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Application Proof

CHINA MICRO SEMICON (SHENZHEN) LIMITED

中 微 半 導 體 (深 圳) 股 份 有 限 公 司

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

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CHINA MICRO SEMICON (SHENZHEN) LIMITED

中微半導體（深圳）股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED] : [REDACTED] H Shares (subject to the [REDACTED])

Number of [REDACTED] : [REDACTED] H Shares (subject to [REDACTED])

Number of [REDACTED] : [REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])

Maximum [REDACTED] : HK\$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)

Nominal Value : RMB1.00 per H Share

[REDACTED] : [•]

Sole Sponsor, [REDACTED]



中信建投國際
CHINA SECURITIES INTERNATIONAL

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The [REDACTED] is expected to be determined by agreement between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]) on the [REDACTED], which is expected to be on or before [REDACTED] and, in any event, not later than 12:00 noon on [REDACTED]. The [REDACTED] will be not more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED], unless otherwise announced. If, for any reason, the [REDACTED] is not agreed between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]) by 12:00 noon on [REDACTED], the [REDACTED] will not proceed and will lapse.

Applicants for [REDACTED] are required to pay, on application (subject to application channel), the [REDACTED] of HK\$[REDACTED] for each [REDACTED] together with brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the [REDACTED] as finally determined is less than HK\$[REDACTED].

The [REDACTED] (for themselves and on behalf of the [REDACTED]) may, where considered appropriate and with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] will be published on the websites of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.mcu.com.cn as soon as practicable but in any event not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. See sections headed “Structure of the [REDACTED]” and “How to Apply for the [REDACTED]” in this document for more details.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds for termination arise prior to [8:00] a.m. on the [REDACTED]. Such grounds are set out in “[REDACTED]” in this document.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in “Risk Factors.”

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be [REDACTED], sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being [REDACTED] and sold only outside the United States in offshore transactions in reliance on Regulation S.

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EXPECTED TIMETABLE

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

We have issued this document solely in connection with the [REDACTED] and the [REDACTED], and it does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] to buy any security other than the [REDACTED] by this document pursuant to the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an [REDACTED] or invitation in any other jurisdiction or in any other circumstances. We have taken no action to permit a [REDACTED] of the [REDACTED] in any jurisdiction other than Hong Kong, and we have taken no action to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the [REDACTED] and sale of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

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	Page
Expected Timetable	iii
Contents	vi
Summary	1
Definitions	14
Glossary of Technical Terms	23
Forward-Looking Statements	28
Risk Factors	30
Waivers from Strict Compliance with the Listing Rules	58
Information about this Document and the [REDACTED]	65
Directors and Parties Involved in the [REDACTED]	69
Corporate Information	72
Industry Overview	74
Regulatory Overview	88
History, Development and Corporate Structure	101
Business	107
Connected Transactions	164
Relationship with Our Controlling Shareholders Group	166
Directors and Senior Management	169

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT

CONTENTS

Substantial Shareholders	179
Share Capital	180
Financial Information	183
Future Plans and [REDACTED]	216
[REDACTED]	219
Structure of the [REDACTED]	229
How to Apply for the [REDACTED]	237
Appendix I — Accountants’ Report	I-1
Appendix II — Unaudited [REDACTED] Financial Information	II-1
Appendix III — Taxation and Foreign Exchange	III-1
Appendix IV — Summary of Principal Legal and Regulatory Provisions	IV-1
Appendix V — Summary of the Articles of Association	V-1
Appendix VI — Statutory and General Information	VI-1
Appendix VII — Documents Delivered to the Registrar of Companies in Hong Kong and on Display	VII-1

SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

Who We Are

We are a leading intelligent control solutions provider in China, specializing in the design and delivery of integrated circuit chips, with microcontroller units (MCUs) at the core of our offerings. Leveraging domain expertise and a focus on practical technological advancement, we empower a wide range of applications with high-performance, energy-efficient, and cost-effective intelligent control solutions. According to Frost & Sullivan, we were among the earliest domestic players to independently develop and design MCUs. Our first-mover advantage and relentless innovation have kept us in an industry-leading position. In 2024, we ranked first in China’s MCU industry in terms of shipment volume and third in terms of revenue.

Building on our strengths in MCU design and development, we have extended our offerings to include a broad range of system-on-chips (SoCs) and application-specific integrated circuits (ASICs), enabling us to deliver one-stop intelligent control solutions that integrate chips, embedded algorithms, and technical support. These solutions power a wide array of downstream applications, including consumer electronics, smart household appliances, industrial control, and automotive electronics. During the Track Record Period, we generated revenue from the provision of MCU, SoC, and ASIC solutions, as well as the sale of other related products.

We have built strong competitive advantages across both general consumer and high-end application scenarios. In the general consumer segment, our MCU products hold a leading position in China’s consumer electronics and smart household appliance sectors. According to Frost & Sullivan, we ranked first and second in China’s MCU market for smart household appliances and consumer electronics, respectively, in terms of revenue in 2024. Capitalizing on this foundation, we have successfully expanded into high-end MCU applications, particularly in the fast-growing fields of industrial control and automotive electronics.

As of December 31, 2025, we had served over 1,000 customers in aggregate, including leading industry players, renowned consumer brands, and prominent automotive manufacturers, laying a strong foundation for future growth and market expansion. Our proven delivery capabilities, strong customer retention, and integration across our operations and partnerships provide a solid foundation for continued expansion. Our customer retention rate remained strong at 63.5%, 73.2% and 82.8% in 2023, 2024 and 2025, respectively.

Our Business Model

We primarily offer MCU, SoC and ASIC products, integrated with embedded algorithms and supporting software to deliver one-stop intelligent control solutions. In addition, we provide other related products such as development tools, enabling customers to seamlessly integrate our solutions into their end-products and accelerate their time-to-market.

Operating under a fabless business model, we concentrate our resources on chip design, platform development and market-driven innovation, while partnering with leading foundries and outsourced semiconductor assembly and test providers to transform our designs into high-quality, scalable products.

SUMMARY

Comparison of MCU, SoC and ASIC Products

The table below sets out a comparative overview of the architecture, functionality, product positioning and typical application scenarios of MCUs, SoCs and ASICs, in order to illustrate the respective characteristics of our major semiconductor offerings:

Aspect	MCU	SoC	ASIC
Architecture	- Integrated “all-in-one” chip that combines CPU, memory, and standard interfaces - Simple in structure and can operate without external components	Highly integrated chip that incorporates multiple functional blocks into one chip, enabling more powerful and diverse functions	Fully customized circuitry tailored for a specific function. Only includes components needed for the target use case, without general-purpose architecture
Functionality	- Performs basic, general-purpose control tasks such as temperature sensing or motor control; - The logic is relatively simple and can be reused across applications; - Does not support complex operating systems	- Supports parallel processing and multitasking, enabled by multi-core design; - Capable of handling more complex computing and processing tasks	- Designed for a single purpose with maximum efficiency and performance; - No capacity for modification or broader application
Product positioning	- Targets cost-sensitive and simple-use scenarios; - Known for being “low power, low cost, low complexity”	- Targets performance-sensitive scenarios where higher integration and functionality are needed; - Also used for multifunction applications	- Targets high-volume, high-performance applications; - Prioritizes long-term efficiency over upfront development cost
Application	Cost-sensitive use cases such as household appliances, smart meters, and basic automotive modules (e.g. lighting control)	Products that require more processing power or multiple functions, such as smart household appliances (e.g. washing machines, refrigerators), infotainment systems, or AIoT devices	High-volume and high-performance scenarios with very specific needs, such as LCD drivers, biometric sensors, or battery charging management

Although these products differ in terms of architecture, functional capabilities, technical purpose and common application scenarios, they share broadly similar pricing mechanisms and are sold to a comparable base of distributors and end customers.

The functional distinction between MCUs and ASICs can be further illustrated by their application scope. The “single control task” of an MCU typically refers to simple yet broadly required functions, such as temperature sensing or fan speed control, which are foundational in many applications and can be rapidly implemented across different systems through minor software adjustments. In contrast, the “dedicated function” of an ASIC is highly specific to a single scenario and implemented through fixed circuit logic. Such functions are not intended to be reused or modified, but instead prioritize performance, efficiency and consistency in large-scale, repetitive deployments.

As for SoCs, their ability to support multitasking and parallel processing arises from a combination of factors: (i) multi-core or hybrid processing architectures, (ii) presence of dedicated hardware acceleration modules capable of executing specific tasks independently, and (iii) robust memory and high-speed bus systems that facilitate concurrent data processing. Even when a SoC is ultimately applied to a single commercial function, its inherent architectural strength allows for efficient and scalable performance beyond what an MCU can deliver.

SUMMARY

Our Production Model

We primarily adopt a fabless business model, under which we do not own or operate semiconductor fabrication or packaging facilities. Instead, we mainly engage reputable foundries for wafer fabrication and leading OSAT providers for IC packaging and testing (collectively, as “**Production Partners**”). As of the Latest Practicable Date, we maintained close collaboration with six foundry partners for wafer fabrication and 20 OSAT partners for IC packaging and testing. We did not experience any material production capacity constraints from our production partners during the Track Record Period and up to the Latest Practicable Date.

Under this model, once our in-house R&D team completes the physical layout design of a chip, the finalized design is sent to a photomask manufacturer to produce precision photomasks. Our supply chain team then coordinates wafer fabrication with selected foundry partners, while delivering photomasks to facilitate production. Upon completion, wafers are either delivered to us or our designated OSAT partners, depending on contractual arrangements. The OSAT partners conduct packaging and testing based on our technical specifications. Finished products are subsequently returned to us for final inspection and, once approved, are stored in our warehouses for shipment.

To supplement this fabless production model and support rapid product iteration, we have established a self-owned production line in Suining, Sichuan Province (the “**Suining Production Line**”), which plays a strategic role in our packaging and testing process. The Suining Production Line is primarily responsible for:

- Rapid packaging and testing of newly developed products, enabling faster time-to-market;
- Performing specific types of packaging tasks that require more customized handling; and
- Conducting final product testing for chips outsourced to packaging partners that do not possess in-house testing capabilities.

Our Market Opportunities

Amid accelerating global digitalization and automation, MCUs, at the core of embedded smart control systems, are set to benefit significantly from surging downstream demand. According to Frost & Sullivan, the global and the China MCU markets are projected to continue expanding in the coming years, driven by increasing adoption of intelligent and connected devices. China represents one of the most dynamic markets for MCU applications, supported by rapid development in consumer electronics, smart household appliances, industrial control, automotive electronics and emerging fields such as AI computing and robotics. For details, see “Industry Overview — Overview of MCU Industry.”

With more than two decades of industry experience, we have built a broad customer base and a solid network of partners across manufacturing and OSAT. Backed by our core technical strengths, including a modular chip design and development platform, reusable IP library, and strategic investments in frontier technologies, we are well-positioned to capture global opportunities and accelerate our expansion into high-growth verticals.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths can empower us to achieve sustainable growth:

- A leading MCU-centric intelligent control solutions provider in China;
- Robust R&D resources and deep technological reserves forming a wide and defensible moat;
- Diversified product portfolio and broad application coverage;

SUMMARY

- Deep customer engagement and an expansive customer landscape;
- Stable and collaborative supply chain framework; and
- Visionary and technically grounded management team driving sustainable growth.

OUR BUSINESS STRATEGIES

We intend to leverage our existing strengths and carry out the following strategies to capture growing market opportunities, further solidify our market position and achieve our mission:

- Strengthen R&D investment and drive breakthroughs across multiple technological frontiers;
- Broaden product portfolio and capture high-end application markets to enhance market share;
- Enhance existing customer relationships, deepen key account engagement, and expand international footprint;
- Establish a global talent pool and enhance our R&D talent pipeline;
- Strengthen and expand our operations outside the PRC; and
- Selectively pursue strategic acquisitions.

OUR CUSTOMERS AND SUPPLIERS

Our Customers

During the Track Record Period, our customers primarily consisted of distributors and direct sales customers, which were located in the PRC. In 2023, 2024 and 2025, revenue contributed by our five largest customers in each year during the Track Record Period amounted to RMB172.2 million, RMB225.0 million and RMB277.7 million, respectively, accounted for 24.1%, 24.7% and 24.8% of our total revenue in the same years, respectively. In 2023, 2024 and 2025, revenue contributed by our largest customer in each year during the Track Record Period amounted to RMB85.5 million, RMB105.0 million and RMB115.6 million, respectively, accounted for 12.0%, 11.5% and 10.3% of our total revenue in the same years, respectively. See “Business — Our Customers” for more details.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest customers in each year during the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their associates or any of our Shareholders, who or which to the knowledge of the Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest customers in each year during the Track Record Period.

Our Suppliers

During the Track Record Period, our suppliers mainly comprised (i) wafer foundries, (ii) OSAT providers offering packaging and testing services, and (iii) other vendors supplying accessories and equipment. In 2023, 2024 and 2025, purchases from our five largest suppliers in each year during the Track Record Period amounted to RMB511.3 million, RMB488.5 million and RMB618.9 million, respectively, accounted for 90.1%, 85.6% and 86.5% of our total purchases in the same years, respectively. In 2023, 2024 and 2025, purchases from our largest supplier in each year during the Track Record Period amounted to RMB265.4 million, RMB274.0 million and RMB388.1 million, respectively, accounted for 46.8%, 48.0% and 54.3% of our total purchases in the same years, respectively. See “Business — Our Suppliers — Our Major Suppliers” for more details.

SUMMARY

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest suppliers in each year during the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their associates or any of our Shareholders, who or which to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers in each year during the Track Record Period.

Reliance on Supplier A

Supplier A consistently served as our largest supplier in each year during the Track Record Period, delivering the majority of our foundry-manufactured wafers. According to Frost & Sullivan, it is common industry practice for chip design companies to procure most wafers from a limited number of trusted foundry partners to ensure consistent quality and centralized production management. Our Directors believe the risk of material adverse changes or termination of our cooperations with Supplier A is low. See “Business — Our Suppliers — Reliance on Supplier A” for more details.

COMPETITION

The global IC design industry is highly competitive and marked by high entry barriers, including complex R&D requirements, long development cycles, and close coordination across the supply chain. While global leaders dominate key segments, China’s IC design market remains fragmented, requiring participants to compete on product performance, cost structure, time-to-market, and service capabilities across diverse application scenarios. Within this context, we have distinguished ourselves through a focus on product reliability, cost efficiency, and proactive customer engagement.

According to Frost & Sullivan, we ranked first in China’s MCU market in terms of shipment volume in 2024 with a 12.6% market share, and third in terms of revenue in the same year. These rankings underscore our capability to secure design-wins and expand market share, driven by our diversified product portfolio, strong customer loyalty, and increasing brand recognition.

RISK FACTORS

Our business faces risks including those set out in the section headed “Risk Factors.” As different [REDACTED] may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in the [REDACTED]. Some of the major risks that we face include:

- If we fail to respond to market trends or to develop new or enhanced solutions and products in a timely manner, our business, results of operations and prospects may be materially and adversely affected.
- Our business is highly dependent on the long-term growth and technological advancement of downstream industries, and any slowdown in such development could materially and adversely affect our results of operations and prospects.
- We rely on third parties for IC fabrication, testing and packaging.
- We operate in a highly competitive market, and failure to compete effectively may materially and adversely affect our business, results of operations and growth prospects.
- We rely on a limited number of suppliers for our major raw materials, and any significant disruption in supply could materially and adversely affect our business, financial condition and operating results.
- We rely on a single major wafer supplier for a substantial portion of our raw materials, and any adverse developments in our relationship with this supplier could materially and adversely affect our business, results of operations and financial condition.

SUMMARY

OUR CONTROLLING SHAREHOLDERS GROUP

As of the Latest Practicable Date, by virtue of the Acting-in-Concert Agreement, Mr. Yang, Mr. Zhou Yan, and Mr. Zhou Fei constitute our Controlling Shareholders Group, and our Controlling Shareholders Group in aggregate were interested in 223,292,700 Shares of our Company, representing approximately 55.77% of the voting power of our Company. Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the Controlling Shareholders Group will be entitled to exercise approximately [REDACTED]% voting rights in our Company. Therefore, The Controlling Shareholders Group will continue to be our Controlling Shareholders Group for the purpose of the Listing Rules. See “Relationship with Our Controlling Shareholders Group” for more details.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants’ Report set out in Appendix I to this document.

Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	713,570	911,655	1,122,150
Cost of sales	(644,340)	(650,989)	(753,282)
Gross profit	69,230	260,666	368,868
(Loss)/profit before tax	(33,538)	137,632	305,030
Income tax credit/(expense)	11,589	(798)	(20,848)
(Loss)/profit for the year	(21,949)	136,834	284,182
Other comprehensive income/(expense)			
Item that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	381	353	(447)
Total comprehensive (expense)/income for the year	(21,568)	137,187	283,735

During the Track Record Period, our financial performance experienced fluctuations. In 2023, we recorded a significant decline in gross profit and gross profit margin, primarily due to industry-wide downturn, weakened downstream demand and our strategic price reductions to accelerate inventory clearance. These factors also contributed to our net loss in 2023, in contrast to the net profits recorded in 2024 and 2025, respectively. In 2024, our gross profit margin recovered, driven by improved product integration and design efficiency, which reduced unit production costs and partially offset continued pricing pressure. Despite the recovery in profitability, inventory provision had a moderating effect on our overall gross margin performance. In 2025, our growth sustained. For details, see “Financial Information — Year-to-Year Comparison of Results of Operations.”

SUMMARY

Revenue

The table below sets forth our revenue by business line during the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Solutions and products						
MCU solutions	571,164	80.1	697,843	76.6	846,387	75.4
SoC solutions	91,190	12.8	185,085	20.3	241,030	21.5
ASIC solutions	32,280	4.5	24,048	2.6	31,489	2.8
Other related products ⁽¹⁾	15,219	2.1	3,676	0.4	1,887	0.2
Sub-total	709,853	99.5	910,652	99.9	1,120,793	99.9
Other products⁽²⁾	1,223	0.2	1,003	0.1	1,357	0.1
Other services⁽³⁾	2,494	0.3	—	—	—	—
Total	713,570	100.0	911,655	100.0	1,122,150	100.0

Notes:

- (1) Other related products primarily comprise development tools.
- (2) Other products primarily comprise the sales of scrap materials.
- (3) Other services primarily comprise technical support services.

We experienced the steady revenue growth during the Track Record Period. We recorded revenue of RMB713.6 million, RMB911.7 million and RMB1,122.2 million in 2023, 2024 and 2025, respectively. Over this period, we derived revenue primarily from MCU, SoC and ASIC solutions, with fluctuations mainly driven by changes in sales volumes and product mix across these solution categories in response to downstream market demand and application expansion, which generally offset the impact of changes in average selling prices. To a lesser extent, we also generated revenue from the sale of other related products. See “Financial Information — Description of Key Items of Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue” for more details.

The table below sets forth our sales volume and average selling price by product category during the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	Sales volume	Average selling price ⁽¹⁾	Sales volume	Average selling price ⁽¹⁾	Sales volume	Average selling price ⁽¹⁾
	(Unit' 000)	(RMB)	(Unit' 000)	(RMB)	(Unit' 000)	(RMB)
MCUs	1,417,561	0.40	1,908,191	0.37	3,374,022	0.25
SoCs	69,751	1.31	176,126	1.05	228,888	1.05
ASICs	295,369	0.11	310,968	0.08	420,214	0.07
Other related products ⁽²⁾	31,707	0.48	3,433	1.07	37,870	0.05
Total	1,814,388		2,398,718		4,060,994	

Notes:

- (1) Average selling price is calculated by dividing revenue by the corresponding sales volume during the same period.
- (2) Other related products primarily include development tools.

SUMMARY

The table below sets forth our revenue from provision of solutions and products by application scenario during the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Consumer electronics	310,706	43.8	359,457	39.5	466,682	41.6
Smart household appliances	298,535	42.0	337,972	37.1	353,838	31.6
Industrial control	78,156	11.0	184,905	20.3	246,829	22.0
Automotive electronics	22,456	3.2	28,318	3.1	53,444	4.8
Total	709,853	100.0	910,652	100.0	1,120,793	100.0

Consumer electronics and smart household appliances together contributed the majority of our revenue from provision of solutions and products in each year during the Track Record Period, while revenue from industrial control and automotive electronics sectors increased in absolute terms. The overall distribution of revenue across application sectors remained relatively stable over the Track Record Period.

The table below sets forth a breakdown of our revenue from provision of solutions and products by sales channel for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Distribution	400,708	56.4	520,780	57.2	782,272	69.8
Direct sales	309,145	43.6	389,872	42.8	338,521	30.2
Total	709,853	100.0	910,652	100.0	1,120,793	100.0

During the Track Record Period, a substantial portion of our revenue from provision of solutions and products was generated through distribution channels, which consistently contributed the majority of our total revenue in each period. Revenue from direct sales accounted for the remaining portion.

Gross Profit and Gross Profit Margin

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

	Year ended December 31,					
	2023		2024		2025	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
<i>Solutions and products</i>						
MCU solutions	96,915	17.0	200,308	28.7	281,614	33.3
SoC solutions	21,953	24.1	64,730	35.0	91,339	37.9
ASIC solutions	2,098	6.5	5,573	23.2	8,828	28.0
Other related products ⁽¹⁾	(12)	0.0	711	19.3	1,555	82.4
Sub-total	120,954	17.0	271,322	29.8	383,336	34.2
<i>Others</i>						
Other products ⁽²⁾	1,044	85.4	940	93.7	1,357	100.0
Other services ⁽³⁾	2,494	100.0	—	—	—	—
Sub-total	3,538	95.2	940	93.7	1,357	100.0
Provision of impairment for inventories, net	(55,262)		(11,596)		(15,825)	
Total	69,230	9.7	260,666	28.6	368,868	32.9

SUMMARY

Notes:

- (1) Other related products primarily comprise development tools.
- (2) Other products primarily comprise the sales of scrap materials.
- (3) Other services primarily comprise technical support services.

During the Track Record Period, our gross profit and gross profit margin improved, primarily due to changes in product pricing strategies and cost structures, as well as provision of inventories. In 2023, gross profit and gross profit margin were relatively low across major product segments, primarily due to strategic price reductions and inventory clearance in response to heightened market competition, the sale of higher-cost inventory procured during periods of elevated wafer prices, and a weaker semiconductor market environment. In 2024 and 2025, as downstream demand rebounded, our profitability improved notably, driven by the launch of new products featuring enhanced performance and reduced die size, which improved production efficiency and lowered unit costs. See “Financial Information — Year to Year Comparison of Results of Operations” for more details.

The following table sets forth our gross profit and gross profit margin of provision of solutions and products by application scenario for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Consumer electronics	13,581	4.4	63,671	17.7	129,197	27.7
Smart household appliances	81,040	27.1	122,324	36.2	133,208	37.6
Industrial control	17,604	22.5	70,610	38.2	96,438	39.1
Automotive	8,729	38.9	14,717	52.0	24,493	45.8
Sub-total	120,954	17.0	271,322	29.8	383,336	34.2
Provision of impairment for inventories, net	(55,262)		(11,596)		(15,825)	
Total	65,692	9.3	259,726	28.5	367,511	32.8

Our gross profit and gross profit margin of provision of solutions and products by application scenario generally improved during the Track Record Period, primarily due to changes in customer mix, pricing strategies and cost structures. In 2023, gross profit margins were relatively low across major segments, especially in consumer electronics and smart household appliances, as a result of price reductions and inventory clearance. In 2024, margins rebounded on the back of recovering downstream demand, driven by the launch of new products with improved performance and reduced die size, as well as lower raw material costs. In 2025, our overall gross profit margin of provision of solutions and products further improved to 32.8%, supported by ongoing cost efficiency gains and product mix optimization.

Net (Loss)/Profit

During the Track Record Period, our net results shifted from net loss to sustained profitability, primarily driven by changes in revenue, gross profit, other income and gains, and operating expenses. In 2023, we recorded a net loss of RMB21.9 million, primarily due to a significant decline in gross profit as a result of intensified pricing pressure, inventory clearance, impairment for inventories, and the sale of high-cost inventories, which outweighed the increase in revenue and other income. In 2024, we turned to record net profit of RMB136.8 million, mainly driven by the recovery in gross profit supported by improved product performance and cost optimization, as well as continued revenue growth and contribution from other income. In 2025, our net profit increased to RMB284.2 million, primarily due to revenue growth, further improvement in gross margin, and effective cost control.

SUMMARY

Selected Items from Consolidated Statements of Financial Position

The following table sets forth selected items from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total non-current assets	249,808	230,326	301,986
Total current assets	2,901,272	3,078,978	3,377,370
Total assets	3,151,080	3,309,304	3,679,356
Total non-current liabilities	26,399	23,396	26,810
Total current liabilities	153,042	292,538	475,156
Total liabilities	179,441	315,934	501,966
Net assets	2,971,639	2,993,370	3,177,390
Net current assets	2,748,230	2,786,440	2,902,214

Our net current assets remained relatively stable as of December 31, 2023, 2024 and 2025, respectively. See “Financial Information — Discussion of Certain Key Items From Our Consolidated Statements of Financial Position” for more details.

Selected Items from Consolidated Statements of Cash Flows

The following table sets forth selected items from our consolidated statements of cash flows for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net cash from operating activities	8,781	291,675	300,346
Net cash from/(used in) investing activities	50,977	(968,694)	(177,919)
Net cash used in financing activities	(205,192)	(24,784)	(19,075)
Net (decrease)/increase in cash and cash equivalents	(145,434)	(701,803)	103,352
Cash and cash equivalents at the beginning of the year	1,062,308	917,255	215,805
Exchange differences on translating cash flows of foreign operations	381	353	(447)
Cash and cash equivalents at the end of the year	917,255	215,805	318,710

We increased inventory purchases to meet anticipated demand and mitigate supply chain risks, extended credit terms to selected customers to support sales growth, and made upfront payments to secure production capacity and raw materials. See “Financial Information — Liquidity and Capital Resources — Cash Flows” for more details.

SUMMARY

Key Financial Ratios

The following table sets forth certain of our key financial ratios as of the dates or for the years indicated:

	As of/Year ended December 31,		
	2023	2024	2025
Gross profit margin	9.7%	28.6%	32.9%
Current ratio	19.0x	10.5x	7.1x
Quick ratio	15.9x	9.2x	6.4x

See “Financial Information — Key Financial Ratios” for descriptions of the calculation of the above ratios.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Recent Development

Subsequent to December 31, 2025, and up to February 28, 2026, we continued to record steady operational and financial growth. During this period, we consistently secured new orders from both existing and new customers. Total sales volume reached approximately 826.3 million units, reflecting continued growth momentum. According to our management accounts, we achieved year-on-year revenue growth of over 35.0% and maintained an overall gross profit margin of over 36.0% during this period. The growth was primarily driven by increasing sales of our MCU solutions for automotive electronics, supported by continued product enhancements, solution expansion and deepened customer engagement. These positive developments reinforced our profitability and laid a solid foundation for our long-term growth.

No Material Adverse Change

Our Directors confirm that, up to the date of this document, there has been no material changes to our business model and the general economic and regulatory environment in which we operate, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the date of the latest audited consolidated financial position of our Group as set out in the Accountants’ Report in Appendix I to this document.

LISTING ON THE SHANGHAI STOCK EXCHANGE STAR MARKET

Since 2022, our Company has been listed on the Shanghai Stock Exchange STAR Market. As of the Latest Practicable Date, our Directors confirmed that we had no instances of any material non-compliance with the applicable rules of the Shanghai Stock Exchange STAR Market and other applicable securities laws and regulations of the PRC in any material respects, and, to the best knowledge of our Directors having made all reasonable enquiries, there are no material matters that should be brought to the [REDACTED] attention in relation to our compliance record on the Shanghai Stock Exchange STAR Market. Our PRC Legal Advisor is of the view that, since our A Share listing and up to the Latest Practicable Date, there had been no instances of any material non-compliance with the applicable rules of the Shanghai Stock Exchange STAR Market and other applicable PRC securities laws and regulations. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that would cause them to disagree with our Directors’ confirmation with regard to the compliance records of the Company on the Shanghai Stock Exchange STAR Market.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the [REDACTED] Committee of the Stock Exchange for the granting of the [REDACTED] of, and permission to [REDACTED] in our H Shares to be issued pursuant to the [REDACTED] on the basis that, among other things, we satisfy the market capitalization/revenue

SUMMARY

test under Rule 8.05(3) of the Listing Rules with reference to: (i) our revenue of RMB1,122.2 million in the financial year ended December 31, 2025 which exceeds HK\$500 million, and (ii) our expected market capitalization at the time of [REDACTED], which, based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the midpoint of the indicative [REDACTED] stated in this document, exceeds HK\$4 billion.

[REDACTED]

[REDACTED]

[REDACTED]

The estimated total [REDACTED] (based on the mid-point of our indicative [REDACTED] for the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately RMB[REDACTED] million (HK\$[REDACTED] million), including (i) [REDACTED] commissions, SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy for all [REDACTED] of approximately HK\$[REDACTED] million; and (ii) non-[REDACTED] related expenses of approximately HK\$[REDACTED] million, which consist of (a) fees and expenses of legal advisors and reporting accountant of approximately HK\$[REDACTED] million; and (b) sponsor fee and other fees and expenses of approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the [REDACTED] of the [REDACTED] based on the same assumptions.

During the Track Record Period, we incurred [REDACTED] of RMB[REDACTED] million, of which RMB[REDACTED] million was recognized as administrative expenses in the consolidated statements of profit or loss and other comprehensive income and RMB[REDACTED] million will be deducted from equity upon the [REDACTED]. We expect to incur [REDACTED] of approximately RMB[REDACTED] million (HK\$[REDACTED] million) as administrative expenses and approximately RMB[REDACTED] million (HK\$[REDACTED] million) as a deduction in equity directly upon the [REDACTED].

SUMMARY

The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

DIVIDENDS AND DIVIDEND POLICY

We declared and paid dividends in each year during the Track Record Period. We distributed dividends of RMB180.2 million, RMB99.9 million and RMB99.7 million in 2023, 2024 and 2025, respectively. The dividend declared in 2023 and 2024 had been settled as of the Latest Practicable Date. The proposed dividends of approximately RMB119.7 million for the year ended December 31, 2025 to our existing Shareholders were approved by the Board and are subject to approval by the Shareholders at the annual general meeting currently scheduled for April 9, 2026. Subject to such approval, our Company expects to settle the dividends out of its internal cash resources prior to the [REDACTED].

We cannot assure you that dividends will be declared or paid in any given year. See “Financial Information — Dividends and Dividend Policy.”

USE OF [REDACTED]

We estimate the [REDACTED] of the [REDACTED] which we will receive, assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-end of the [REDACTED] stated in this document), will be approximately HK\$[REDACTED] million, after deduction of [REDACTED] and [REDACTED] and estimated expenses payable by us in connection with the [REDACTED] and assuming the [REDACTED] is not exercised.

In line with our business strategies, we intend to use the [REDACTED] of the [REDACTED] for the following purposes:

Percentage of [REDACTED]	Approximately HK\$ in millions	Future Plans
[REDACTED]%	[REDACTED]	For enhancing our R&D capabilities and strengthening our technology development platforms
[REDACTED]%	[REDACTED]	For strategic investments and acquisitions
[REDACTED]%	[REDACTED]	To establish our global operations and R&D centers in Hong Kong
[REDACTED]%	[REDACTED]	For working capital and other general corporate purposes

Please see “Future Plans and [REDACTED]” for more details.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the [REDACTED] of the Shares on the Stock Exchange.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below.

