.00
Total	3,521,459,950.00	1,666,000,000.00

(3) Cash related to financing activities

Other cash payments relating to financing activities

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period
Amount paid to settle lease liabilities	11,047,147.86	13,707,079.91
Payment of listing expenses	4,093,998.39	
Amount paid for acquisition of minority interests	3,703,340.23	
Total	18,844,486.48	13,707,079.91

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplement	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	421,741,282.52	193,672,307.24
Add: Provision for asset impairment	109,006,260.28	85,037,479.05
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	51,472,371.72	45,458,299.87
Depreciation of right-of-use assets	10,162,597.93	10,920,850.19
Amortization of intangible assets	14,701,508.44	11,918,482.03
Amortization of long-term deferred expenses	31,835,185.75	26,860,270.42
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains indicated with "-")	-125,317.34	-1,008,696.39
Losses on retirement of fixed assets (gains indicated with "-")	492,574.11	
Losses from changes in fair value (gains indicated with "-")	-44,483,076.27	-14,011,767.58
Finance costs (income indicated with "-")	31,577,882.84	-2,539,660.64
Investment losses (income indicated with "-")	-16,822,450.07	-42,414,038.59
Decrease in deferred income tax assets (increase indicated with "-")	-21,677.04	39,114,304.10
Increase in deferred tax liabilities (decrease indicated with "-")	16,768,972.76	-6,427,691.51
Decrease in inventories (increase indicated with "-")	-336,940,550.53	-69,661,267.72
Decrease in operating receivables (increase indicated with "-")	-134,557,784.81	-68,869,594.65
Increase in operating payables (decrease indicated with "-")	128,108,956.65	-19,198,285.62
Other	98,941,428.78	50,882,260.88
Net cash flows from operating activities	381,858,165.72	239,733,251.08

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Supplementary information to the cash flow statement (Continued)

(1) Supplementary information to the cash flow statement (Continued)

Unit: RMB

Supplement	Amount for the current period	Amount for the prior period
2. Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt to capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under financing lease		
3. Net change in cash and cash equivalents:		
Cash at the end of the period	**4,584,444,519.47**	1,036,738,996.91
Less: Cash at the beginning of the period	**1,181,027,531.84**	813,194,427.13
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	**3,403,416,987.63**	223,544,569.78

(2) Net cash paid for the acquisition of subsidiaries during the period

Unit: RMB

	Amount
Cash or cash equivalents paid in the current period for business combinations occurring therewithin	52,560,048.16
Less: Cash and cash equivalents held by subsidiaries as at the acquisition date	
Add: Cash or cash equivalents paid in the current period for business combinations in prior periods	
Net cash paid for acquisition of subsidiaries	52,560,048.16

(3) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	**4,584,444,519.47**	1,181,027,531.84
Including: Cash on hand	**4,704.61**	4,750.30
Bank deposits available for payment at any time	**4,584,439,814.86**	1,181,022,781.54
III. Balance of cash and cash equivalents at the end of the period	**4,584,444,519.47**	1,181,027,531.84

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Foreign currency Closing balance	Translation exchange rate	RMB equivalent Closing balance
Monetary funds			
Including: USD	56,823,461.98	6.8109	387,018,917.20
EUR	293,615.85	7.7671	2,280,543.67
HKD	3,866,872,428.98	0.8686	3,358,572,048.19
JPY	39,090,683.00	0.0421	1,643,763.22
Accounts receivable			
Including: USD	41,737,126.82	6.8109	284,267,397.03
EUR			
HKD			
Long-term borrowings			
Including: USD			
EUR			
HKD			
Other receivables			
Including: USD	229,579.71	6.8109	1,563,644.44
EUR	59,146.21	7.7671	459,394.53
JPY	16,773,200.00	0.0421	705,313.06
Accounts payable			
Including: USD	14,222,079.79	6.8109	96,865,163.24
Other payables			
Including: USD	825,518.50	6.8109	5,622,523.94
EUR	29,056.26	7.7671	225,682.87
JPY	3,119,261.00	0.0421	131,164.93
Employee benefits payable			
Including: USD	1,758,726.93	6.8109	11,978,513.24
EUR	201,481.97	7.7671	1,564,930.61
JPY	6,977,401.00	0.0421	293,399.70

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Foreign currency monetary items (Continued)

(2) Information on overseas operating entities, including, for significant overseas operating entities, disclosure of their principal place of overseas operation, functional currency and the basis for its selection; if there is a change in the functional currency, the reason for such change shall also be disclosed.

☑ Applicable ☐ Not applicable

Monetary funds in overseas operating entities include USD, HKD, EUR and JPY. For SG HK, the functional currency is USD; for SG MICRO GMBH, the functional currency is EUR; and for SG MICRO JAPAN K.K., the functional currency is JPY. Different currencies are converted into the functional currency of the parent company at the central parity rates announced by the People's Bank of China on June 30, 2026: USD to RMB at 6.8109, HKD to RMB at 0.8686, EUR to RMB at 7.7671, and JPY to RMB at 0.0421.

60. Leases

(1) The Company as the lessee

☑ Applicable ☐ Not applicable

Variable lease payment not included in the measurement of lease liabilities

☐ Applicable ☑ Not applicable

Lease expenses for short-term leases and leases of low-value assets under simplified treatment

☑ Applicable ☐Not applicable

Item	Amount incurred in the period (Unit: RMB)
Expenses on short-term leases	**1,463,224.13**
Total	**1,463,224.13**

Circumstances involving sale and leaseback transactions

None

SECTION V FINANCIAL REPORT

VII. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Leases (Continued)

(2) *The Company as the lessor*

Operating leases as lessor

☑ Applicable ☐ Not applicable

Unit: RMB

Item	Lease income	Including: Income related to variable lease payments not included in the measurement of lease receivables
Operating lease	98,163.72	
Total	98,163.72	

Finance leases as lessor

☐ Applicable ☑ Not applicable

Undiscounted lease payments receivable for each of the next five years

☑ Applicable ☐ Not applicable

Unit: RMB

Item	Annual undiscounted lease payments receivable	
	Amount at the end of the period	Amount at the beginning of the period
Year 1	**196,327.43**	196,327.43
Year 2	**98,163.72**	196,327.43
Year 3		32,721.24

SECTION V FINANCIAL REPORT

VIII. R&D EXPENDITURE

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period
Wages and social insurance, etc.	**406,634,635.83**	352,855,072.54
Consumables	**66,427,502.06**	54,290,490.49
Amortization of intangible assets	**13,918,618.31**	11,309,211.60
Rent, utilities and property management	**4,631,858.07**	4,681,072.85
Depreciation expense	**32,714,754.82**	31,494,579.09
Share-based payment expenses	**70,265,334.82**	37,442,140.26
Others	**22,350,495.19**	15,448,623.50
Total	**616,943,199.10**	507,521,190.33
Including: Expensed R&D expenditure	**616,943,199.10**	507,521,190.33
Capitalized R&D expenditure		

IX. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Business combinations not under common control

(1) Business combinations not under common control during the period

Unit: RMB

Name of acquiree	Date of equity acquisition	Cost of equity acquisition	Percentage of equity acquired	Method of equity acquisition	Acquisition date	Basis for determining the acquisition date	Revenue of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the purchase date to the end of the period	Cash flows of the acquiree from the acquisition date to the end of the period
Acquisition of ADC and DAC business asset group	April 23, 2026	57,660,048.16	N/A	Cash purchase	April 23, 2026	Actual business acquired		-2,380,100.37	-1,161,964.62

On April 23, 2026, the Company acquired ADC and DAC business asset group, which comprises fixed assets, intangible assets, and businesses for a consideration of RMB57.66 million. This included fixed assets of RMB0.7078 million and intangible assets of RMB5.82 million, with the difference of RMB51.1322 million being recognized as goodwill.

SECTION V FINANCIAL REPORT

IX. CHANGES IN THE SCOPE OF CONSOLIDATION (CONTINUED)

1. Business combinations not under common control (Continued)

(2) *Cost of combination and goodwill*

Unit: RMB

Cost of combination	Acquisition of ADC and DAC business asset group
— Cash	57,660,048.16
— Fair value of non-cash assets	
— Fair value of debt issued or assumed	
— Fair value of equity securities issued	
— Fair value of contingent consideration	
— Fair value at the acquisition date of equity interest held before the acquisition date	
— Other	
Total cost of combination	57,660,048.16
Less: Share of fair value of identifiable net assets acquired	6,527,841.95
Goodwill/Amount by which the cost of combination is less than the share of fair value of identifiable net assets acquired	51,132,206.21

(3) *Identifiable assets and liabilities of the acquiree at the acquisition date*

Unit: RMB

	Acquisition of ADC and DAC business asset group	
	Fair value at acquisition date	Carrying amount at acquisition date
Assets:		
Monetary funds		
Receivables		
Inventories		
Fixed assets	707,841.95	707,841.95
Intangible assets	5,820,000.00	
Liabilities:		
Borrowings		
Payables		
Deferred tax liabilities		
Net Assets	6,527,841.95	707,841.95
Less: Non-controlling interests		
Net assets acquired	6,527,841.95	707,841.95

SECTION V FINANCIAL REPORT

IX. CHANGES IN THE SCOPE OF CONSOLIDATION (CONTINUED)

1. Business combinations not under common control (Continued)

(3) Identifiable assets and liabilities of the acquiree at the acquisition date (Continued)

Method for determining the fair value of identifiable assets and liabilities:

According to the valuation report.

Contingent liabilities of an acquiree assumed in a business combination:

None

2. Changes in the scope of consolidation for other reasons

Explanation of changes in the scope of consolidation due to other reasons (e.g., establishment of new subsidiaries, liquidation of subsidiaries, etc.) and related information:

During the Reporting Period, the Company established SG MICRO WUHAN CO., LTD. (武漢聖邦微電子有限公司), SG MICRO QIANHAI CO., LTD. (深圳前海聖邦微電子科技有限公司) and SG MICRO XI'AN CO., LTD. (西安聖邦微電子有限公司).

X. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group

Unit: RMB

Name of subsidiary	Registered capital	Principal place of business	Place of registration	Business nature	Percentage of shareholding Direct	Indirect	Acquisition method
SG MICRO (HK) LIMITED	10,230.29	Hong Kong	Hong Kong	Semiconductor technology development, technology transfer, sales, and trading	100.00%		Business combination under common control
SHANGHAI SG MICRO CO., LTD.	30,000,000.00	Shanghai	Shanghai	R&D and sales services	100.00%		Established by investment
SHANGHAI PINGSHENG MICRO CO., LTD.	2,450,000.00	Shanghai	Shanghai	R&D	100.00%		Business combination not under common control
SHEN AN MICRO CO., LTD.	16,000,000.00	Hangzhou	Hangzhou	R&D	56.00%		Business combination not under common control
SG MICRO SUZHOU CO., LTD.	15,683,383.61	Suzhou	Suzhou	R&D and sales services	100.00%		Established by investment
SG MICRO JIANGYIN CO., LTD.	150,000,000.00	Jiangyin	Jiangyin	R&D and testing services	100.00%		Established by investment
SG MICRO HANGZHOU CO., LTD.	2,000,000.00	Hangzhou	Hangzhou	R&D and sales services	100.00%		Established by investment
SHENZHEN SHEN AN MICRO CO., LTD.	2,000,000.00	Shenzhen	Shenzhen	R&D and sales services		56.00%	Established by investment
SG MICRO HARBIN CO., LTD.	100,000,000.00	Harbin	Harbin	R&D and sales	100.00%		Established by investment
SG MICRO GMBH	768,583.07	Germany	Germany	Sales service		100.00%	Established by investment
SG MICRO JAPAN K.K.	482,021.81	Japan	Japan	Sales service		100.00%	Established by investment
SG MICRO SHANGHAI CO., LTD.	30,000,000.00	Shanghai	Shanghai	R&D and sales	100.00%		Established by investment
SG MICRO SHENZHEN CO., LTD.	60,000,000.00	Shenzhen	Shenzhen	R&D and sales services	100.00%		Established by investment
GANRUI TECH (CHANGZHOU) CO., LTD.	3,321,700.00	Changzhou	Changzhou	Investment holding	68.99%		Business combination not under common control
VTRAN TECH (CHANGZHOU) CO., LTD.	80,000,000.00	Changzhou	Changzhou	R&D and sales		68.99%	Business combination not under common control
SG MICRO DALIAN CO., LTD.	20,000,000.00	Dalian	Dalian	R&D	100.00%		Established by investment
TeraDevices Inc.	5,697,427.00	Shanghai	Shanghai	R&D and sales	77.54%		Business combination not under common control
SG MICRO CHENGDU CO., LTD.	30,000,000.00	Chengdu	Chengdu	R&D and sales	100.00%		Established by investment
SG MICRO WUHAN CO., LTD.	30,000,000.00	Wuhan	Wuhan	Sales service	100.00%		Established by investment
SG MICRO QIANHAI CO., LTD.	68,562,000.00	Shenzhen	Shenzhen	Sales		100.00%	Established by investment
SG MICRO XI'AN CO., LTD.	5,000,000.00	Xi'an	Xi'an	Sales service	100.00%		Established by investment