“A Share(s)”	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid in Renminbi and is/are listed for trading on the Shanghai Stock Exchange STAR Market
“A Shareholder(s)”	holder(s) of the A Share(s)
“Accountants’ Report”	the accountants’ report of our Company, the text of which is set out in Appendix I to this document
“Acting-in-Concert Agreement”	the acting-in-concert agreement dated July 2, 2017, as replaced by the acting-in-concert agreement dated December 25, 2019 and was further renewed on August 2, 2025, entered into among Mr. Yang, Mr. Zhou Yan and Mr. Zhou Fei, details of which are set out in “Relationship with Our Controlling Shareholders Group” in this document
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council
“Articles” or “Articles of Association”	the articles of association of our Company, as amended, which shall become effective on the [REDACTED], a summary of which is set out in Appendix V to this document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CAGR”	compound annual growth rate, which is calculated by comparing the starting and ending values over the period and determining the fixed annual rate that would lead from the beginning to the ending value over that time
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Chengdu Xinlianfa”	Chengdu Xinlianfa Electronic Technology Co., Ltd.* (成都市芯聯發電子科技有限公司), a limited liability company established in the PRC on February 9, 2015 and an indirectly wholly-owned subsidiary of our Company

DEFINITIONS

“China Micro (Beijing)”	Beijing China Micro Xincheng Microelectronics Technology Co., Ltd.* (北京中微芯成微電子科技有限公司), a limited liability company established in the PRC on March 14, 2018 and a wholly-owned subsidiary of our Company
“China Micro (Chongqing)”	China Micro Yuxin (Chongqing) Electronic Technology Co., Ltd.* (中微渝芯(重慶)電子科技有限公司), a limited liability company established in the PRC on July 9, 2020 and a wholly-owned subsidiary of our Company
“China Micro (HK)”	SHENZHEN CHINA MICRO SEMICON CO., LIMITED (中微股份有限公司), a limited liability company incorporated in Hong Kong on September 5, 2008 and a wholly-owned subsidiary of our Company
“China Micro (Shanghai)”	China Micro Huxin (Shanghai) Integrated Circuit Co., Ltd.* (中微滬芯(上海)集成電路有限公司), a limited liability company established in the PRC on September 16, 2020 and a wholly-owned subsidiary of our Company
“China Micro (Shenzhen)”	China Micro Semicon (Shenzhen) Investment Co., Ltd.* (中微半導體(深圳)投資有限公司), a limited liability company established in the PRC on May 30, 2023 and a wholly-owned subsidiary of our Company
“China Micro (Sichuan)”	Sichuan China Micro Xincheng Technology Co., Ltd.* (四川中微芯成科技有限公司), a limited liability company established in the PRC on April 7, 2017 and a wholly-owned subsidiary of our Company
“China Micro Zixin”	China Micro Zixin Technology (Sichuan) Co., Ltd.* (中微資芯科技(四川)有限公司), a limited liability company established in the PRC on February 11, 2026 and a wholly-owned subsidiary of our Company
“China” or “the PRC”	the People’s Republic of China, which only in the context of describing PRC rules, laws, regulations, regulatory authority, and any PRC entities or citizens under such rules, laws and regulations and other legal or tax matters in this document, excludes Taiwan, Hong Kong and the Macau Special Administrative Region of the People’s Republic of China
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company Law”	the Company Law of the People’s Republic of China (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, or “the Company”	CHINA MICRO SEMICON (SHENZHEN) LIMITED (中微半導體(深圳)股份有限公司), a joint stock company incorporated in the PRC on June 22, 2001 converted from our predecessor into a joint stock company with limited liability on December 25, 2019, the A Shares of which are listed on the Shanghai Stock Exchange STAR Market (stock code: 688380)

DEFINITIONS

“Compliance Advisor”	Guoyuan Capital (Hong Kong) Limited (國元融資(香港)有限公司)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)” or “Controlling Shareholders Group”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Yang, Mr. Zhou Yan (周彥), and Mr. Zhou Fei (周飛)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“CSDC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“EIT”	the PRC enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
“Extreme Conditions”	means the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
[REDACTED]	[REDACTED]
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant
“Frost & Sullivan Report” or “Industry Report”	the industry report commissioned by us and independently prepared by Frost & Sullivan, summary of which is set forth in the section headed “Industry Overview” in this document
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Group”, “our Group”, “our”, “we”, or “us”	our Company and its subsidiaries, or any one of them as the context may require, and where the context requires, the businesses operated by our Company and/or its subsidiaries and their predecessors (if any)
“Guide for New Listing Applicants”	The Guide for New Listing Applicants, as published by the Stock Exchange on November 29, 2023 and effective on January 1, 2024, as amended or supplemented or otherwise modified from time to time

DEFINITIONS

[REDACTED]	[REDACTED]
“H Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and to be [REDACTED] on the Stock Exchange
“H Shareholder(s)”	holder(s) of the H Share(s)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Hong Kong dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“IAS”	International Accounting Standards
“IASB”	International Accounting Standards Board
“IFRS” or “IFRS Accounting Standards”	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the IASB and the IAS and interpretations issued by the International Accounting Standards Committee (IASC)
“Independent Third Party(ies)”	any person(s) or entity(ies) who, to the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not a connected person of our Company within the meaning of the Listing Rules

DEFINITIONS

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Latest Practicable Date”	March 20, 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“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
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
“MOF” or “Ministry of Finance”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Yang”	Mr. Yang Yong (楊勇), one of our Controlling Shareholders, our executive Director, chairman of the Board and chief executive officer
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of our Board
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

DEFINITIONS

[REDACTED]	[REDACTED]
“Overseas Listing Trial Measures”	The Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) promulgated by the CSRC on February 17, 2023, which became effective on March 31, 2023, as amended, supplemented or otherwise modified from time to time
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisor”	Grandway Law Offices, the legal advisor of our Company as to PRC laws
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of our Board
“Reporting Accountants”	BDO Limited, Certified Public Accountants, Hong Kong
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“Securities Law”	the Securities Law of the PRC (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Stock Exchange”	The Shanghai Stock Exchange (上海證券交易所)
“Shanghai Stock Exchange STAR Market”	the Sci-tech Innovation Board of the Shanghai Stock Exchange
“Shanghai Stock Exchange STAR Market Listing Rules”	the Rules Governing the Listing of Stock on the Science and Technology Innovation Board of Shanghai Stock Exchange (《上海證券交易所科創板股票上市規則》), as amended from time to time
“Shanghai-Hong Kong Stock Connect”	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, HKSCC and CSDC for the establishment of mutual market access between Hong Kong and Shanghai
“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, including both A Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Shunwei Xinhua”	Tai'an Shunwei Xinhua Investment Partnership (Limited Partnership)* (泰安順為芯華投資合夥企業(有限合夥))(formerly known as Ningbo Shunwei Xinhua Venture Investment Partnership (Limited Partnership)* (寧波順為芯華創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 7, 2018. Shunwei Xinhua was one of our employee share incentive platforms prior to our A Share listing. As of the Latest Practicable Date, its general partner is Mr. Wang Jitong (王繼通) (“ Mr. Wang ”), a former director and former general manager of one of our subsidiary, Zhongshan Lianfa
“Shunwei Zhiyuan”	Ningbo Shunwei Zhiyuan Venture Capital Partnership (Limited Partnership)* (寧波順為至遠創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 11, 2018. Shunwei Zhiyuan was one of our employee share incentive platforms prior to our A Share listing. As of the Latest Practicable Date, its sole general partner is Mr. Wang
“Sichuan Xinlianfa”	Sichuan Xinlianfa Electronics Co., Ltd.* (四川芯聯發電子有限公司), a limited liability company established in the PRC on May 11, 2011 and a wholly-owned subsidiary of our Company
“Singapore Changi”	Singapore Changi Technology Pte Ltd., a limited liability company incorporated in Singapore on May 20, 2015 and an indirectly wholly-owned subsidiary of our Company

DEFINITIONS

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Sole Sponsor”	China Securities (International) Corporate Finance Company Limited (中信建投(國際)融資有限公司)
“Southbound Trading Link”	the entrustment of China securities houses by China investors to trade shares [REDACTED] on the Stock Exchange within a stipulated range via filing by the securities trading service companies established by the Shanghai Stock Exchange and Shenzhen Stock Exchange with the Stock Exchange
[REDACTED]	[REDACTED]
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Strategy and Sustainable Development Committee”	the strategy and sustainable development committee of the Board
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buybacks published by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the financial years ended December 31, 2023, 2024 and 2025
“Transfer Pricing Tax Consultant”	BDO Tax Limited

DEFINITIONS

“treasury Shares”	Has the meaning ascribed thereto under the Listing Rules. Unless otherwise stated, 1,506,639 repurchased A Shares which are held as treasury Shares by our Company as of the Latest Practicable Date have been included in the total number of issued shares of our Company as of the Latest Practicable Date and immediately after completion of the [REDACTED]
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars”, “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VAT”	value-added tax
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Zhongshan Lianfa”	Zhongshan Lianfa Micro-Electronic Co., Ltd.* (中山市聯發微電子有限公司), a limited liability company established in the PRC on January 28, 2010 and a wholly-owned subsidiary of our Company
“%”	per cent

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including our subsidiary) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

* For identification purpose only

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this document as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“AEC-Q100”	a failure mechanism-based stress test qualification for packaged ICs used in automotive electronics applications
“advanced node”	typically referring to process technologies of 28nm and below, offering higher transistor density and improved performance
“AI”	artificial intelligence, simulation of human intelligence processes by machines, especially computer systems
“AI chips”	specially designed computer microchips that are used in the development of AI systems, and are often built specifically to handle AI-related tasks such as machine learning, data analysis, and natural language processing
“AIoT”	the integration of AI technologies with the IoT infrastructure
“algorithm”	a finite, step-by-step set of instructions designed to solve a specific problem or perform a computation
“analog chips”	ICs composed of capacitors, resistors, and transistors that work together to process analogue signals
“analog-to-digital converters” or “ADCs”	an electronic device that transforms continuous, real-world analog signals into discrete, digital data that can be processed by computers and digital systems
“application-specific integrated circuits” or “ASIC”	a type of integrated circuit that is customized to the needs of a specific application
“ARM”	a family of reduced instruction set computing processor architectures developed by Arm Holdings. ARM cores are widely used in embedded systems and microcontrollers for their low power consumption and scalability across various applications
“automotive-grade chip”	a chip that is specifically designed, manufactured and qualified to meet the stringent requirements and standards of the automotive industry, such as AEC-Q100
“AUTOSAR standard platform”	the automotive open system architecture, a standardized software framework for automotive electronic control units that enables software reuse and interoperability across different vehicle manufacturers and suppliers
“bit”	the basic unit of digital information in computing and electronics. It is used to quantify data capacity, memory size, or processor architecture
“brushless direct current motor” or “BLDC”	a electronically controlled, high-efficiency motor that offer precise performance with reduced maintenance

GLOSSARY OF TECHNICAL TERMS

“CSP MOSFET”	chip scale package metal-oxide-semiconductor field-effect transistor, a type of power transistor packaged in a chip-scale format, offering ultra-compact size, low resistance, and efficient thermal performance, commonly used in space-constrained and high-efficiency electronic applications
“die”	the small block of semiconducting material on which a given functional circuit is fabricated. A die is cut from a wafer and later packaged into a chip. Die size and quality affect the performance and cost-efficiency of a semiconductor product
“die cutting”	one individual chip cut from a wafer before being packaged
“digital radio frequency ICs”	radio frequency ICs that support digital radio broadcasting standards, incorporating digital signal processing and high-frequency components like amplifiers, filters, mixers, and oscillators onto a single chip
“error correction code” or “ECC”	a method used in digital systems to detect and correct data corruption by adding redundant bits to the original data, ensuring reliable data storage and transmission
“fabless”	a business model where the entity focuses on R&D and design of ICs and outsources manufacturing to external parties
“foundry”	a manufacturer specializing in the production and manufacturing of chips in the field of integrated circuits
“frequency”	the rate at which a power electronic device, such as a switch or rectifier, operates, which is a crucial factor influencing the performance and efficiency of power systems
“GHz”	gigahertz, a unit of frequency that represents one billion cycles per second, which is used to measure the frequency of electromagnetic waves and to indicate the speed at which electronic devices process instructions
“IATF 16949”	international technical specification of automotive industry quality management system prepared by International Automotive Task Force and ISO
“IC design”	design and development process targeting ICs and very large-scale ICs, mainly including requirements analysis, architectural design, logic design, physical realization and verification
“IGBT”	insulated gate bipolar transistor, a power semiconductor device that combines the high input impedance of a MOSFET with the low on-state conduction loss of a bipolar transistor, commonly used in high-voltage and high-current applications such as motor drives, inverters, and power supplies
“integrated circuit” or “IC” or “chip”	a small electronic device made up of interconnected electronic components such as transistors, resistors, and capacitors
“integrated power module” or “IPM”	an advanced power module that integrates power semiconductor devices along with control, protection, and drive circuits into a single package

GLOSSARY OF TECHNICAL TERMS

“Internet of Things” or “IoT”	the physical objects (or groups of such objects) with sensors, processing ability, software and other technologies that connect and exchange data with other devices and systems over the Internet or other communications networks
“IP”	intellectual property, in the context of semiconductors and chip design refers to pre-designed and reusable circuit blocks or functional modules that can be integrated into larger chip designs to accelerate development, reduce cost, and improve performance
“IQC inspections”	the process of inspecting and testing raw materials, components, or products received from suppliers to ensure they meet predefined quality standards before they enter the manufacturing process
“ISO”	the International Organization for Standardization, a worldwide federation of national standards bodies
“ISO 26262”	an international standard for the functional safety of electrical and electronic systems in road vehicles
“ISO 9001”	the International Quality Management System published by the ISO
“IT systems”	integrated collections of hardware, software, networks, data, and people that organizations use to collect, process, store, and disseminate information
“M4 architecture”	the Arm Cortex-M4 processor architecture, a 32-bit core optimized for digital signal control applications with efficient performance and low power consumption
“M7 architecture”	the Arm Cortex-M7, a high-performance processor core in the Arm Cortex-M series, designed for real-time embedded systems requiring high processing power, with features such as floating-point support and advanced digital signal processing capabilities
“mature-node”	legacy process technologies, which remain widely used in applications with cost, stability, or power-efficiency requirements
“memory chip”	a storage device within an electronic system used to store programs and data, such as all information in a computer including input data, computing programs, intermediate results and final outputs, which stores and retrieves information according to the addresses specified by the controller
“microcontroller units” or “MCU”	a type of chip that contains a general-purpose processor core, input/output interfaces and other modules for a variety of applications, such as motor control
“modules”	packaged components that include integrated circuits or other electronic components, which are used to build larger systems or devices
“node”	the manufacturing process technology used in semiconductor fabrication, commonly measured in nanometers, which indicates the size of the smallest features
“OEM”	original equipment manufacturer, a company that produces components or products that are purchased by another company and sold under that purchasing company’s brand name

GLOSSARY OF TECHNICAL TERMS

“outsourced semiconductor assembly and test” or “OSAT”	a service provided by companies that specialize in the assembly and testing of semiconductor devices and integrated circuits
“packaging”	the process of encapsulating the bare die into a finished chip product with external shell and leads, which is electrically connected to external pins through wires or other interconnection methods and then securely closed
“pin grid array” or “PGA”	a type of integrated circuit packaging in which the chip is mounted with a grid of pins arranged on the underside, designed to be inserted into a matching socket or soldered onto a printed circuit board
“power devices”	electronic components that handle, control, and convert electrical energy, allowing for efficient management of power in various systems
“processor” or “central processing unit” or “CPU”	the primary “brain” of a computer, executing instructions from programs and performing calculations, logic operations, and input/output management
“R&D”	research and development
“responsive capacitive touch control”	a highly sensitive display or sensor technology that provides fast and accurate touch input by detecting changes in an electrostatic field caused by a conductive object, like a human finger
“RISC-V architecture”	an open-source instruction set architecture based on the reduced instruction set computing principles, designed for flexibility, scalability, and customization across various computing devices
“semiconductor”	a material with electrical conductivity between that of a conductor and an insulator, widely used to manufacture electronic components such as integrated circuits and chips
“sensor”	a device that measures or detects real-world conditions, such as motion, heat or light, and converts the conditions into analog or digital representations
“sq.m.”	square meter
“system-on-chips” or “SoC”	an electronic system formed by integrating multiple integrated circuits with specific functions on a single chip
“tape-out”	the process of converting an integrated circuit design into a chip for pilot production or manufacturing
“testing”	the process of wafer testing, final product testing reliability testing and failure analysis
“transistor”	a semiconductor device which is a sub-class of power discretes that regulates or controls current or voltage flow in addition to amplifying and generating these electrical signals
“verification”	a method to verify the correctness of an IC, evaluate the initial design plan, and confirm that the design of IC meets the needs of downstream customers and conforms to design initiatives

GLOSSARY OF TECHNICAL TERMS

“VMI”	vendor managed inventory. A supply chain model in which the supplier monitors and manages inventory levels on behalf of the customer, often at the customer’s site or a designated warehouse, to ensure timely replenishment and operational efficiency
“voltage”	electrical potential difference between two points in a circuit
“wafer”	a thin slice of semiconductor material, typically silicon, used as the base for fabricating ICs and other microelectronic devices

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements and information relating to us and our subsidiaries that are based on the intentions, beliefs, expectations or predictions of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “aim,” “anticipate,” “believe,” “could,” “expect,” “going forward,” “intend,” “may,” “ought to,” “plan,” “project,” “seek,” “should,” “will,” “would,” “vision,” “aspire,” “target,” “schedules,” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this document, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our ability to maintain relationships with, and the actions and developments affecting, our major customers and suppliers;
- future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- our ability to maintain our market leading position;
- the actions and developments of our competitors;
- our ability to effectively contain costs and optimize pricing;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel and recruit qualified staff;
- our business strategies and plans to achieve these strategies, including our product and geographic expansion plans;
- our ability to defend our intellectual property rights and protect confidentiality;
- the effectiveness of our quality control systems;
- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends, including those pertaining to the PRC and the industry and markets in which we operate;
- capital market developments; and
- all other risks and uncertainties described in the section headed “Risk Factors” in this document.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT

FORWARD-LOOKING STATEMENTS

Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors” in this document.