SECTION V FINANCIAL REPORT

X. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures or associates

(1) Summary of financial information of insignificant joint ventures and associates

Unit: RMB

	Closing balance/ Amount incurred in the period	Opening balance/Amount incurred in the prior period
Joint ventures:		
Total of the following items calculated based on the percentage of shareholding		
Associates:		
Total book value of investment	570,341,552.18	555,363,553.93
Total of the following items calculated based on the percentage of shareholding		
— Net profit	14,294,134.24	3,059,328.71
— Other comprehensive income	-77,852.91	-119,821.79
— Total comprehensive income	14,216,281.33	2,939,506.92

SECTION V FINANCIAL REPORT

XI. GOVERNMENT GRANTS

1. Government grants recognized at the end of the Reporting Period based on the amount receivable

☐ Applicable ☑ Not applicable

Reasons for failure to receive the expected amount of government grants at the expected time

☐ Applicable ☑ Not applicable

2. Liability items involving government grants

☑ Applicable ☐ Not applicable

Unit: RMB

Accounting item	Opening balance	New grants in the period	Amount included in non-operating income for the period	Amount transferred to other income in the period	Other changes in the period	Closing balance	Related to assets/income
Deferred income	68,194,807.33	41,170,000.00		13,754,010.35		**95,610,796.98**	Asset-related
Total	68,194,807.33	41,170,000.00		13,754,010.35		**95,610,796.98**	

3. Government grants recognized in profit or loss for the period

☑ Applicable ☐ Not applicable

Unit: RMB

Accounting item	Amount incurred in the period	Amount incurred in the prior period
Other income	**24,926,929.02**	20,982,219.34

SECTION V FINANCIAL REPORT

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Various risks arising from financial instruments

In its daily activities, the Group is exposed to various financial instrument risks, mainly including credit risk, liquidity risk and market risk.

The Group's objective in risk management is to strike an appropriate balance between risk and return, and to minimize the adverse effects of financial risks on the Group's financial performance. Based on this risk management objective, the Group has established risk management policies to identify and analyze the risks faced by the Group, set appropriate risk tolerance levels, and design corresponding internal control procedures to monitor the Group's risk levels. The Group regularly reviews these risk management policies and the related internal control systems to adapt to changes in market conditions or the Group's operating activities. The Group's internal audit department also regularly or randomly inspects whether the implementation of the internal control system complies with the risk management policies.

(1) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations.

The Group manages credit risk by classifying it into portfolios. Credit risk mainly arises from bank deposits, accounts receivable, other receivables, etc.

The Group's bank deposits are mainly placed with state-owned banks and other large and medium-sized listed banks, and the management does not expect any significant credit risk from these bank deposits.

For accounts receivable, the Group sets relevant policies to control credit risk exposure. The Group assesses the creditworthiness of its customers and sets corresponding credit periods based on their financial condition, credit history, and other factors such as current market conditions. The Group regularly monitors the credit records of its customers. For customers with poor credit records, the Group will use methods such as written reminders for payment, shortening or canceling credit periods to ensure that the Group's overall credit risk is within a controllable range. The debtors of the Group's accounts receivable are customers distributed across different industries and regions. The Group continuously assesses the credit status of its accounts receivable and purchases credit guarantee insurance where appropriate. The Group's maximum exposure to credit risk is the carrying amount of each financial asset in the statement of financial position. The Group has not provided any other guarantees that would expose it to credit risk.

SECTION V FINANCIAL REPORT

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Various risks arising from financial instruments (Continued)

(1) *Credit risk (Continued)*

Among the Group's accounts receivable, the accounts receivable from the top five customers accounted for 36.94% of the Group's total accounts receivable (2025: 30.68%); among the Group's other receivables, the other receivables from the top five companies with the largest outstanding balances accounted for 95.30% of the Group's total other receivables (2025: 56.59%).

Significant increase in credit risk Judgment criteria:

At each balance sheet date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. The Group's main criterion for determining a significant increase in credit risk is an overdue period of more than 30 days, or a significant change in one or more of the following indicators: the debtor's operating environment, internal and external credit ratings, or a material adverse change in actual or expected operating results, etc.

Definition of credit-impaired financial assets:

The Group's main criterion for determining that a credit impairment has occurred is an overdue period of more than 90 days. However, in certain circumstances, if internal or external information indicates that the contractual amount is unlikely to be recovered in full before considering any credit enhancements held, the Group will also consider it to be credit-impaired. The credit impairment of a financial asset may be caused by the combined effect of multiple events, and not necessarily by a single identifiable event.