In this document, statements of or references to our intentions or those of our Directors are made as of the date of this document. Any such information may change in light of future developments.

RISK FACTORS

An [REDACTED] in our H Shares involves various risks. You should consider carefully all the information set out in this document and, in particular, the risks described below before making an [REDACTED] in our H Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial position, results of operations or prospects. If any of these events occurs, the [REDACTED] of our H Shares could decline and you may lose all or part of your [REDACTED]. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below. You should seek professional advice from your relevant advisors regarding your prospective [REDACTED] in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

If we fail to respond to market trends or to develop new or enhanced solutions and products in a timely manner, our business, results of operations and prospects may be materially and adversely affected.

The integrated circuit (“IC”) industry is characterized by rapid technological advancement, frequent product iterations and evolving technical standards. These changes may render our existing technologies, solutions or products less competitive or obsolete, or require us to incur significant costs and time to upgrade or modify our technologies.

Due to the evolving nature of our markets, our future success depends on our ability to anticipate and respond to changes in industry standards, technological developments, customer preferences and other market dynamics. Faster-than-expected or unforeseen changes in technology or market demand may shorten the expected product lifecycle or reduce the commercial relevance of our existing offerings. In addition, we may not be able to timely develop or introduce new or enhanced technologies that satisfy customer requirements, achieve market acceptance or effectively commercialize the technologies under development. Furthermore, we may not be able to accurately predict or promptly respond to emerging technological trends or evolving industry requirements.

If we fail to adapt to such changes, or if we are unable to access critical new technologies, we may lose existing customers or fail to attract new ones. A decline in demand for our solutions and products due to competing technologies, shifting customer preferences or other factors could have a material adverse effect on our business, results of operations and prospects.

Our business is highly dependent on the long-term growth and technological advancement of downstream industries, and any slowdown in such development could materially and adversely affect our results of operations and prospects.

Demand for our solutions and products is closely tied to the structural growth, technological progress and market acceptance of semiconductor applications in downstream industries, including consumer electronics, smart household appliances, industrial control and automotive electronics. These industries are shaped by rapidly evolving technologies, shifting customer preferences, competitive pricing pressures and the emergence of alternative solutions.

The pace of development in these markets depends on continued innovation and adoption of emerging solutions, such as real-time data processing, low power consumption, functional safety and the integration of AI into terminal devices. Any slowdown in such technological progress, delays in market acceptance or substitution by competing technologies could constrain growth in these industries.

Demand from these industries is also susceptible to structural factors beyond our control, such as changes in consumer behavior, regulatory developments, trade restrictions, industry-specific quotas or tariffs, and supply chain restructuring. If these markets fail to grow as expected, demand

RISK FACTORS

for our solutions and products may weaken, which could adversely affect our revenue, profitability and long-term prospects. Even if these industries expand, there is no assurance that we will capture a sufficient share of such growth to achieve our performance targets.

We rely on third parties for IC fabrication, testing and packaging.

As a fabless IC design company, we mainly rely on third-party foundry partners for wafer fabrication and OSAT partners for IC packaging and testing. As of the Latest Practicable Date, we maintained close cooperation with six quality foundry partners and 20 OSAT partners. Purchases from our foundry partners and OSAT partners amounted to RMB532.0 million, RMB532.2 million and RMB688.2 million in 2023, 2024 and 2025, respectively, accounting for 93.8%, 93.2% and 90.9% of our total purchases in the respective years.

The production capacity available to us from these partners is inherently limited, and we generally do not have guaranteed capacity commitments. If our foundry partners or OSAT partners raise their prices, face capacity constraints, or experience shortages or delays in semiconductor equipment or raw materials, or if our relationships with them deteriorate, our ability to secure the necessary capacity could be impaired. In such circumstances, we may be required to seek alternative foundries or OSAT providers, which may not be available on commercially reasonable terms, or at all. Furthermore, these partners may allocate capacity to other customers they prioritize, which could delay the delivery of our products, result in loss of revenue, and damage our customer relationships.

Our ability to secure sufficient production also depends on our accuracy in forecasting capacity needs. If we underestimate our requirements, our partners may not have capacity available to meet urgent demand, whereas overestimation may lead to excess cost. Either situation could adversely affect our business, operating results or financial condition.

Reliance on these third-party production partners exposes us to various risks, including: (i) limited control over delivery schedules, quality assurance, manufacturing yields and production costs; (ii) potential failure to obtain, or delay in obtaining key process technologies; (iii) failure by us or our customers to qualify a selected supplier; (iv) capacity shortages during periods of high demand; (v) shortages of materials; (vi) misappropriation of our intellectual property; (vii) limited warranties on ICs or products supplied to us; and (viii) potential increases in prices.

The ability and willingness of our production partners to perform to the required standards are largely beyond our control. If any of them fails to deliver products of satisfactory quality on a timely basis and at reasonable prices, our ability to fulfil customer orders could be compromised, leading to reduced revenue, potential loss of customers, and a material adverse effect on our business, financial condition and results of operations.

We operate in a highly competitive market, and failure to compete effectively may materially and adversely affect our business, results of operations and growth prospects.

The global IC market in general is highly competitive, and we expect competition to intensify as existing market participants expand their presence and new entrants emerge. Many of our current and potential competitors possess greater financial resources, broader customer bases, stronger brand recognition and more extensive capabilities in technology development, product design, manufacturing, marketing, sales and distribution. Such competitive advantages may enable them to respond more quickly to technological changes, launch new solutions or products faster, or exert pricing pressure, which could lead to reduced profitability, loss of market share and a material adverse effect on our business, prospects, results of operations and financial condition.

As opportunities in the IC market continue to grow, leading semiconductor companies and other competitors may increase their investment to compete more effectively against our solutions and products. They may also develop new technologies, solutions or products that render our offerings less competitive or obsolete.

RISK FACTORS

Our ability to compete successfully depends on various factors, many of which are beyond our control, including: (i) the functionality, performance and pricing of our solutions and products relative to those of our competitors; (ii) the strength of our relationships with customers and other industry participants; (iii) our ability to develop and launch new or enhanced solutions and products in a timely manner; (iv) our ability to retain and attract key talents, including management and engineering personnel; and (v) competitive actions, such as mergers and acquisitions, new product launches and other strategic moves that could alter the competitive landscape.

Failure to compete effectively in any of these aspects could materially and adversely affect our business, financial condition, results of operations and growth prospects.

We rely on a limited number of suppliers for our major raw materials, and any significant disruption in supply could materially and adversely affect our business, financial condition and operating results.

We rely on a limited number of suppliers for certain critical raw materials use in the production of our products, including wafers. The wafer industry is highly concentrated, resulting in a relatively small pool of qualified suppliers. Purchases from our five largest suppliers in each year during the Track Record Period accounted for 90.1%, 85.6% and 86.5% of our total purchases in 2023, 2024 and 2025, respectively.

Any interruptions in the operations of these suppliers, inability to accommodate our business growth, termination or suspension of supply arrangements, change in procurement terms, deterioration in our relationships, or disputes with them could materially and adversely affect our operations. In addition, supply could be disrupted by accidents, natural disasters, geopolitical instability, sanctions, export control measures imposed by foreign governments, or other unforeseen events beyond our control.

If we are unable to identify and secure alternative suppliers in a timely basis and on commercially reasonable terms, we may not be able to deliver products to our customers in the required quantities, on schedule, or at competitive prices. Any prolonged or significant supply disruption could have a material adverse effect on our business operations, financial condition and results of operations.

We rely on a single major wafer supplier for a substantial portion of our raw materials, and any adverse developments in our relationship with this supplier could materially and adversely affect our business, results of operations and financial condition.

During the Track Record Period, we relied heavily on Supplier A for wafer supply. Supplier A was consistently our largest supplier in each year during the Track Record Period and provided the majority of our foundry-manufactured wafers. Our purchases from Supplier A amounted to RMB265.4 million, RMB274.0 million and RMB388.1 million in 2023, 2024 and 2025, respectively, representing 46.8%, 48.0% and 54.3% of our total purchases in the same years. We have maintained a stable commercial relationship with Supplier A since 2008.

Despite our long-standing relationship, there is no assurance that Supplier A will continue to supply wafers to us on terms commercially acceptable to us, or at all. Any disruption in our relationship with Supplier A, or deterioration in the financial condition or production capabilities of Supplier A, could materially disrupt our supply chain, delay our production schedules, increase our procurement costs or require us to seek alternative suppliers, which may not be readily available or may only be available on less favorable terms. Any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

Price pressures from competition and end-product price fluctuations may adversely affect our revenue and gross profit margin.

We have experienced, and expect to continue to face, downward pressure on the prices of our solutions and products due to intensifying competition in our target markets and fluctuations in the prices of end products. Many of our customers operate in highly competitive environments and are

RISK FACTORS

under constant pressure to reduce the selling prices of their end products, which often leads them to seek improvements in production efficiency and ongoing reductions in production costs from their suppliers, including us. If we fail to meet such expectations, our business, financial condition, results of operations and prospects could be materially and adversely affected.

If we do not achieve sufficient increases in sales volumes, enhance the value of our product offerings or reduce our production costs, the impact of declining prices may not be offset. Prolonged pricing pressure could erode our gross profit margin, reduce the value of our inventory, and negatively affect our cash flows, which in turn could have a material adverse impact on our business, financial condition and results of operations.

Cyclical fluctuations in the IC industry and certain downstream industries may cause significant variations in our results of operations and cash flows from period to period.

The IC industry is inherently cyclical, with historical patterns of expansion and contraction. These cycles are typically marked by reduced product demand, production overcapacity, high inventory levels and falling selling prices. Demand for our solutions and products is largely driven by downstream industries such as consumer electronics, smart household appliances, industrial control and automotive electronics, which can be volatile and sensitive to economic conditions. Periods of excess inventory at our customers, or sharp changes in end-market demand, could materially reduce their orders to us and adversely affect our sales, while an industry downturn may also lead to inventory write-downs. For example, in 2023, our financial performance was adversely affected, and we recorded relatively lower gross profit and gross profit margin. This was primarily attributable to an industry-wide downturn, weakened downstream demand, and our strategic pricing adjustments aimed at accelerating inventory clearance.

These cyclical patterns are also evident in China’s IC market, which shows distinct structural characteristics. Capacity is imbalanced, with oversupply in mature process nodes and shortages in AI- and automotive electronics-related segments. Demand trends also diverge, as consumer electronics remain in a destocking phase while automotive electronics have entered restocking. These shifts are shaped by global cycles, domestic policy interventions, the transition from traditional consumer electronics to emerging sectors such as AI and new energy vehicles, as well as technological advances and supply chain restructuring under international technology restrictions. The market is further influenced by policy-driven countercyclical adjustments, the gap between mature and advanced nodes, and heightened exposure to geopolitical and global competition factors.

We cannot predict the timing, duration or severity of any upturn or downturn in our industry. If revenue in any period falls short of expectations, our expenses and inventory levels could be disproportionately high, adversely impacting our results of operations and cash flows for that and future periods. Such volatility may also affect our share price in ways unrelated to our long-term performance.

Our business performance is significantly influenced by the market conditions of downstream industries.

Our business is closely tied to the performance and demand dynamics of downstream industries, including consumer electronics, smart household appliances, industrial control, and automotive electronics. These industries are inherently cyclical and subject to fluctuations in market demand, technological innovation, and macroeconomic conditions, which are beyond our control.

A slowdown or adverse development in any of these sectors could lead to reduced demand for our products, adversely affecting our sales, revenue growth, and overall business performance. Conversely, favorable market conditions or accelerated technological advancement in these industries may drive increased demand for our solutions, requiring us to scale up production capacity and maintain adequate inventory levels to meet customer expectations. If we are unable to respond promptly or effectively to such increased demand, whether due to capacity constraints, supply chain disruptions, or operational bottlenecks, we may fail to deliver our products in a timely manner, which could damage customer relationships and impair our reputation.

RISK FACTORS

Given our dependence on these downstream sectors, we must continuously monitor industry trends, anticipate shifts in customer demand, and remain agile in adapting our product offerings. Any failure to do so may result in missed business opportunities or an inability to respond to changing market dynamics, which could materially and adversely affect our operations, financial condition, and prospects.

Our operating history may not be indicative of our future financial performance, and we may not achieve or maintain profitability.

We incurred a net loss of RMB21.9 million in 2023. Our financial results have fluctuated and may continue to do so. While we recorded net profit in certain prior or subsequent periods, there is no assurance that we will achieve profitability on a consistent basis or at all. Our ability to generate profits depends on a variety of factors, including the pace of our business expansion, changes in product mix, performances of our products, pricing of our products and raw materials, levels of depreciation and amortization, competitive landscape, customer preferences, and prevailing macroeconomic and regulatory conditions.

As such, our revenue may not grow at the rate we expect, or may decline, and any growth in revenue may not be sufficient to offset increases in our costs and operating expenses. We may incur losses again in the future, and there can be no assurance that we will achieve our targeted profitability in any given year.

If we fail to acquire new customers or retain existing customers, our business, financial conditions and results of operations may be materially and adversely affected.

At the core of our growth strategy is to strengthen relationships with existing large-scale customers while expanding our customer base by attracting new leading enterprises across different industries and enhancing our brand recognition.

Since our inception, we have invested in branding, sales and marketing to acquire and retain customers, incurring selling and distribution expenses of RMB19.5 million, RMB18.8 million and RMB23.8 million in 2023, 2024 and 2025, respectively. There is no guarantee that newly acquired customers will remain with us over the long term or that the revenue derived from them will offset the expenses associated with their acquisition. In addition, if our customer acquisition initiatives fail to generate sufficient revenue growth, our profitability could be adversely affected.

The demand from our existing customers may decline materially or fluctuate due to a variety of factors, including, among other things, dissatisfaction with the performance, quality or price of our solutions and products, the availability of alternative solutions and products from competitors, changes in their procurement strategies, or negative publicity associated with our brands. Broader industry or macroeconomic conditions, including technology shifts and cyclical demand patterns, may also reduce orders from our customers.

If we are unable to retain our existing customers, expand business with them, or acquire new customers in a cost-effective and sustainable manner, we may lose market share, experience revenue volatility and face pressure on our profit margins, any of which could materially and adversely affect our business, financial conditions and results of operations.

We may be unable to match production with customer demand for a variety of reasons, including inaccurate demand forecasting, which could materially and adversely affect our operating results.

We make planning and resource allocation decisions, including production levels and schedules, component procurements, staffing and other operational requirements, based on our estimates of product demand and customer requirements. Our customers typically purchase solutions and products from us pursuant to purchase agreements or orders. While customers may provide demand forecasts, they are not contractually obligated to purchase quantities beyond such agreements or orders. Unexpected changes in their demand could therefore reduce our ability to accurately estimate future requirements.

RISK FACTORS

At times, customers may require rapid increases in production, which could strain our resources and require more onerous procurement commitments. If we overestimate demand, we may accumulate excess inventory, which could lead to price reductions or write-downs of unsold goods. Conversely, if we underestimate demand or fail to secure sufficient production capacity, we could miss sales opportunities, lose market share or impair customer relationships.

Given the rapid pace of innovation in our industry, a significant portion of our inventory could also become obsolete before it is sold. Excess or obsolete inventory levels may result in unexpected expenses or inventory write-downs, any of which could materially and adversely affect our business, operating results and financial condition.

Our limited control over distributors exposes us to risks of non-compliance, misconduct and breach of agreements that could materially and adversely affect our business.

We rely on third-party professional distributors for the marketing, branding and provision of our solutions and products. The performance of these distributors, as well as the strength of their sales capabilities and distribution networks, is critical to our growth and directly affects our revenue and profitability. As we do not have full operational control over our distributors, there can be no assurance that we will be able to effectively monitor or detect their non-compliance with the provisions of our distribution agreements. Any such non-compliance could damage our brand reputation, disrupt our sales channels and lead to the loss of customers.

We are also exposed to the risks of fraud or other misconduct by our distributors. Such misconduct may include making unauthorized representation to customers, misappropriating third-party intellectual property or other proprietary rights, or engaging in bribery or other unlawful payments. In such cases, we could be held liable to our customers or other third parties for the actions of our distributors. Any related claims could subject us to costly litigation, regulatory inquiries or penalties, and could divert significant management time and financial resources, regardless of the merits of such claims.

If any of these events occur, we may suffer reputational damage, loss of customer trust, disruption to our sales network and potential regulatory or legal liabilities, any of which could materially and adversely affect our business, financial condition and results of operations.

We have been and intend to continue investing heavily in R&D, and such investments may not yield the expected results.

Our future growth depends on our ability to penetrate new markets, adapt existing solutions and products for new applications and customer requirements, and introduce new solutions and products that achieve market acceptance. To this end, we have been and intend to continue investing heavily in R&D to design, develop, produce and commercialize new solutions and products and enhance existing offerings. Our research and development costs were RMB120.5 million, RMB127.5 million and RMB124.2 million in 2023, 2024 and 2025, respectively.