(2) *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

In managing liquidity risk, the Group maintains a level of cash and cash equivalents that management considers adequate to meet the Group's operating needs and to mitigate the impact of fluctuations in cash flows. The Group's management monitors the use of bank borrowings and ensures compliance with loan covenants. At the same time, commitments for sufficient backup funds are obtained from major financial institutions to meet short-term and long-term funding needs.

The table below summarizes the maturity analysis of financial liabilities at the end of the period based on undiscounted remaining contractual cash flows (Unit: RMB):

SECTION V FINANCIAL REPORT

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Various risks arising from financial instruments (Continued)

(2) Liquidity risk (Continued)

2026:

	Closing balance				
	Within 1 year	1-2 years	2-5 years	5 years or more	Total
Short-term borrowings	456,913,527.12				456,913,527.12
Accounts payable	477,231,980.37				477,231,980.37
Other payables	81,513,938.05				81,513,938.05
Non-current liabilities due within one year	70,486,221.13				70,486,221.13
Other current liabilities	124,992.56				124,992.56
Long-term borrowings		35,990,370.79			35,990,370.79
Lease liabilities		13,760,873.14	3,385,310.52		17,146,183.66
Long-term payables		87,856,850.00	109,999,429.00	5,764,735.97	203,621,014.97
Total financial liabilities	1,086,270,659.23	137,608,093.93	113,384,739.52	5,764,735.97	1,343,028,228.65

(3) Market risk

Market risk of a financial instrument is the risk that the fair value or future cash flows of the financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk and currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk can arise from recognized interest-bearing financial instruments and unrecognized financial instruments (such as certain loan commitments).

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term borrowings with floating interest rates. As at June 30, 2026, the Group's balance of floating-rate interest-bearing liabilities was RMB35,990,370.79 (December 31, 2025: RMB67,171,615.80).

The Group closely monitors the impact of interest rate changes on its interest rate risk. Management is responsible for monitoring interest rate risk and will consider hedging material interest rate risk when necessary.

As at June 30, 2026, if the interest rate on borrowings calculated at floating rates had been 0.5% higher or lower with all other variables held constant, the Group's net profit would have decreased or increased by approximately RMB84,534.12 (December 31, 2025: RMB218,721.41).

SECTION V FINANCIAL REPORT

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Various risks arising from financial instruments (Continued)

(3) Market risk (Continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk can arise from financial instruments denominated in a currency other than the functional currency.

The Group's business is mainly divided into domestic sales and export sales. Domestic sales are primarily settled in RMB, while export sales are primarily settled in foreign currencies. The Group is exposed to currency risk arising from its recognized foreign currency assets and liabilities and future foreign currency transactions (the currency of denomination for foreign currency assets and liabilities and foreign currency transactions is primarily the USD and HKD). The Group closely monitors the impact of exchange rate fluctuations on the Group's currency risk. Management is responsible for monitoring currency risk and will consider hedging significant currency risk when necessary.

With other variables remaining unchanged, the possible reasonable changes in the exchange rates of foreign currencies against RMB during the period would have the following after-tax impact on the Group's profit or loss for the period (Unit: RMB0'000):

Increase (decrease) in after-tax profit	**Current period**		Prior period	
Increase in the USD exchange rate	**5.00%**	**2,791.92**	5.00%	2,924.31
Decrease in the USD exchange rate	**-5.00%**	**-2,791.92**	-5.00%	-2,924.31
Increase in the EUR exchange rate	**5.00%**	**4.75**	5.00%	-5.81
Decrease in the EUR exchange rate	**-5.00%**	**-4.75**	-5.00%	5.81
Increase in the HKD exchange rate	**5.00%**	**16,792.86**	5.00%	267.17
Decrease in the HKD exchange rate	**-5.00%**	**-16,792.86**	-5.00%	-267.17
Increase in the JPY exchange rate	**5.00%**	**9.62**	5.00%	6.51
Decrease in the JPY exchange rate	**-5.00%**	**-9.62**	-5.00%	-6.51

Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern, so as to provide returns for shareholders and benefits for other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Group may adjust its financing methods, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments, or sell assets to reduce debt.

The Group monitors its capital structure on the basis of the gearing ratio (i.e., total liabilities divided by total assets). At the end of the period, the Group's gearing ratio was 16.64% (end of prior year: 23.40%).

SECTION V FINANCIAL REPORT

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Financial assets

(1) Classification by transfer method

☑ Applicable ☐ Not applicable

Unit: RMB

Transfer method	Nature of transferred financial assets	Amount of transferred financial assets	Derecognition status	Basis for determining derecognition status
Bills endorsement	Bills receivable	124,992.56	Not derecognised	Retained substantially all of its risks and rewards, including the associated default risk
Bills endorsement	Financing receivables	44,000.00	Derecognition	Has transferred substantially all the risks and rewards
Total		168,992.56		

(2) Financial assets derecognised due to transfer

☑ Applicable ☐ Not applicable

Unit: RMB

Item	Method of transfer of financial assets	Amount of financial assets derecognised	Gains or losses related to derecognition
Financing receivables	Bills endorsement	44,000.00	
Total		44,000.00	

SECTION V FINANCIAL REPORT

XIII. DISCLOSURE OF FAIR VALUE

1. Fair value at the end of the period of assets and liabilities measured at fair value

Unit: RMB

Item	Fair value at the end of the period			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement				
(I) Financial assets held for trading			2,071,505,097.06	2,071,505,097.06
Other non-current financial assets	4,879,184.37		137,588,775.01	142,467,959.38
Financing receivables		47,503.00		47,503.00
Total	4,879,184.37	47,503.00	2,209,093,872.07	2,214,020,559.44
II. Non-recurring fair value measurement				

2. Basis for determining the market price of recurring and non-recurring Level 1 fair value measurement items

The fair value of listed equity investments is determined by market quotations.

3. For recurring and non-recurring Level 3 fair value measurement items, qualitative and quantitative information on the valuation techniques and significant parameters adopted

The Company's financial assets at fair value through profit or loss are wealth management products and other financial products issued by financial institutions. The Company has estimated the fair value of these bank wealth management products using a discounted cash flow valuation model based on market interest rates for instruments with similar terms and risks.