The IC industry is characterized by rapid technological change, requiring continuous and substantial R&D investment to maintain competitiveness. We may face challenges in adapting our products to new wafer fabrication process technologies, achieving higher levels of design integration, or transitioning to advanced manufacturing nodes. These transitions often require modifications to design processes and redesign of certain products, which may result in technical difficulties, delays and increased costs and, in some cases, delays in product deliveries.

R&D activities are inherently uncertain, and there can be no assurance that our development efforts will result in technological breakthroughs or that any breakthroughs will be successfully commercialized. Even if successfully developed, new products may fall short of anticipated market acceptance due to competing technologies, shifts in customer preferences or changes in industry standards. In such cases, our significant R&D expenditure may not generate corresponding returns, and the opportunity cost of deploying capital to unsuccessful projects could be substantial.

RISK FACTORS

If we fail to keep pace with technological advancements or to translate our R&D output into commercially viable products in a timely and cost-effective manner, our competitive position, market share and growth prospects could be materially and adversely affected.

Fluctuations in the fair value of financial assets at fair value through profit or loss may materially and adversely affect our results of operations and financial condition.

We recorded financial assets at FVTPL of RMB432.0 million, RMB894.8 million and RMB1,071.4 million as of December 31, 2023, 2024 and 2025, respectively. These mainly consist of listed equity investments and structured deposits. See “Financial Information — Discussion of Certain Key Items from our Consolidated Statements of Financial Position — Financial Assets at FVTPL” for more details.

The fair value of these financial assets is subject to change due to a range of factors beyond our control, including market interest rates, equity market performance, and overall macroeconomic conditions. These changes are reflected directly in our profit or loss and could lead to significant fluctuations in our financial results. The valuation of such financial assets involves management assumptions and estimates that are inherently uncertain, and any adverse fluctuation could materially affect our financial condition and profitability.

We operate an equity-settled share-based compensation plan which may lead to share-based payments that may affect our profitability and financial condition and dilute Shareholders’ interest.

We operate an equity-settled share-based compensation plan under which shares are awarded to employees and Directors providing services to our Group. While these share-based payments are designed to align the interests of our employees and Directors with the long-term growth of our Group, they may lead to future share-based expenses that could affect our profitability and financial condition. The value of these share-based awards is linked to the performance of our Shares, and fluctuations in the share price could result in financial adjustments, impacting profitability. Although we did not record any share-based payments during the Track Record Period, and thus their financial impact has been minimal, future grants may affect our financial performance. Furthermore, the issuance of shares under the equity-settled plan may result in dilution of Shareholders’ interests.

We are subject to credit risk associated with our trade and bills receivables.

Our trade and bills receivables were RMB202.9 million, RMB219.4 million and RMB252.4 million as of December 31, 2023, 2024 and 2025, respectively. As of the same dates, we recorded impairment loss of allowances for trade and bills receivables amounting to RMB7.6 million, RMB6.2 million and RMB6.0 million, respectively. The trade and bills receivable turnover days were 94, 85 and 77 days in 2023, 2024 and 2025, respectively.

Despite our ongoing efforts to monitor and manage these receivables, there is no assurance that all amounts owed to us will be settled within the expected timeframes. Consequently, we face inherent credit risk related to our trade and bills receivables. Delays or defaults in payment by our customers could require us to make provisions for impairment, write off receivables, and/or incur legal costs to enforce our rights. If a significant portion of our trade and bills receivables remains unsettled on time, or at all, it could have a material adverse effect on our business, financial condition, and results of operations.

Changes to industry standards and technical requirements relevant to our products and markets could adversely affect our business, results of operations and prospects.

Many of our products are components of larger electronic systems and must comply with industry standards and technical requirements set by regulatory bodies, industry organizations and major market participants to ensure interoperability. In our markets, industry standards such as those developed by Joint Electron Device Engineering Council continue to evolve and may change significantly over time. Large semiconductor and electronics companies often play a dominant role

RISK FACTORS

in shaping these standards, and our customers may also impose their own product-specific specifications and technical requirements, which may change as they introduce new or enhanced products and solutions.

Our ability to compete effectively depends on our ability to identify and comply with evolving industry standards and customer-specific technical requirements. The introduction of new standards or requirements could render our products incompatible with other suppliers’ products or make it difficult for our products to meet customer expectations in consumer electronics, smart household appliances, industrial control, automotive electronics and other markets. This may require us to commit substantial time, resources and expenses to redesign our products to ensure compliance.

Failure to align with prevailing standards or technical requirements for a prolonged period could result in missed design wins, reduced market access, shortened product lifecycles and potential loss of key customers. Even if we are able to redesign products, the process may involve significant costs, delays in product launches and diversion of R&D resources from other strategic initiatives. Any of these outcomes could materially and adversely affect our business, results of operations and prospects.

Fluctuations in raw material prices or shortages in supply may disrupt our supply chain, delay product deliveries and affect our market competitiveness, which could materially and adversely affect our business, financial condition and results of operations.

As a semiconductor products enterprise, wafers represent our most significant raw material cost. Changes in the availability or prices of raw materials, particularly wafers, have a direct and material impact on our results of operations. In 2023, 2024 and 2025, cost of wafers accounted for 59.8%, 64.2% and 59.5% of our cost of sales, respectively. During the Track Record Period, we have experienced fluctuations in wafer costs, and such fluctuations may continue in the future.

The supply and pricing of our key raw materials are subject to factors beyond our control, including the availability of resources in relevant markets, global and regional demand, market speculation, industry disruptions, geopolitical tensions, regulatory changes, natural disasters and other unforeseen events. Any shortages or delay in supply could lead to increased procurement costs, occasional price adjustments, disruption of our production schedule and delays in product deliveries to customers.

There is no guarantee that we will be able to secure alternative sources of supply on a timely basis, on commercially reasonable terms, or at all. If we are unable to obtain sufficient quantities of raw materials at stable prices, we may fail to meet customer demand, which could result in reduced, delayed or cancelled orders. Such supply disruptions could also impair our ability to perform under existing contracts, strain customer relationships, reduce our competitiveness and market share, and materially and adversely affect our business, financial condition and results of operations.

We may not be able to maintain or enhance our brand recognition.

Our brand image has been an important contributor to our business success, and maintaining and enhancing the recognition, reputation and acceptance of our brand are critical to differentiating our products and to competing effectively. Sustaining our brand strength depends on our ability to consistently deliver high-quality products, innovate in line with evolving technology trends, meet customer needs and fulfil orders on a timely basis.

Our brand could be harmed by actual or perceived declines in product quality, failure to keep pace with technological advancements, delays in delivery, negative publicity, allegations regarding our business practices, or unfavorable comparisons with competitors’ products. Any such developments could diminish customer trust, reduce our ability to attract and retain customers, weaken our pricing power, and erode our competitive position.

RISK FACTORS

If we fail to promote our brand effectively or to maintain and enhance brand recognition and awareness among our customers, our business, operating results and financial condition could be materially and adversely affected.

Our lengthy and complex product cycle, including design, tape-out, fabrication, packaging and testing, together with our customers’ qualification and design cycle, may result in uncertainty and delays in revenue generation.

The production of our designs involves a lengthy manufacturing, packaging and testing process, typically taking approximately six to 12 months from tape-out to final product completion. Additional time is often required for our customers to complete their own qualification and design cycles before commencing volume shipments of products incorporating our solutions. Even if a manufacturer agrees to design in our products, there is no assurance that they will proceed to deliver final products containing them. See also “— If our products fail to meet our customers’ quality standards, our business and financial condition may be negatively impacted.”

Due to this long cycle, there can be a significant lag between incurring expenditures for R&D, sales and marketing and realizing any related revenue. This delay complicates demand forecasting, increases uncertainty in manufacturing planning and may adversely affect our operational efficiency.

Certain semiconductor products designed for specific applications also have relatively short commercial lifecycles. If we fail to manage the manufacturing, packaging and testing process efficiently, our products may become obsolete before adoption by customers, resulting in lost market opportunities, reduced competitiveness and the inability to recover the investments made in their development.

Any misalignment between our production timelines and market demand could lead to missed design wins, weakened customer relationships and a material adverse impact on our business, financial condition and results of operations.

If our products fail to meet our customers’ quality standards, our business and financial condition may be negatively impacted.

Our ability to maintain customer relationships depends on delivering products that meet required quality specifications and are supplied on a timely basis. Failure to do so could undermine customer confidence, damage our reputation and lead to the loss of existing customers or orders.

Our customers typically conduct quality checks and inspections and may reject, return or request replacement of products that do not meet their quality standards. A high incidence of product returns, exchanges or warranty claims could not only result in reduced revenue, but also increase our costs through additional production, logistics and handling, as well as potential compensation to customers.

Persistent quality issues could lead to the termination of customer relationships, loss of future business opportunities, erosion of our market position and reputational harm, any of which could materially and adversely affect our business, financial condition and results of operations.

Fluctuations in exchange rates may adversely affect our results of operations.

The value of RMB against the U.S. dollar and other currencies is subject to fluctuation, influenced by the PRC government’s policies, domestic and international economic and political developments, and supply and demand conditions in the foreign exchange market. These factors are often unpredictable, and it is difficult to assess how market forces or policy changes will affect future exchange rates.

RISK FACTORS

During the Track Record Period, we primarily purchased wafers in U.S. dollar while receiving the majority of payments for our solutions and products in RMB, and we expect this pattern to continue in the foreseeable future. As a result, appreciation of U.S. dollar could increase our procurement costs, affecting our margins and pricing competitiveness.

Our ability to manage foreign currency risk is limited by the availability and cost of suitable hedging instruments, and there can be no assurance that we will be able to effectively hedge our exposure in a cost-efficient manner. Significant exchange rate fluctuations could increase our costs, disrupt our supply chain, affect our ability to price solutions and products competitively, and materially and adversely impact our business, financial condition and results of operations.

Our ability to compete could be materially harmed if we fail to adequately protect, maintain, or enforce our intellectual property rights.

We believe that protecting our intellectual property is, and will remain, critical to the success of our business. We rely on a combination of patents, trade secrets, trademarks, copyrights, and contractual arrangements, such as non-disclosure and confidentiality agreements, to establish, safeguard, and enforce our proprietary rights. Any failure to adequately protect these rights could erode our competitive advantage and materially and adversely affect our business, financial condition, and results of operations.

Our ability to obtain additional patents is uncertain, and the scope and strength of any patents granted may be limited. Patent rights can be challenged, invalidated, or circumvented, and changes in patent laws or their interpretation in the PRC, or other jurisdictions may narrow the scope of protection available to us. There is no assurance that patent applications will result in issued patents, that any issued patents will provide meaningful competitive protection, or that we will be able to prevent competitors from developing technologies that are similar or superior to ours. Defending or enforcing our patents can be costly, time-consuming, and uncertain, and may divert management’s attention from day-to-day operations.

Trade secrets and unpatented know-how are also vital to our technology base, especially where patent protection may be unavailable or inappropriate. However, trade secrets can be difficult to safeguard. Employees, consultants, contractors, collaborators, or other third parties may inadvertently or intentionally disclose our confidential information despite confidentiality agreements, and such agreements may not always provide adequate remedies. Enforcing rights against misappropriation of trade secrets can be expensive and may not succeed, while competitors may independently develop equivalent knowledge, methods, or know-how without infringing our rights.

If we fail to protect, maintain, or enforce our intellectual property, whether due to inadequate legal protection, costly enforcement actions, or unauthorized disclosures, our competitive position could be materially compromised, and our business, financial condition, and results of operations could suffer.

Assertions against us by third parties for infringement of their intellectual property rights could divert management attention, result in significant costs and materially and adversely affect our business, financial condition and results of operations.

The IC industry is characterized by vigorous enforcement and defense of intellectual property rights, which often results in protracted and costly disputes. As our intellectual property portfolio expands in size and value, we may face an increasing number of claims from industry participants alleging infringement of their patents, trade secrets or other rights. Such claims could result in significant expenses, potential liability for damages, and the risk of invalidation of our proprietary rights.

RISK FACTORS

Any intellectual property litigation involving us would likely be time-consuming, costly to defend, and divert management’s time and attention from our operations. We could be required to: (i) cease the sale or use of products that allegedly infringe the asserted rights; (ii) obtain license from the rights holders, which may not be available on acceptable terms, or at all; or (iii) redesign products to avoid infringement, which could involve substantial unanticipated development costs, delays in commercialization, and possible loss of market opportunities.

If we are subject to a successful claim and fail to secure a license or develop non-infringing technology on commercially acceptable terms and in a timely manner, we may be unable to sell certain products, which could materially reduce our revenue, erode our market share and weaken our competitive position.

We may also initiate claims or litigation against third parties to protect our own intellectual property or to clarify the scope and validity of our rights or those of competitors, which could similarly involve significant expenses and the diversion of technical and management resources.

In addition, third parties may assert infringement and misappropriation claims against our suppliers, customers or their end-users based on the use or resale of our products. Under certain contractual arrangements, we may be obligated to defend such claims on their behalf or to indemnify them for losses, regardless of the merits. If we are required to defend or indemnify any such party, or if injunctions are obtained preventing the sale of products incorporating our technology, we could incur substantial costs, suffer reputational harm, and experience a significant decline in revenue, all of which could materially and adversely affect our business, financial condition and results of operations.

Our transfer pricing arrangements may be challenged by tax authorities, which could result in increased tax liabilities, penalties, and other adverse consequences.

Under the transfer pricing laws and regulations of mainland China, Hong Kong, and Singapore, related-party transactions are subject to scrutiny by the relevant tax authorities, and the relevant transfer pricing arrangements must generally comply with the arm’s length principle. During the Track Record Period, we engaged in intra-group transactions among our entities in mainland China, Hong Kong, and Singapore, namely (i) our Company’s procurement of wafers through China Micro (HK), Singapore Changi and China Micro (Shanghai); (ii) our Company’s sales of finished products to China Micro (Sichuan) and Zhongshan Lianfa; (iii) IC packaging and testing services provided by Sichuan Xinlianfa to our Company; and (iv) R&D and technical support services provided by China Micro (Beijing), China Micro (Shanghai), China Micro (Chongqing) and Singapore Changi to our Company and/or China Micro (Sichuan). Although, following consultation with the independent Transfer Pricing Tax Consultant we engaged and based on management’s assessment, our Directors are of the view that during the Track Record Period, the transfer pricing transactions and arrangements were generally consistent with the arm’s length principle, there is no assurance that the relevant tax authorities will share this view in full. See “Business — Intra-group Transactions” for more details.

If any tax authority determines that our intra-group transactions were not conducted on an arm’s length basis, it could impose transfer pricing adjustments, which may increase our taxable income in the relevant tax jurisdictions including mainland China, Hong Kong and Singapore, and result in additional tax liabilities. Such adjustments may also lead to double taxation if corresponding tax relief is not obtained in the counterparty jurisdiction. In certain cases, we may be unable to recover any excess tax paid from the relevant tax authorities in mainland China, Hong Kong and Singapore.

In addition, if we fail to settle the reassessed taxes within the prescribed period, we could be subject to late payment interest, surcharges, and other administrative penalties. Transfer pricing disputes are often complex and time-consuming, may involve extensive documentation and

RISK FACTORS

negotiation with multiple tax authorities, and could divert management attention from our operations. Any such dispute or adjustment could materially and adversely affect our business, financial position, and results of operations.

Delivery delays, inappropriate handling by third-party logistics service providers or disruptions in the transportation network may adversely affect our business, financial condition and results of operations.

We rely on third-party logistics service providers to transport certain of our work-in-progress and products. Our ability to provide accurate, timely and cost-efficient deliveries depends on maintaining stable and cooperative relationships with these providers. Disputes with, or terminations of, our contractual arrangement with them could result in delivery delays, increased logistics costs, or the inability to deliver products in sufficient quantities, on schedule or at prices acceptable to our customers. We may not always be able to renew or extend these relationships on favorable terms, or to secure alternative logistics providers in a timely and cost-effective manner.

As we have no direct control over the operations of third-party logistics service providers, we cannot guarantee the quality or timeliness of their services. Delivery delays, damage to products, inappropriate handling, or other issues caused by transportation shortages, natural disasters, extreme weather, labor strikes, geopolitical events or other factors beyond our control could lead to the loss of customers and sales, tarnish our reputation, and reduce our competitiveness.

In addition, our suppliers sometimes deliver materials to us through third party logistics service providers. Delays in delivery of materials from our suppliers, whether due to their logistics providers or ours, could disrupt our production schedules and impair our ability to meet customer demand. Any significant interruption in the transportation network or breakdown in our logistics arrangements could materially and adversely affect our supply chain, business operations, financial condition and results of operations.