The fair value of listed equity investments included in other non-current financial assets is based on market quotations. The fair value of unlisted investments measured at fair value through profit or loss has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or interest rates. The Directors are of the opinion that the estimated fair values derived from the valuation techniques and recorded in the consolidated statement of financial position, and the related changes in fair value recognized in profit or loss, are reasonable and represent the most appropriate values at the end of each relevant period.

SECTION V FINANCIAL REPORT

XIII. DISCLOSURE OF FAIR VALUE (CONTINUED)

3. For recurring and non-recurring Level 3 fair value measurement items, qualitative and quantitative information on the valuation techniques and significant parameters adopted (Continued)

The following is the summary of the significant unobservable inputs for Level 3 fair value measurements: (Unit: RMB)

	Fair value at the end of the period	Valuation technique	Unobservable inputs	Range
Financial assets held for trading	2,071,505,097.06	Discounted cash flow method	Interest rate	An increase/decrease of 5% in the interest rate would lead to an increase/decrease in fair value of RMB452,257.35
Other non-current financial assets	137,588,775.01	Net asset value method	Net Assets	An increase/decrease of 5% in net assets would lead to an increase/decrease in fair value of RMB6,879,438.75

4. For recurring and non-recurring Level 3 fair value measurement items, reconciliation information of the book value at the beginning and the end of the period and sensitivity analysis of unobservable parameters

The reconciliation for recurring Level 3 fair value measurements is as follows: (Unit: RMB)

		Total gains or losses for the period					
	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Purchase	For sale	Balance at the end of the year	Change in unrealised gains or losses for the period on assets held at the period-end and recognized in profit or loss
Financial assets held for trading	1,340,087,286.51	14,131,972.12		3,451,459,950.00	-2,734,174,111.57	2,071,505,097.06	9,045,147.06
Other non-current financial assets	104,566,858.26	33,021,916.75				137,588,775.01	33,021,916.75

SECTION V FINANCIAL REPORT

XIII. DISCLOSURE OF FAIR VALUE (CONTINUED)

5. Fair value information of financial assets and financial liabilities not measured at fair value

The following is a comparison of the carrying amounts and fair values of the Company's financial instruments by category, excluding lease liabilities and financial instruments for which the difference between the carrying amount and fair value is insignificant: (Unit: RMB)

			Fair value at the end of the period			
Financial liabilities	Carrying value	Fair Value	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Long-term payables	190,619,188.86	190,763,870.06		190,763,870.06		190,763,870.06
Long-term borrowings	34,916,976.22	35,891,285.00		35,891,285.00		35,891,285.00
Total	225,536,165.08	226,655,155.06		226,655,155.06		226,655,155.06
Financial assets				–		–
Other non-current assets	236,183,796.65	236,252,693.00		236,252,693.00		236,252,693.00

XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Details of the parent company of the Company

Name of parent company	Place of registration	Business nature	Registered capital	Shareholding percentage in the Company	Voting rights percentage in the Company
Chongqing Hongshun Xiangtai Enterprise Management Co., Ltd. (重慶鴻順祥泰企業管理有限公司)	3-2, Annex 3, 24 Hebin Road, Ma'an Sub-district, Fuling District, Chongqing (Self-declared)	Enterprise management; enterprise management consulting; technology services, technology development, technology consulting, technology exchange, technology transfer, technology promotion.	RMB100,000.00	17.35%	17.35%

The ultimate controlling party of the Company is Zhang Shilong.

Other information:

SECTION V FINANCIAL REPORT

XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

1. Details of the parent company of the Company (Continued)

During the Reporting Period, the changes in the registered capital of the parent company were as follows:

Unit: RMB

Opening balance	Increase during the period	Decrease during the period	Closing balance
100,000.00			100,000.00

2. Subsidiaries of the Company

For details of the Company's subsidiaries, see Note X, 1, (1).

3. Other related parties

Name of other related parties	Relationship between other related parties and the Company
Zhang Qin	Executive director
Lin Lin	Executive director
Liu Ming	Non-executive director
Du Meijie	Independent non-executive director
Tang Chunlin	Independent non-executive director
Chan Yik Pun	Independent non-executive director
Zhang Xuan	Senior management

SECTION V FINANCIAL REPORT

XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Related party transactions

(1) Remuneration of key management personnel

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period
Remuneration of key management personnel	**1,922,944.14**	2,709,023.04

XV. SHARE-BASED PAYMENTS

1. Overview of Share-based Payments

☑ Applicable ☐ Not applicable

Unit: RMB

Category of grantees	Granted during the period		Exercised in the period		Unlocked in the period		Lapsed in the period	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Senior management, key management personnel and core technical (business) personnel backbone	6,552,000.00	380,016,000.00	2,843,358.00	148,545,485.58	3,314,269.00	193,990,416.01	677,832.00	44,622,877.49
Total	6,552,000.00	380,016,000.00	2,843,358.00	148,545,485.58	3,314,269.00	193,990,416.01	677,832.00	44,622,877.49

SECTION V FINANCIAL REPORT

XV. SHARE-BASED PAYMENTS (CONTINUED)

1. Overview of Share-based Payments (Continued)

Share options or other equity instruments outstanding at the end of the period

☑ Applicable ☐ Not applicable

	Share options issued and outstanding at the end of the period		Other equity instruments outstanding at the end of the period	
Category of grantees	**Range of exercise prices**	**Remaining contractual term**	**Range of exercise prices**	**Remaining contractual term**
Senior management, key management personnel and core technical (business) personnel backbone	The exercise price for the initial grant of share options in 2022 is RMB78.09 per share	5 months	The grant price for the 2021 reserved grant of Class II restricted shares is RMB78.09 per share	0 month
Senior management, key management personnel and core technical (business) personnel backbone	The exercise price for the initial grant of share options in 2023 is RMB50.34 per share	14 months		
Core management personnel and core technical (business) personnel backbone	The exercise price for the 2023 reserved grant of share options is RMB44.26 per share	26 months		
Core management personnel and core technical (business) personnel backbone	The exercise price for the initial grant of share options in 2025 is RMB73.49 per share	35 months		
Senior management, key management personnel and core technical (business) personnel backbone	The exercise price for the second tranche of the initial grant of share options in 2025 is RMB55.49 per share	36 months		
Senior management, key management personnel and core technical (business) personnel backbone	The exercise price for the 2025 reserved grant of share options is RMB57.80 per share	44 months		
Core management personnel and core technical (business) personnel backbone	The exercise price for the second tranche of the 2025 reserved grant of share options is RMB57.80 per share	44 months		