Failure to manage our inventory effectively may lead to inventory obsolescence or shortages, which could have a material adverse effect on our results of operations, financial condition and liquidity.

Maintaining an appropriate level of inventory is essential for meeting customer procurement demands, supporting production and ensuring timely delivery. As of December 31, 2023, 2024 and 2025, we had inventories of RMB469.2 million, RMB376.1 million and RMB342.4 million, respectively, and recorded provision of inventories of RMB55.3 million, RMB11.6 million and RMB15.8 million in 2023, 2024 and 2025, respectively. The amount of inventory may further increase as our business scale expands. We adopt a flexible approach to inventory management, adjusting our inventory levels in response to market demand fluctuations. When market demand increases, we correspondingly increase inventories to ensure supply stability; however, actual demand may change materially between order placement and delivery, making it difficult to maintain optimal inventory levels at all times.

Overstocking may result in obsolescence, write-downs or write-offs, especially if the market price of our products declines. Excess inventory may also require discount sales, which could compress margins and reduce profitability, as well as tie up working capital and strain liquidity. Conversely, underestimating demand could lead to shortages, delayed deliveries, lost sales opportunities and reputational harm.

Demand forecasting remains inherently uncertain despite our supply chain management mechanisms, and is affected by factors such as launch of new products, pricing changes, customer procurement decisions and evolving consumer preferences. These factors could cause forecast deviations, leading to impairment losses from time to time.

We may continue to face challenges in aligning inventory levels with actual demand, which could materially and adversely affect our results of operations, financial condition, cash flows and liquidity.

RISK FACTORS

Our business growth and execution of our strategies depend on our ability to attract, develop and retain key employees.

Our success relies heavily on the continued leadership of our senior management team, whose oversight, industry expertise and execution capabilities are essential to implementing our business plans, driving innovation and capturing new market opportunities. The unexpected loss of any member of senior management could disrupt our operations, delay strategic initiatives and impair our ability to achieve growth objectives. Changes in management, whether through departures or new appointments, may also cause temporary instability, and integrating new leaders into our teams requires significant time, training and resources, potentially impacting our corporate culture and decision-making efficiency. Beyond management, our competitive position depends on attracting, developing and retaining highly skilled personnel, particularly our top in-house R&D professionals who drive core technology and product development, as well as our experienced sales and marketing staff who maintain critical customer and channel relationships. The IC industry faces intense competition for such talent, and the pool of qualified candidates is limited. We compete not only with other semiconductor companies, but also with universities, research institutions and technology firms for experienced engineers and scientists.

To remain competitive in the talent market, we may be required to offer higher compensation, enhanced training, attractive career development opportunities, share-based incentives schemes and other benefits, all of which increase our operating costs. If we lose the services of key senior management members, our core R&D personnel or skilled engineers, or fail to recruit and retain qualified R&D replacements in a timely manner, we could face delays in product development, reduced innovation capacity, weakened customer relationships and disruption to strategic execution. These developments could materially and adversely affect our business, financial condition, results of operations and long-term growth prospects.

Our future results may be materially affected by macroeconomic and industry conditions beyond our control.

Our operating and financial performance is subject to volatility and may not match past results, internal targets, or market expectations due to factors beyond our control. Key metrics such as revenue growth, gross profit margin, operating profit margin and effective tax rate can be significantly influenced by: (i) general economic, political and regulatory conditions in the countries and regions where we operate and sell our products; (ii) the timing and market acceptance of new product launches by our customers and competitors; (iii) seasonal demand patterns and variability across the verticals we serve; (iv) fluctuations in exchange rates, which affect our cost of sales and profitability, particularly given our multi-jurisdictional operations and transactions in multiple currencies; (v) fluctuations in interest rates, which may increase our financing costs, affect returns on investments and influence capital expenditure plans, especially where variable-rate debt or external financing is involved; (vi) unexpected disruptions or capacity constraints affecting our foundry partners and IC packaging and testing service providers; and (vii) the introduction of additional trade or investment restrictions, tariffs, export controls, or sanctions that could increase costs, disrupt supply chains, limit market access, or constrain our ability to invest in or collaborate with certain technologies or entities.

In particular, the IC industry is highly cyclical and historically prone to sharp downturns, marked by declining demand, production overcapacity, elevated inventory levels, and substantial erosion of average selling prices. Such cycles are often amplified by broader macroeconomic volatility, including rising interest rates, persistent inflationary pressures, currency fluctuations, and geopolitical instability. Periods of weak demand can also lead to aggressive price competition, reduced factory utilization and pressure on margins.

RISK FACTORS

Given these dynamics, we may experience substantial and unpredictable period-to-period fluctuations in our business, financial condition, and results of operations, regardless of our strategic initiatives or operational efficiency. Sustained adverse macroeconomic or industry conditions could also impact customer investment cycles, slow technology adoption rates and delay purchasing decisions, which would further affect our growth prospects.

Any actual or perceived failure to comply with data privacy and security laws could expose us to potential liabilities and harm our reputation.

In the course of our business operations, we collect and store business and transaction data relating to our customers, suppliers, business partners, and our own operations. Protecting the security and confidentiality of such data is critical to maintaining trust with stakeholders and ensuring uninterrupted operations. We process data in compliance with applicable legal requirements in the PRC and other jurisdictions where we operate. However, our business is subject to an increasingly complex and evolving framework of data privacy, cybersecurity, and information security laws and regulations.

Failure, or perceived failure, to comply with the growing number of data protection and security requirements, such as the PRC’s Data Security Law, and Cybersecurity Law, as well as the privacy and cybersecurity laws in other relevant jurisdictions, could result in severe reputational harm, regulatory investigations, substantial fines, litigation, and operational disruptions.

To ensure compliance with these evolving data privacy laws, regulations and standards, we must continually maintain and upgrade robust internal controls, data protection infrastructure, and risk management policies, which require significant and ongoing investment of resources, technology, and personnel. Nevertheless, no security system is infallible. Unauthorized access, loss, theft, alteration, or misuse of data, whether through cyberattacks, system vulnerabilities, inadvertent disclosures, employee misconduct, or failures by third-party service providers, could result in: (i) significant legal and regulatory liabilities, including fines, penalties, and enforcement actions; (ii) costly remediation and mitigation measures, such as system upgrades and compensation to affected parties; (iii) damage to our reputation and erosion of customer and partner confidence; and (iv) disruption to our business operations and competitive position.

Even unfounded allegations or concerns from customers, employees, regulators, or the public regarding our data protection practices could damage our reputation, trigger regulatory scrutiny, and adversely affect our business, financial condition, and results of operations.

We rely on third-party licensed technology to develop our products, and any inadequate or loss of such licenses could impair our ability to develop and commercialize our products.

Our products incorporate certain technologies licensed from third parties, which are essential to the design, development, and performance of our products. The licensed technologies primarily include processor cores and specific intellectual property components that are integrated into our chip designs. These licensed technologies are widely adopted across the semiconductor industry and are essential for ensuring compatibility, design efficiency and performance optimization of our products. The cost of third-party licensed technologies consistently accounted for less than 0.5% of our total cost of sales during each period of the Track Record Period. We have not experienced any material disruption in obtaining such licenses. While we believe these licenses enable us to pursue our current product strategies, they may not provide the scope of rights, level of exclusivity, or long-term availability that we expect.

From time to time, we may need to obtain additional licenses to third-party technologies in order to develop new products or enhancements to existing products. However, such licenses may not be available to us on commercially reasonable terms, may be subject to burdensome conditions, or may not be obtainable at all. If we are unable to secure the necessary third-party technology, we

RISK FACTORS

may be forced to: (i) develop substitute technology internally at greater cost, longer timelines, and potentially lower performance standards; (ii) source alternative technology of inferior quality or compatibility; or (iii) delay or suspend product development and commercialization plans.

In addition, any disputes with licensors regarding the scope, validity, or enforceability of license rights, or any failure to comply with the terms of our license agreements, could result in termination or non-renewal of such licenses. The loss or restriction of key technology licenses could materially hinder our product development pipeline, reduce our competitiveness, and adversely affect our business, financial condition, and results of operations.

Any failure to obtain, maintain, or renew requisite approvals, licenses or permits could materially and adversely affect our business, financial condition and results of operations.

Our business operations may involve obtaining and maintaining various approvals, licenses, permits, certifications and filings pursuant to the laws and regulations of the jurisdictions in which we operate. Obtaining and maintaining such approvals, licenses, permits, certifications and filings can be costly and time-consuming, and failure to do so may expose us to administrative penalties or legal liabilities. There is no assurance that we will be able to obtain, update, or renew such approvals, licenses, permits, certificates in a timely manner, or at all, or that they will cover all aspects of our current or future business activities.

The interpretation and enforcement of laws and regulations governing our operations may change, and new requirements could be introduced that impose more stringent conditions or additional obligations. If we fail to obtain, maintain, or renew the requisite approvals, licenses, permits, or certificates, or if any of them are revoked, suspended, or not extended, we could be subject to fines, business restrictions, or even forced suspension of certain operations. Such events could cause material disruption to our operations, damage our reputation, and adversely affect our business, financial condition, and results of operations.

We may from time to time become a party to litigation, arbitration, regulatory proceedings, or other disputes, the outcome of which could materially adversely affect our business, financial condition, results of operations, and reputation.

From time to time, we may become involved in litigation, arbitration, administrative proceedings, contractual disputes, regulatory investigations, or other claims in the PRC or other jurisdictions where we operate. Such matters may arise from various aspects of our business, including commercial contracts, intellectual property, product liability, labor and employment, securities compliance, or other operational issues. These proceedings can be costly, time-consuming, and unpredictable, and may require significant management attention and diversion of resources from our core operations. Any such proceedings may also generate negative publicity that could damage our brand image and customer relationships, regardless of the merits of the underlying claims.

In addition, we may also face shareholder derivative lawsuits, including those targeting our Directors or officers due to their positions in our Company or other public companies. We cannot assure you that we or our Directors or officers would prevail in any defense, succeed on appeal, or avoid settling on unfavorable terms.

Unfavorable outcomes regarding these assessments could have a material adverse effect on our financial statements in any particular reporting period. Results of legal and regulatory proceedings cannot be predicted with certainty and for some matters, such as class actions, no insurance is cost-effectively available. We estimate loss contingencies and establish accruals as required by the applicable accounting standard, based on our assessment of contingencies where liability is deemed probable and reasonably estimable, in light of the facts and circumstances known to us at a particular point in time. However, the ultimate outcome may differ materially from our estimates,

RISK FACTORS

and subsequent developments, such as adverse rulings, currency fluctuations, or changes in legal assessments, could materially and adversely affect our financial condition, cash flows, and results of operations in the relevant period.

Our business is subject to PRC fire safety laws and regulations, and any failure to comply could expose us to liabilities, penalties or operational disruptions.

We are subject to PRC laws and regulations governing fire safety, including the Fire Prevention Law of the People’s Republic of China (《中華人民共和國消防法》). Amendments or changes to these laws and regulations may impose additional compliance requirements and costs, which could adversely affect our business, results of operations and prospects.

As of the Latest Practicable Date, one of our leased properties had not completed the requisite fire safety filing with the local housing and urban-rural development authorities. Under applicable PRC laws and regulations, properties with defects in fire safety filings after completion of construction acceptance may be subject to rectification orders and administrative fines. Failure to rectify in a timely manner could result in further enforcement actions, which may include suspension of operations at the affected premises if they fail to pass the random inspection of the competent authorities. See “Business — Legal Proceedings and Compliance — Compliance — Other Non-Compliance Incidents — Fire Safety Filings.”

We cannot assure you that we will at all times remain in full compliance with fire safety requirements or that we will not be subject to inspections, liabilities, penalties or corrective actions in the future. Any such incidents could result in additional costs, operational interruptions, reputational damage, and an adverse impact on our business, financial condition and results of operations.

Certain of our leased properties are not registered or lack valid property ownership certificates, which may expose us to administrative penalties or property use disruptions.

We currently lease several premises in China. Under PRC laws and regulations, lease agreements are generally required to be registered with the local land and real estate administration bureau. As of the Latest Practicable Date, four of our lease agreements had not been registered with the relevant PRC authorities. While non-registration does not in itself invalidate a lease, the authorities may order us to rectify such non-compliance within a prescribed period after receiving notice, and may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. Based on our current situation, the maximum aggregate penalty for the unregistered lease agreements would be RMB40,000. If any fine is imposed, we may not be able to recover such losses from the lessors.

Furthermore, as of the Latest Practicable Date, the lessors of two of our leased properties had not provided us with valid title certificates. As a result, there are risks that we may not be able to continue to occupy and use such properties.

Increasing focus on environmental, social and governance (“ESG”) matters may impose additional compliance requirements and operational costs on us, and failure to meet evolving expectations could materially and adversely affect our business, financial condition and results of operations.

The IC industry is subject to an extensive and evolving framework of international and domestic laws and regulations relating to environmental protection, pollution control, resource efficiency, and occupational health and safety. Compliance with existing and emerging requirements, including those concerning carbon emissions, hazardous substance management, energy efficiency, waste treatment, and workplace safety, may require us to modify our manufacturing processes, upgrade equipment, adopt new technologies, or implement additional monitoring and reporting systems, all of which could involve substantial capital investment and ongoing operational costs.

RISK FACTORS

These laws and regulations have tended to become more stringent over time, and we expect this trend to continue as governments, regulators, investors, and customers increasingly prioritize ESG performance. Non-compliance could result in fines, suspension of operations, mandatory facility upgrades, reputational damage, or restrictions on market access. In addition, major customers, particularly multinational enterprises, may impose their own ESG-related supplier requirements, such as emissions targets, renewable energy usage, or responsible sourcing standards, which, if not met, could jeopardize our customer relationships or limit our ability to win new business.

Furthermore, ESG performance is becoming an increasingly important factor in investor decision-making and capital allocation. A failure to meet evolving ESG expectations or to effectively communicate our ESG strategy could negatively affect our brand image, investor confidence, and long-term competitiveness. Any of these developments could materially and adversely affect our business, financial condition, and results of operations.

Our insurance coverage may not completely cover the risks related to our business and operations.

We maintain insurance policies as required under the laws and administrative regulations in the jurisdiction where we operate, as well as based on our assessment of our operational needs and prevailing industry practices. However, our business is exposed to a variety of risks, and our existing coverage may be insufficient in scope or amount, or in some cases, entirely unavailable. Insurance companies in the PRC do not always offer comprehensive insurance products that address all operational risks we face. As a result, certain material risks, such as those relating to specialized equipment, data security breaches, or extended supply chain disruptions, may remain uninsured even if we wish to obtain coverage.

As of the Latest Practicable Date, we had not obtained any business liability insurance or business disruption insurance for our operations. See “Business — Insurance” for more details. We have determined that the costs of obtaining such insurance, combined with the difficulty of securing appropriate coverage on commercially reasonable terms, makes these policies impractical for our business at present. However, this leaves us exposed to potential losses. Any uninsured occurrence, including but not limited to major operational disruptions, material litigation, natural disasters, fire, flood, equipment failure, or significant damages to uninsured facilities, could require substantial expenditures, divert management resources, interrupt production, and materially and adversely affect our business, financial condition, results of operations and prospects.

Moreover, even for risks that are insured, our coverage may be subject to deductibles, exclusions, limits, or disputes with insurers over policy interpretation, which could result in partial or delayed recovery. There is no assurance that our insurance will be sufficient to cover all potential losses or that we will be able to obtain additional coverage in the future on terms acceptable to us.

Our risk management and internal control systems may not be adequate or effective.

Like all systems, our risk management and internal control framework is subject to inherent limitations in design and implementation. While we have established policies and procedures to identify, assess, and mitigate risks, these measures may not be sufficiently effective in detecting or addressing all risks, particularly if external conditions change significantly or if unexpected or extraordinary events occur. See “Business — Internal Control and Risk Management.” Furthermore, our pursuit of new business initiatives entry into new markets, or adoption of new technologies may expose us to emerging risks that are not fully anticipated or addressed by our existing systems.

The effectiveness of our risk management also depends on proper execution by our employees. We cannot assure you that our employees will always implement our policies and procedures as intended, or that human errors, oversight, misjudgment, or intentional misconduct will not occur. Weaknesses in execution, such as failure to escalate issues promptly, inadequate documentation, or insufficient training, could undermine the effectiveness of our controls.

RISK FACTORS

If we fail to implement or enforce our risk management policies in a timely and consistent manner, or if we are unable to identify and respond early enough to plan for contingencies, we may face operational disruptions, financial losses, regulatory non-compliance, reputational harm, or strategic setbacks. Any of these outcomes could materially and adversely affect our business, financial condition and results of operations.

Natural disasters, health epidemics, acts of war or terrorism, and other business disruptions beyond our control may have a material adverse effect on our business operations, financial condition and results of operations.

We are exposed to risks from events beyond our control, including natural disasters, public health crises, terrorist attacks, armed conflicts, wars and other acts of violence, as well as regional or international crises, calamities or emergencies. Such events may result in significant loss of life, personal injury, or damage to our facilities and equipment, and could materially disrupt our business operations.

Our operations could also be adversely affected if such events interrupt the activities of our foundry partners, IC packaging and testing service providers, logistics providers, or other suppliers, as well as our customers, distributors, or other business partners. Disruptions may include suspension of manufacturing, delays in delivery, shortages of raw materials, or temporary closure of facilities. In addition, broader supply chain interruptions, labor shortages, restrictions on movement, or changes in consumer demand caused by such events could further impact our business.

The full extent of the impact of such business disruption events, whether directly on us or indirectly through our supply chain and customers, may not be immediately apparent and could take a considerable period to assess. Uncertainty regarding recovery timelines may also affect customer procurement decisions, end-market demand, and our ability to plan operations effectively. Any prolonged or repeated occurrence of such events could materially and adversely affect our business, financial condition, results of operations, and prospects.

We may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations, and any non-compliance could result in severe consequences that materially and adversely affect our business, results of operations, financial condition, prospects, and cash flow.

We may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations, and any non-compliance could result in severe consequences that materially and adversely affect our business, results of operations, financial condition, prospects, and cash flow.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations in the jurisdictions where we operate, including the U.S. Foreign Corrupt Practices Act (“FCPA”) and other applicable laws. The FCPA prohibits us, as well as our officers, Directors, employees, and business partners acting on our behalf, from offering, promising, authorizing, or providing anything of value to a “foreign official” to improperly influence official decisions, secure or retain business, or obtain other advantages. It also requires the maintenance of accurate books, records, and accounts, and a system of adequate internal accounting controls.

We may have direct and indirect interactions with officials and employees of government agencies and state-owned enterprises in the ordinary course of business, and we engage in business collaborations with state-owned entities. These activities increase our compliance risks. While we are implementing policies and procedures to ensure compliance by our Directors, officers, employees, representatives, consultants, agents, and business partners, such measures may not be fully effective. Any improper conduct, whether intentional or inadvertent, could expose us to whistleblower complaints, negative publicity, investigations, and significant administrative, civil, or criminal penalties, as well as remedial obligations and substantial legal expenses.

RISK FACTORS

In addition, jurisdictions including the U.S., European Union, United Kingdom, and Australia impose economic sanctions targeting specific countries, regions, industry sectors, entities, and individuals. Sanctions regimes are dynamic, with new restrictions and sanctioned parties regularly introduced. Future regulatory changes could increase scrutiny of our operations, particularly our international expansion, or result in certain activities being deemed to violate applicable sanctions. If authorities in any relevant jurisdiction determine that we have engaged in prohibited transactions, our business, reputation, and financial performance could be materially and adversely affected.

We are exposed to risks associated with U.S. Executive Order 14105 and its implementing regulations that prohibit and require notification by on U.S. persons for certain investments.

On October 28, 2024, the U.S. Department of the Treasury (“**Treasury**”) issued a final rule, codified in the United States Code of Federal Regulations at 31 C.F.R. part 850, to implement the Executive Order 14105 of August 9, 2023 (the “**Final Rule**”), which became effective on January 2, 2025. The Final Rule imposes investment prohibition and notification requirements on U.S. persons for a wide range of investments in entities associated with the PRC (including Hong Kong and Macau) that are engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems, collectively defined as “Covered Foreign Persons.” U.S. persons subject to the Final Rule are prohibited from making, or required to report, certain investments in Covered Foreign Persons, which are defined as “Covered Transactions,” and include certain acquisitions of an equity interest, certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The Final Rule contains exceptions for certain investments, including those in publicly traded securities, except when the U.S. person investor secures rights that go beyond standard minority shareholder protections. The Final Rule may introduce new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of PRC-based issuers including us. On February 21, 2025, U.S. President issued a memo entitled the “America First Investment Policy” (the “**America First Memo**”), indicating that Executive Order 14105 is under review and the Trump Administration will consider new or expanded restrictions, such as broadening the sectors.

We believe that we are deemed to be a covered foreign person engaged in one or more “covered activities” (each as defined in the Final Rule). We do not believe, however, that we are directly or indirectly engaged in any “covered activities” as described in the definition of “prohibited transactions” (each as defined in the Final Rule) as we do not design, fabricate or package any integrated circuit described in 31 C.F.R. §850.224(c), (d) or (e) and activities described in the other sections of 31 C.F.R. §850.224. However, there is no assurance that the Treasury will take the same view as ours. U.S. persons engaged in a “covered transaction” (as defined under the Final Rule) that involves the acquisition of our equity interests may need to make a notification to Treasury pursuant to the Final Rule, which could limit our ability to raise capital or contingent equity capital from U.S. investors. In addition, even though U.S. persons’ investment of certain publicly traded securities (such as our H Shares) falls under an exception in the Final Rule could still limit our ability to raise capital or contingent equity capital from U.S. investors after this [REDACTED] given that the relevant laws, regulations, and policies continue to evolve. In addition, the application and implication of the Final Rule, the America First Memo and any related policies, laws and regulations are complex, which may be changed and updated from time to time. We believe the Final Rule has not had, and does not have, any material adverse impact on our business operations or the [REDACTED], as, to the best of our knowledge, we did not have and do not currently have any U.S. investors, and the [REDACTED] is intended to be conducted pursuant to Regulation S under the U.S. Securities Act, which excludes offers and sales to U.S. persons. However, future changes in the Final Rule, the America First Memo and any related policies, laws and regulations or their interpretations, or any similar or more expansive restrictions imposed by the U.S. or other jurisdictions, may result in additional costs on our business and/or limit our ability to raise capital or

RISK FACTORS

contingent equity capital from U.S. investors and other sources that may otherwise be beneficial to us, which could adversely affect our performance, financial condition and prospects, in which case the [REDACTED] of our H Shares may also be materially and adversely affected.

Non-compliance, misconduct or negative publicity involving us, our Directors, employees, or our business partners could materially and adversely affect our operations, reputation, and financial performance.

We face the risk that our Directors, employees, business partners, or other third parties involved in our business may engage in non-compliance with applicable laws, regulations, contractual obligations, or in other forms of improper conduct. Despite our regular compliance training and internal controls, it is not always possible to prevent, detect, or deter such conduct in advance. Any actual or alleged misconduct by our Directors and employees, including senior management, could subject us to governmental investigations, enforcement actions, litigation, significant fines, criminal penalties, or other liabilities, regardless of whether the activities were directly related to our operations. Such incidents could undermine stakeholder trust, affect the ability or willingness of key personnel to continue serving our Company, and divert management’s attention from our strategic priorities. Misconduct or regulatory breaches by our business partners or other contractual counterparties could also directly disrupt our operations, cause reputational association, or lead to contractual disputes, and we may not always be able to detect or address such issues promptly or effectively.

In addition, we, our Shareholders, Directors, senior management, employees, or business partners may be subject to negative media coverage or adverse publicity from time to time, whether such coverage is factually accurate or not. In today’s digital environment, information, whether true or false, can spread rapidly across online and social media platforms, magnifying reputational harm. Our reputation could also suffer if we are perceived as lacking effective oversight or due diligence, particularly in connection with alleged misconduct, regulatory non-compliance, or unethical practices by our personnel or business partners. Responding to allegations or adverse publicity often requires significant management attention and substantial public relations and legal resources, with no assurance that such issues can be resolved promptly or to the satisfaction of our stakeholders. Prolonged or unresolved reputational issues could materially and adversely impact our ability to retain existing customers, attract new ones, secure financing on favorable terms, recruit and retain talent, and maintain our competitive position in the industry.

We are subject to risks associated with export controls laws and regulations, international trade policies and actions, and evolving domestic and foreign laws and regulations.

Our operations may be adversely affected by frequently changing trade policies and export controls regulations imposed by government authorities in the countries in and with which we operate or with which we conduct business. Such measures may include increased duties, tariffs, taxes, anti-dumping penalties and other restrictions, which could increase our costs and reduce our margins. Sales of products containing components sourced from foreign suppliers may be materially impacted by these measures. We will need to maintain heightened internal control and risk management policies to ensure sound compliance with such restrictions, which require significant resources and efforts.

Recent trade tensions, such as the ongoing U.S.-PRC trade dispute, have led to high tariffs, export controls and other restrictive measures targeting high-technology goods, semiconductors and electronics. In April 2025, the United States imposed a tariff of 145% on all Chinese goods, except for certain consumer electronics produced in the PRC, which was lowered to 30% until August 14, 2025 based on the joint statement between the PRC and U.S. issued on May 12, 2025. Although we did not generate revenue from the U.S. during the Track Record Period, our products may be incorporated into end-products imported into the U.S., with applicable tariffs borne by the

RISK FACTORS

importer. However, importing companies may seek to pass these additional costs to us, other suppliers or end-customers. Even if the cost is not passed on to us, reduced competitiveness of our customers’ end products could lead to a reduction or cancellation of their purchase orders from us.

Governments may also impose trade or market access restrictions based on national security or foreign policy considerations, such as the U.S., Japan, the Netherlands and other jurisdictions that have implemented export control measures against the PRC. For instance, in October 2022, the Bureau of Industry and Security of the U.S. Department of Commerce (the “**BIS**”) issued an interim final rule introducing licensing requirements for exports, re-exports, or transfers of certain items destined for specified IC fabrication end-uses in the PRC. Subsequently, in December 2024, BIS issued another interim final rule and a final rule, which expanded controls in the Export Administration Regulations (the “**EAR**”) on advanced computing and semiconductor manufacturing items. These measures may limit our and our technology partners’ abilities to acquire technologies, systems, devices or components that may be critical to business operations, or our ability to supply customers in affected countries, territories and entities.

To the best of our knowledge, we did not procure or use any technologies, software, or components originated from the United States, nor did we rely on any suppliers whose production processes for our products involve U.S.-origin controlled items or technologies during the Track Record Period and up to the Latest Practicable Date. Accordingly, our Directors are of the view that our Group is not directly subject to the EAR or the export control requirements imposed under the BIS interim or final rules. A limited number of our suppliers are subject to export control measures imposed by BIS which may limit their ability to source items from the U.S. by imposing licensing requirements on exports, re-exports, and in-country transfers. While we closely monitor compliance requirements and endeavor to manage supply chain risks, any failure to obtain or maintain the requisite regulatory approvals, or to promptly source alternative suppliers, could have a material impact on our operations and financial performance.

In August 2022, the U.S. enacted the Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (the “**CHIPS Act**”), aiming to strengthen U.S. domestic semiconductor manufacturing, design and research and fortify the economy and national security, which could indirectly disadvantage PRC-based companies. Furthermore, BIS maintains restricted party lists, including the entity list, which is a list of foreign persons on which certain trade restrictions are imposed, including business, research institutions, government and private organizations, individuals and other types of legal persons. Even though we are not currently included on any such restricted party list maintained by BIS or other U.S. authorities, inclusion of a customer, supplier or technology partner on such lists could materially impact our ability to transact with them, and such developments are unpredictable and beyond our control.

If future export control measures target our significant customers, suppliers, raw materials, key components or technologies, our operations could be disrupted unless we secure acceptable alternative sources or customers on a timely basis. More restrictive measures, such as complete bans on sales to certain entities, could reduce demand for our products, trigger supply chain restructuring, and hinder our ability to obtain or integrate critical components. As our products become more technologically advanced, they may become more likely to be subject to such controls. Even if our products are not directly targeted, we may still face higher costs, delays and reduced competitiveness if our customers or supply chain partners are adversely affected.

Although we seek to comply with applicable trade and export control laws and regulations, failure to do so could result in severe legal and business consequences, including penalties, the loss of access to controlled technologies, and government investigations, any of which could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

We may not be able to obtain additional capital on favorable terms or at all, which could adversely affect our operations and expansion plans.

Capital requirements in the highly dynamic, cyclical and fast-evolving IC industry are inherently difficult to forecast. We expect to continue requiring significant funding in the coming years to support our operations, expand capacity, upgrade technology and respond to market demand. Our ability to obtain additional capital is subject to a variety of uncertainties, including: (i) our market position, competitiveness and brand strength in the global IC industry; (ii) our profitability, financial condition, results of operations and cash flows; (iii) market conditions for capital-raising activities by semiconductor companies in the PRC; and (iv) prevailing social, economic, political and regulatory conditions in the PRC and other markets where we operate.

If we are unable to raise the necessary funds in a timely manner or on acceptable terms, our growth initiatives and operational flexibility could be constrained. Future financing may require us to issue additional equity or equity-linked securities, which could dilute the shareholding interest of our existing Shareholders. If equity financing is unavailable or insufficient, we may need to incur additional debt, increasing our debt service obligations and potentially subjecting us to restrictive covenants that limit our operational and financial flexibility, including our ability to pay dividends. Moreover, higher interest expenses could erode our profitability if we are unable to pass these costs on to customers. Any of these outcomes could materially and adversely affect our business, financial condition and prospects.

We may be subject to anti-competitive, harassing, or other detrimental conduct by third parties, which could harm our reputation and result in the loss of market share, customers and revenue.

We may from time to time become the target of anti-competitive, harassing, or other detrimental conduct by third parties. Such conduct includes malicious or unfounded complaints to regulatory agencies negative or misleading social media posts, or the public dissemination of inaccurate information intended to damage our reputation. These complaints may lead to government or regulatory investigation, which could require significant time, management attention and financial resources to address, with no assurance that we can conclusively refute the allegations in a timely manner or at all.

In today’s digital environment, social media enables the rapid and widespread circulation of information, often without verification of accuracy. Customers and business partners may act on such information immediately, without further investigation, and adverse statements, even if false or anonymous, can harm our reputation and brand image before we have the opportunity to respond or correct the record. Malicious online commentary, negative publicity or viral misinformation could erode customer trust, reduce demand for our products, and cause the loss of market share, customers and revenue. Such reputational damage can be difficult to reverse and may have a long-lasting impact on our business, financial condition and results of operations.

RISKS RELATING TO THE JURISDICTION IN WHICH WE OPERATE

Changes in the political and economic policies, as well as the interpretation and enforcement law, rules and regulations, may affect our business, financial condition, results of operations and prospects.

Our business, financial condition, results of operations and prospects are affected by the economic, political, and legal developments in the jurisdictions where we operate. The overall economic growth is influenced by the governmental regulations and policies in relation to resource allocation, monetary policies, preferential treatment to particular industries or companies and others. Any of the foregoing would affect our business, financial condition, results of operations and prospects. Laws, rules and regulations in relation to economic matters are promulgated from time to time, including those related to such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade, so as to develop a comprehensive system of

RISK FACTORS

commercial law. In addition, the interpretation and implementation of the laws and regulations may also evolve from time to time, and we cannot assure you that our business operations will not be affected in the future.

You may experience difficulties in effecting service of legal process or enforcing foreign judgments against us.

We are a company incorporated under the laws of the PRC and a substantial portion of our business, assets and operations are located in the PRC. In addition, the majority of our Directors and executive officers reside in the PRC and have assets located in the PRC. As a result, it may not be possible for you to directly effect service of process upon us or such Directors or executive officers who reside in the PRC, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Pursuant to Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) effective on January 29, 2024, promulgated by the Supreme People’s Court, a party with an enforceable final court judgment rendered by any designated people’s court of the PRC or any designated Hong Kong court with respect to any civil and commercial cases excluding certain types of which, may apply for recognition and enforcement of the judgment in the relevant people’s court of the PRC or Hong Kong court. The PRC has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the U.S., the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the U.S. for reciprocal enforcement of judgments. In accordance with the Civil Procedure Law of the PRC and other applicable laws, regulations, and interpretations, a court judgment obtained in the U.S. and any of the other jurisdictions mentioned above may be recognized and enforced in the PRC or Hong Kong in consideration of the treaties providing for the reciprocal enforcement of judgments of courts between the PRC and the country where the judgment was made, or the principle of reciprocity.