XV. SHARE-BASED PAYMENTS (CONTINUED)

2. Equity-settled share-based payments

☑ Applicable ☐ Not applicable

Unit: RMB

Method of determining the fair value of equity instruments at the grant date	Class II restricted shares and share options are valued using the Black-Scholes model.
Key parameters for the fair value of equity instruments on the grant date	Underlying share price; term; volatility; risk-free interest rate; dividend yield
Basis for determining the number of exercisable equity instruments	At each balance sheet date, the best estimate is made based on the latest information obtained, such as changes in the number of eligible incentive recipients, and the estimated number of unlockable equity instruments is revised.
Cumulative amount of equity-settled share-based payments recognized in capital reserve	659,913,648.93
Total expense recognized for equity-settled share-based payments in the period	91,344,132.24

An equity-settled share incentive scheme was also implemented within the holding subsidiary, under which share-based payment expenses of RMB7,597,296.54 were recognized during the Reporting Period.

SECTION V FINANCIAL REPORT

XV. SHARE-BASED PAYMENTS (CONTINUED)

3. Share-based Payment Expenses for the Current Period

☑ Applicable ☐ Not applicable

Unit: RMB

Category of grantees	Equity-settled share-based payment expenses	Cash-settled share-based payment expenses
Senior management, key management personnel and core technical (business) personnel backbone	91,344,132.24	
Total	91,344,132.24	

XVI. COMMITMENTS AND CONTINGENCIES

1. Important commitments

Significant commitments existing at the balance sheet date

As at the end of the Reporting Period, the Group had capital commitments contracted but not recognized in the financial statements of RMB270,705,133.46 in respect of the acquisition of long-term assets.

2. Contingencies

(1) Significant contingencies existing at the balance sheet date

As at June 30, 2026, the Company was a defendant in a pending lawsuit arising from a contract dispute, with the amount in dispute being RMB44,000,000.00, plus accrued interest for overdue payments and related expenses. The Company has prevailed in the first-instance judgment, which has not yet become final and effective. The Company is of the view that the possibility of economic outflows resulting from the litigation is extremely low.

(2) The Company should also state if it has no significant contingencies to disclose.

The Company has no significant contingencies to disclose.

SECTION V FINANCIAL REPORT

XVII. EVENTS AFTER THE BALANCE SHEET DATE

The Company has fully exercised the over-allotment option on July 23, 2026 in respect of an aggregate of 8,100,100 H Shares, and the approval for the listing of and permission to deal in the over-allotment shares has already been granted by the Hong Kong Stock Exchange. Listing of and dealings in the over-allotment shares commenced on the Main Board of the Hong Kong Stock Exchange on July 28, 2026. The additional net proceeds received by the Company from the issue of the over-allotment shares was HKD681.78 million after deduction of the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the full exercise of the over-allotment option. Upon the full exercise of the aforesaid over-allotment option, a total of 62,101,300 H shares have been issued under the Global Offering.

XVIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive)	**449,487,213.33**	352,097,876.76
Total	**449,487,213.33**	352,097,876.76

SECTION V FINANCIAL REPORT

XVIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

(2) Disclosure by method of provision for bad debts

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage	Amount	Provision percentage	Carrying value	Amount	Percentage	Amount	Provision percentage	Carrying value
Including:										
Accounts receivable with provision for bad debts accrued on a portfolio basis	449,487,213.33	100.00%	7,726,883.69	1.72%	441,760,329.64	352,097,876.76	100.00%	6,095,186.91	1.73%	346,002,689.85
Including:										
Domestic customers	165,660,152.72	36.86%	3,611,391.33	2.18%	162,048,761.39	135,584,617.14	38.51%	2,955,744.65	2.18%	132,628,872.49
Overseas customers	283,827,060.61	63.14%	4,115,492.36	1.45%	279,711,568.25	216,513,259.62	61.49%	3,139,442.26	1.45%	213,373,817.36
Total	449,487,213.33	100.00%	7,726,883.69	1.72%	441,760,329.64	352,097,876.76	100.00%	6,095,186.91	1.73%	346,002,689.85

Name of portfolio for which provision for bad debts is made on a portfolio basis: Domestic customers

Unit: RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision percentage
Domestic customers	165,660,152.72	3,611,391.33	2.18%
Total	165,660,152.72	3,611,391.33	

SECTION V FINANCIAL REPORT

XVIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

(2) *Disclosure by method of provision for bad debts (Continued)*

Provision for bad debts made on a portfolio basis: Overseas customers

Unit: RMB

Name	Closing balance Book balance	Provision for bad debts	Provision percentage
Overseas customers	283,827,060.61	4,115,492.36	1.45%
Total	283,827,060.61	4,115,492.36	

If provision for bad debts of accounts receivable is made using the expected credit loss general model:

☑ Applicable ☐ Not applicable

Unit: RMB

Provision for bad debts	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses (not credit-impaired)	Stage 3 Lifetime expected credit losses (credit-impaired)	Total
Balance as at January 1, 2026	6,095,186.91			6,095,186.91
Balance as at January 1, 2026 for the period				
Provision for the period	1,631,696.78			1,631,696.78
Balance as at June 30, 2026	7,726,883.69			7,726,883.69

SECTION V FINANCIAL REPORT

XVIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

(3) *Provision, recovery or reversal of bad debt provision for the period*

Provision for bad debts for the current period:

Unit: RMB

Category	Opening balance	Changes in the period Provision	Recovery or reversal	Write-off	Other	Closing balance
Provision, recovery or reversal of bad debt provision for the period	6,095,186.91	1,631,696.78				7,726,883.69
Total	6,095,186.91	1,631,696.78				7,726,883.69

(4) *Top five accounts receivable and contract assets with the closing balances classified by debtors*

Unit: RMB

Debtor	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	As a percentage of the closing balance of the total accounts receivable and contract assets	Closing balance of bad debt provision of accounts receivable and impairment provision of contract assets
Debtor 1	100,472,881.35		100,472,881.35	22.35%	1,456,856.78
Debtor 2	43,055,363.06		43,055,363.06	9.58%	642,787.81
Debtor 3	22,676,076.19		22,676,076.19	5.04%	363,067.09
Debtor 4	22,533,295.16		22,533,295.16	5.01%	491,225.83
Debtor 5	21,926,489.23		21,926,489.23	4.88%	377,346.21
Total	210,664,104.99	0.00	210,664,104.99	46.86%	3,331,283.72

XVIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividends receivable		56,230,400.00
Other receivables	283,566,993.50	48,018,394.20
Total	283,566,993.50	104,248,794.20

(1) Dividends receivable

1) Classification of dividends receivable

Unit: RMB

Item (or investee)	Closing balance	Opening balance
Subsidiaries		56,230,400.00
Total		56,230,400.00

(2) Other receivables

1) Other receivables by nature

Unit: RMB

Nature of payment	Closing book balance	Opening book balance
Deposits and security deposits	3,768,487.64	3,439,615.38
Petty cash	85,200.00	9,764.87
Amounts due from subsidiaries and other	362,686,073.29	229,795,822.60
Proceeds for exercise of share incentives and withholding tax on dividends	107,616,355.11	
Total	474,156,116.04	233,245,202.85

SECTION V FINANCIAL REPORT

XVIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(2) Other receivables (Continued)

2) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive)	**267,161,341.36**	53,303,721.18
1-2 years	**56,095,594.61**	39,511,385.13
2-3 years	**32,638,258.98**	37,352,351.19
Over 3 years	**118,260,921.09**	103,077,745.35
3-4 years	**51,215,498.19**	60,000,678.90
4-5 years	**40,500,678.90**	43,062,066.45
Over 5 years	**26,544,744.00**	15,000.00
Total	**474,156,116.04**	233,245,202.85

3) Provision, recovery or reversal of bad debt provision for the period
Provision for bad debts for the current period:

Unit: RMB

Category	Opening balance	Changes in the period				Closing balance
		Provision	Recovery or reversal	Written off or charged off	Other	
Deposits and security deposits	782,174.67		332,225.18			**449,949.49**
Petty cash	199.20	1,538.88				**1,738.08**
Receivables from subsidiaries and others	184,444,434.78	5,693,000.19				**190,137,434.97**
Total	185,226,808.65	5,694,539.07	332,225.18			**190,589,122.54**

SECTION V FINANCIAL REPORT

XVIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(2) Other receivables (Continued)

4) Top five other receivables by outstanding closing balance, grouped by debtor

Unit: RMB

Name of entity	Nature of the receivable	Closing balance	Aging	Percentage of the total balance of other receivables at the end of the period	Balance of provision for bad debts at the end of the period
SHANGHAI PINGSHENG MICRO CO., LTD.	Inter-company balances	183,500,000.00	1-2 years, 2-3 years, 3-4 years, 4-5 years, over 5 years	38.70%	183,500,000.00
CHINA SECURITIES DEPOSITORY AND CLEARING CORPORATION LIMITED SHENZHEN BRANCH	Proceeds for exercise of share incentives and withholding tax on dividends	107,616,355.11	Within 1 year	22.70%	
SG MICRO SHANGHAI CO., LTD.	Inter-company balances	64,189,521.58	Within 1 year	13.54%	
SG MICRO JIANGYIN CO., LTD.	Inter-company balances	43,732,242.11	Within 1 year	9.22%	714,000.00
VTRAN TECH (CHANGZHOU) CO., LTD.	Inter-company balances	36,425,630.14	Within 1 year, 1-2 years	7.68%	5,923,140.00
Total		435,463,748.94		91.84%	190,137,140.00

SECTION V FINANCIAL REPORT

XVIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying value	Book balance	Impairment provision	Carrying value
Investments in subsidiaries	1,092,651,303.88	16,414,368.72	1,076,236,935.16	963,617,634.44	16,414,368.72	947,203,265.72
Investments in associates and joint ventures	570,341,552.18		570,341,552.18	555,363,553.93		555,363,553.93
Total	1,662,992,856.06	16,414,368.72	1,646,578,487.34	1,518,981,188.37	16,414,368.72	1,502,566,819.65

(1) Investment in subsidiaries

Unit: RMB

Invested entity	Opening balance (carrying amount)	Opening balance of impairment provision	Changes during the period: Additional investments	Decrease in investment	Provision for impairment	Other	Closing balance (carrying amount)	Closing balance of impairment provision
SG MICRO (HK) LIMITED	68,565,862.12		8,088,008.45				76,653,870.57	
SHANGHAI SG MICRO CO., LTD.	80,721,626.03		28,930,514.87				109,652,140.90	
SHANGHAI PINGSHENG MICRO CO., LTD.		16,414,368.72						16,414,368.72
SHEN AN MICRO CO., LTD.	20,000,000.00						20,000,000.00	
SG MICRO SUZHOU CO., LTD.	122,657,566.25		5,547,589.72				128,205,155.97	
SG MICRO JIANGYIN CO., LTD.	167,781,860.20		4,146,048.93				171,927,909.13	
SG MICRO HANGZHOU CO., LTD.	3,749,620.69		609,668.56				4,359,289.25	
SG MICRO HARBIN CO., LTD.	98,051,653.10		55,757,044.22				153,808,697.32	
GANRUI TECH (CHANGZHOU) CO., LTD.	164,142,200.00						164,142,200.00	
VTRAN TECH (CHANGZHOU) CO., LTD.	134,349.60		188,759.85				323,109.45	
SG MICRO DALIAN CO., LTD.	11,262,665.59		5,026,328.49				16,288,994.08	
SG MICRO SHANGHAI CO., LTD.	32,731,597.42		2,080,978.57				34,812,575.99	
SG MICRO SHENZHEN CO., LTD.	80,477,063.72		13,365,550.65				93,842,614.37	
TeraDevices Inc.	96,927,201.00		37,524.05				96,964,725.05	
SG MICRO CHENGDU CO., LTD.			940,747.34				940,747.34	
SG MICRO WUHAN CO., LTD.			2,314,905.74				2,314,905.74	
SG MICRO XI'AN CO., LTD.			2,000,000.00				2,000,000.00	
Total	947,203,265.72	16,414,368.72	129,033,669.44				1,076,236,935.16	16,414,368.72

XVIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(2) Investments in associates and joint ventures

Unit: RMB

Investee	Opening balance (carrying amount)	Opening balance of impairment provision	Changes during the period: Additional investments	Decrease in investment	Investment income or loss recognized under the equity method	Other comprehensive income adjustment	Other equity movements	Declaration of cash dividends or profits	Provision for impairment	Other	Closing balance (carrying amount)	Closing balance of impairment provision
I. Joint ventures												
II. Associates												
ETA Semiconductor Limited	316,345,174.88				10,237,460.58	-77,852.91	2,139,134.09				328,643,916.64	
Xiamen UX IC Co., Ltd.	196,509,081.45				4,629,865.53		838,373.47	-2,215,790.64			199,761,529.81	
HICOOL Fund Investment Management (Beijing) Co., Ltd.	42,509,297.60				-573,191.87						41,936,105.73	
Subtotal	555,363,553.93				14,294,134.24	-77,852.91	2,977,507.56	-2,215,790.64			570,341,552.18	
Total	555,363,553.93				14,294,134.24	-77,852.91	2,977,507.56	-2,215,790.64			570,341,552.18	

The recoverable amount is determined as fair value less costs of disposal

☐ Applicable ☑ Not applicable

The recoverable amount is determined as the present value of estimated future cash flows

☐ Applicable ☑ Not applicable

Reasons for significant discrepancies between the aforementioned information and the information adopted in impairment tests in prior years or external information

None

Reasons for the significant discrepancy between the information adopted in the Company's impairment tests in prior years and the actual situation in the current year

None

SECTION V FINANCIAL REPORT

XVIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Operating revenue and operating cost

Unit: RMB

Item	Amount incurred in the period		Amount incurred in the prior period	
	Revenue	Cost	Revenue	Cost
Main business	2,304,927,064.41	1,230,148,717.44	1,678,051,136.57	875,667,954.89
Other business	2,672,455.03	2,806,396.67	2,656,308.74	2,666,186.11
Total	2,307,599,519.44	1,232,955,114.11	1,680,707,445.31	878,334,141.00

Breakdown information of operating revenue and operating cost:

Unit: RMB

Contract classification	Operating revenue	Operating cost
By business type		
IC industry	2,307,599,519.44	1,232,955,114.11
By sales region		
Chinese Mainland	1,226,647,844.35	666,596,081.80
Hong Kong	982,379,622.89	527,865,144.47
Taiwan	41,856,802.17	18,056,706.38
Others	56,715,250.03	20,437,181.46
By contract type		
Signal chain product	959,678,506.09	437,047,462.93
Power management product	1,315,056,760.29	779,248,008.40
Others	32,864,253.06	16,659,642.78
By sales channel		
Distribution	2,126,663,267.73	1,115,285,311.44
Direct sales	173,564,018.38	114,266,891.37
Others	7,372,233.33	3,402,911.30
Total	2,307,599,519.44	1,232,955,114.11

SECTION V FINANCIAL REPORT

XVIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5. Investment income

Unit: RMB

Item	Amount incurred in the period	Amount incurred in the prior period
Income from long-term equity investments accounted for under the equity method	**14,294,134.24**	3,059,328.71
Investment income from the disposal of financial assets held for trading	**1,590,060.19**	12,121,353.47
Investment income from disposal of other non-current financial assets	**110,794.35**	
Total	**15,994,988.78**	15,180,682.18

XIX. SUPPLEMENTARY INFORMATION

1. Details of non-recurring profit or loss for the period

☑ Applicable ☐ Not applicable

Unit: RMB

Item	Amount	Description
Gain or loss on disposal of non-current assets	125,317.34	
Government grants recognized in profit or loss for the period (excluding government grants that are closely related to the Company's normal business operations, comply with national policies, are received based on a fixed standard, and have a continuous impact on the Company's profit or loss)	24,926,929.02	
Gains and losses from changes in fair value of financial assets and financial liabilities held by non-financial enterprises, and gains and losses on disposal of financial assets and financial liabilities, other than effective hedging activities related to the Company's normal business operations	44,935,834.29	
Gain or loss on entrusting others to invest or manage assets	2,075,557.81	
Other non-operating income and expenditure other than the above items	-497,974.30	
Less: Impact of income tax	6,355,283.23	
Impact on non-controlling interests (net of tax)	564,128.21	
Total	64,646,252.72	

SECTION V FINANCIAL REPORT

XIX. SUPPLEMENTARY INFORMATION (CONTINUED)

1. Details of non-recurring profit or loss for the period (Continued)

Details of other profit or loss items that meet the definition of non-recurring profit or loss:

☐ Applicable ☑ Not applicable

The Company has no other profit or loss items that meet the definition of non-recurring profit or loss.

Explanation of the circumstances where non-recurring profit or loss items listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Securities to the Public — Non-recurring Profit or Loss are defined as recurring profit or loss items

☐ Applicable ☑ Not applicable

2. Return on net assets and earnings per share

Profit in the Reporting Period	Weighted average return on equity	Earnings per share Basic earnings per share (RMB/share)	Earnings per share Diluted earnings per share (RMB/share)
Net profit attributable to ordinary shareholders of the Company	7.61%	0.6775	0.6667
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	6.44%	0.5733	0.5641