We may be subject to additional regulatory requirements under new laws and regulations on overseas [REDACTED] and [REDACTED] issued by PRC government authorities.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and five supporting guidelines, which took effect on March 31, 2023. According to the Overseas Listing Trial Measures, we, as a PRC domestic company seeking to [REDACTED] and [REDACTED] securities in overseas markets, are required to file with the CSRC within three working days after submitting the [REDACTED] application documents to the overseas supervisory authorities. In addition, pursuant to the Overseas Listing Trial Measures, issuers are also required to submit subsequent reports to the CSRC on relevant information or material events, such as change of control or voluntary or forced delisting of the issuers who have completed overseas offerings and listings.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of the PRC, and the National Archives Administration of the PRC published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Archives Rules**”), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities [REDACTED] and [REDACTED] activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. See “Regulatory Overview — Laws and Regulations Relating to Overseas Securities Offering and Listing by Domestic Companies.” The

RISK FACTORS

interpretation and implementation of the Overseas Listing Trial Measures and the Archives Rules may keep evolving, failure to comply with which may materially affect our business, results of operations or financial conditions.

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.

We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. If it is determined in the future that approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization, or perform filing procedures, for our future financing activities, and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside the PRC, delay or restrict the repatriation of the proceeds from such future financing activities into the PRC or take other actions to restrict our financing activities, which could have a material and adverse effect on our financial conditions and business prospects.

We are subject to the currency exchange regulatory system.

The conversion of RMB is subject to applicable laws and regulations in the PRC. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including profit distributions, interest payments and trade and service-related foreign exchange transactions, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business.

However, there is no assurance that these foreign exchange policies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to satisfy any other foreign exchange requirements, capitalize our capital expenditure plans, and even our results of operations, financial performance and business prospects may be affected.

The preferential tax treatments granted by the PRC government may become unavailable.

During the Track Record Period, we were subject to certain preferential tax rates. See “Financial Information — Description of Key Items of Consolidated Statements of Profit or Loss and Other Comprehensive Income — Income Tax (Credit)/Expense,” and note 11 to the Accountants’ Report in Appendix I. We cannot assure you that the PRC policies on preferential tax treatments will not change or that the current preferential tax treatments we enjoy or will be entitled to enjoy will not be canceled. Moreover, we cannot assure you that our PRC subsidiaries will be able to renew the same preferential tax treatments upon expiration. If any such change, cancellation or discontinuation of preferential tax treatment occurs, the relevant PRC subsidiary will be subject to the PRC enterprise income tax, at a rate of 25% on taxable income. As a result, the increase in our tax charge could lead to a material and adverse impact on our results of operations and financial condition.

RISK FACTORS

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to [REDACTED] and regulatory requirements of mainland the PRC and Hong Kong.

As we are listed on the Shanghai Stock Exchange STAR Market and will be [REDACTED] on the Main Board in Hong Kong, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions.

Our A shares are listed and traded on the Shanghai Stock Exchange STAR Market, and the characteristics of the A share and H share markets may differ.

Our A Shares are listed and traded on the Shanghai Stock Exchange STAR Market. Following the [REDACTED], our A Shares will continue to be traded on the Shanghai Stock Exchange STAR Market and our H Shares will be [REDACTED] on the Stock Exchange. Under current laws and regulations of PRC, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. With different trading characteristics, the H Share and A Share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the [REDACTED] performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the [REDACTED] of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the investment decision in our H Shares.

There has been no prior public market for our H Shares.

There was no public market for our H Shares prior to the [REDACTED]. There can be no guarantee that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the [REDACTED]. In addition, the [REDACTED] of our H Shares is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us, which may not be indicative of the [REDACTED] of our H Shares following the completion of the [REDACTED]. If an active public market for our H Shares does not develop following the completion of the [REDACTED], the [REDACTED] and liquidity of our H Shares may be materially and adversely affected.

The [REDACTED] and trading volume of our H Shares may be volatile, which could lead to substantial losses to investors.

The [REDACTED] of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in mainland China that have listed their securities in Hong Kong may affect the volatility in the [REDACTED] of and trading volumes for our H Shares. A number of mainland China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. The share price of some of these companies has experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment toward mainland China-based companies listed in Hong Kong and consequently may impact the [REDACTED] performance of our Shares. These factors may significantly affect the [REDACTED] and volatility of our Shares, regardless of our actual operating performance.

RISK FACTORS

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the prevailing [REDACTED] of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.

The [REDACTED] of our H Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our H Shares in the public market, the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. Equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

The interests of our Controlling Shareholders Group may not be aligned with the interests of other Shareholders.

Our Controlling Shareholders Group has significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] are not exercised), our Controlling Shareholders Group will be together entitled to control the exercise of approximately [REDACTED]% of the voting rights and thus remain as a group of Controlling Shareholders of our Company. The interests of our Controlling Shareholders might differ from the interests of our other Shareholders. In the event that our Controlling Shareholders cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, our other Shareholders could be disadvantaged, and their interests could be damaged. Any conflict of interest between our Controlling Shareholders and our other Shareholders may also materially and adversely affect the aspects such as the decision and implementation of our business plans, which may in turn affect our operations and prospects.

There can be no assurance that we will declare and distribute any amount of dividend in the future.

Our ability to declare future dividends will depend on the availability of dividends, if any, received from us and our other PRC operating subsidiaries. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRS. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRS. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and requires approval at our shareholders’ meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

In addition, under the existing foreign exchange regulations of mainland China, payments of current account items, including the payment of dividends, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of mainland China to pay capital expenses such as the repayment of loans denominated in foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of mainland China.

RISK FACTORS

The [REDACTED] from the [REDACTED] will be received in Hong Kong dollars and we expect a substantial portion of which to be spent in RMB. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our [REDACTED] from the [REDACTED]. Conversely, any depreciation of the RMB against the Hong Kong dollars may adversely affect the value of, and any dividends payable on, the Shares in foreign currency.

The dividends payable to [REDACTED] and gains on the sale of our H Shares by our [REDACTED] are subject to PRC tax.

As a PRC-incorporated company, under applicable PRC tax laws, we are required to pay tax on our global income. Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a rate of 20%. For a non-PRC individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless a reduction is approved by the competent tax authority of the State Council or exempted by an international convention or agreement to which the PRC government is a party. We are required to withhold related tax from dividend payments paid to non-PRC resident individuals, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Non-resident individual H Share holders should be aware that they may be obligated to pay PRC income tax on the dividends and bonus realized from the H Shares.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to the EIT at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in PRC companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides. Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, payment of any such refund will be subject to the PRC tax authorities’ verification.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange STAR Market.

As our A Shares are listed on the Shanghai Stock Exchange STAR Market, we have been subject to periodic reporting and other information disclosure requirements in PRC. As a result, from time to time, we publicly release information relating to us on the Shanghai Stock Exchange STAR Market or other media outlets designated by the CSRC. However, the information announced by us in connection with the A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in mainland China, which are different from those applicable to the [REDACTED]. The presentation of financial and operational information for the Track Record Period disclosed on the Shanghai Stock Exchange STAR Market or other media outlets may not be directly comparable to the financial and operational information contained in this document. As a result, prospective [REDACTED] in the H Shares should be reminded that, in making their [REDACTED] decisions as to whether to purchase the H Shares, they should rely only on the financial, operating and other information included in this document. By applying to purchase the H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].

RISK FACTORS

Certain facts, forecast and other statistics in this document obtained from official government sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this document are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “aim,” “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “going forward,” “intend,” “ought to,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise.

You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us, our Shares and the [REDACTED]. Prior to the publication of this document, there may be press and media coverage regarding the [REDACTED] and us. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and our investors should not rely on such information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], our Company has sought and [has been granted] the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our headquarters are based in the PRC and most of our business operations are based, managed and conducted outside of Hong Kong. As our executive Directors play very important roles in our business operation, it is in our best interest for them to be based in the places where our Group has significant operations. We consider it practicably difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily reside in Hong Kong, either by means of relocation of our executive Directors to Hong Kong or appointment additional executive Directors. Therefore, we do not have, and in the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules, provided that our Company implements the following arrangements:

- (a) we have appointed Mr. Liu Zeyu (柳澤宇) and Ms. Wong Hoi Ting (黃凱婷) (“**Ms. Wong**”) as our authorized representatives (the “**Authorized Representatives**”) pursuant to Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our Company’s principal channel of communication with the Hong Kong Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;
- (b) when the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes in the Authorized Representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address) of all Directors to facilitate communication with the Hong Kong Stock Exchange; all Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period upon the request of the Hong Kong Stock Exchange;
- (c) we have appointed Guoyuan Capital (Hong Kong) Limited as our compliance adviser (the “**Compliance Adviser**”) upon [REDACTED] pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED]. The Compliance Adviser will have access at all times to the Authorized Representatives, our Directors and our senior management as prescribed by Rule 3A.23 of the Listing Rules, who will act as the additional channel of communication with the Hong Kong Stock Exchange when the Authorized Representatives are not available; and
- (d) meetings between the Hong Kong Stock Exchange and our Directors can be arranged through the Authorized Representatives or the Compliance Adviser, or directly with our Directors within a reasonable time frame.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the “relevant experience” of the individual:

- (a) length of employment with the issuer and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Pursuant to Chapter 3.10 of the Guide for New Listing Applicants, the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

- (a) whether the issuer has principal business activities primarily outside Hong Kong;
- (b) whether the issuer was able to demonstrate the need to appoint a person who does not have the Acceptable Qualification (as defined under Rule 3.28(1) of the Listing Rules) nor Relevant Experience (as defined under Rule 3.28(2) of the Listing Rules) as a company secretary; and
- (c) why the directors consider the individual to be suitable to act as the issuer’s company secretary.

Further, pursuant to Chapter 3.10 of the Guide for New Listing Applicants, such waiver, if granted, will be for a fixed period of time (the “**Waiver Period**”) and on the following conditions:

- (a) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and
- (b) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer.

Our Company has appointed Mr. Wu Xinyuan (吳新元) (“**Mr. Wu**”) as one of our joint company secretaries, who joined our Group in January 2019 and is the secretary of our Board, primarily responsible for the information disclosure, public relations affairs, and the corporate governance of the Company. He has extensive experience in corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules. While Mr. Wu may not be able to solely fulfill the requirements of the Listing Rules, our Directors

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

consider Mr. Wu a suitable individual to act as a joint company secretary and believe that such appointment would be in the best interests of our Company and of the corporate governance of our Group due to his thorough understanding of the internal administration and business operation of our Group.

Accordingly, we have appointed Ms. Wong, an associate member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) in Hong Kong and The Chartered Governance Institute in the United Kingdom, who fully meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules, to act as the other joint company secretary and to provide assistance to Mr. Wu for an initial period of three years from the [REDACTED] to enable Mr. Wu to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. For more details of Mr. Wu and Ms. Wong’s biographical information, please refer to the section headed “Directors and Senior Management — Joint Company Secretaries.”

Given Ms. Wong’s professional qualification and experience, she will be able to explain to both Mr. Wu and us the relevant requirements under the Listing Rules and other applicable Hong Kong laws and regulations. Ms. Wong will also assist Mr. Wu in organizing Board meetings and Shareholders’ meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Wong is expected to work closely with Mr. Wu and will maintain regular contact with Mr. Wu, our Directors and the senior management of our Company. In addition, Mr. Wu will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules to enhance his knowledge of the Listing Rules during the three-year period from the [REDACTED]. He will also be assisted by our compliance adviser and our legal advisor as to the Hong Kong laws on matters in relation to our ongoing compliance with the Listing Rules and the applicable laws and regulations.

Since Mr. Wu does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Wu may be appointed as a joint company secretary of our Company.

The waiver is valid for an initial period of three years from the [REDACTED] on the conditions that (a) Mr. Wu must be assisted by Ms. Wong who possesses the qualifications and experience required under Rule 3.28 of the Listing Rules; and (b) the waiver will be revoked immediately if and when Ms. Wong ceases to provide assistance to Mr. Wu as a joint company secretary or if there are material breaches of the Listing Rules by our Company.

Before the expiration of the initial three-year period, the qualifications of Mr. Wu will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance will continue. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Mr. Wu, having benefited from the assistance of Ms. Wong for the preceding three years, will have acquired the skills necessary to carry out the duties of a company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVER IN RESPECT OF COMPANY AND BUSINESS TO BE ACQUIRED AFTER THE TRACK RECORD PERIOD

Rules 4.04(2) and 4.04(4) of the Listing Rules require that the new applicant include in its accountants’ report the results and balance sheet of any business or subsidiary acquired, agreed or proposed to be acquired, since the date to which its latest audited accounts have been made up, in respect of each of the three financial years immediately preceding the issue of this Document.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Pursuant to note (4) of Rule 4.04(4) of the Listing Rules, the Stock Exchange may consider an application for a waiver of Rules 4.04(2) and 4.04(4) of the Listing Rules taking into account the following factors:

- (a). that all the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) are less than 5% by reference to the most recent audited financial year of the new applicant’s trading record period;
- (b). if the acquisition will be financed by the [REDACTED] raised from a [REDACTED], the new applicant has obtained a certificate of exemption from the SFC in respect of the relevant requirements under paragraphs 32 and 33 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and
- (c). (i) where a new applicant’s principal activities involve the acquisition of equity securities (the Stock Exchange may require further information where securities acquired are unlisted), the new applicant is not able to exercise any control, and does not have any significant influence over the underlying company or business to which Rule 4.04(2) and 4.04(4) of the Listing Rules relate, and has disclosed in its [REDACTED] document the reasons for the acquisition and a confirmation that the counterparties and their respective ultimate beneficial owners are independent of the new applicant and its connected persons. In this regard, “control” means the ability to exercise or control the exercise of 30% (or any amount specified in the Hong Kong Code on Takeovers and Mergers as the level for triggering a mandatory general offer) or more of the voting power at general meeting, or being in a position to control the composition of a majority of the board of directors of the underlying company or business; or
- (ii) with respect to an acquisition of a business (including acquisition of an associated company and any equity interest in a company other than in the circumstances covered under sub-paragraph (a) above) or a subsidiary by a new applicant, the historical financial information of such business or subsidiary is unavailable, and it would be unduly burdensome for the new applicant to obtain or prepare such financial information; and the new applicant has disclosed in its [REDACTED] information required for the announcement for a discloseable transaction under Rules 14.58 and 14.60 of the Listing Rules on each acquisition. In this regard, “unduly burdensome” will be assessed based on each new applicant’s specific facts and circumstances (e.g. why the financial information of the acquisition target is not available and whether the new applicant or its controlling shareholder has sufficient control or influence over the seller to gain access to the acquisition target’s books and records for the purpose of complying with the disclosure requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules).

Investment in Zhuhai Boya (the “Post-TRP Investment”)

We propose to acquire approximately 21.25% of the equity interest of Zhuhai Boya Technology Co., Ltd. (珠海博雅科技股份有限公司) (“**Zhuhai Boya**”) in aggregate (the “**Proposed Investment in Zhuhai Boya**”), including (i) 20% equity interest of Zhuhai Boya by way of capital injection at a preliminary consideration of RMB160 million (the “**Proposed Transaction A**”) and (ii) approximately 1.25% of Zhuhai Boya from one of the shareholders of Zhuhai Boya, the consideration of which is subject to negotiation with the counterparty (the “**Proposed Transaction B**”). The considerations for both Proposed Transaction A and Proposed Transaction B are expected to be settled in cash and will be based on the due diligence result and arm’s length negotiations between the owners of the Zhuhai Boya and us, taking into account factors such as the pre-investment valuation of Zhuhai Boya and the current primary market investment situation in the semiconductor industry. We intend to use internal resources to satisfy the cash considerations.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

As of the Latest Practicable Date, we had entered into a letter of intent agreement with Zhuhai Boya, which has no legally binding effect. The completion of the Proposed Investment in Zhuhai Boya is subject to the approval of the shareholders meeting of Zhuhai Boya and the entering into of the definitive agreement(s). As of the Latest Practicable Date, we are still negotiating the definitive transaction documents with the owners of the Zhuhai Boya. To the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, the counterparties to the transactions set out above and their respective ultimate beneficial owners are third parties independent from us or our connected persons.

Zhuhai Boya is a chip design company specializing in the design and sales of NOR Flash memory chips. We believe that the Proposed Investment in Zhuhai Boya is aligned with our business and growth strategy, and it is expected that the Proposed Investment in Zhuhai Boya would enable our Group to further build and enhance our R&D capability in that area.

According to the audited financial statements of Zhuhai Boya, (i) its total assets as of December 31, 2025 was approximately RMB254.46 million, (ii) its revenue was approximately RMB196.90 million for the year ended December 31, 2025, and (iii) its net loss before tax was approximately RMB10.54 million for the year ended December 31, 2025.

Conditions to the waiver granted by the Stock Exchange

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in respect of the Post-TRP Investment on the following grounds:

(a). Immateriality

Under Rule 14.04(9) of the Listing Rules, all the applicable percentage ratios under Rule 14.07 of the Listing Rules in relation to the Post-TRP Investment are below 5% by reference to the most recent audited financial year of the Track Record Period. We consider the Post-TRP Investment to be immaterial in the context of our Company’s operations as a whole and therefore a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules will not affect potential investors’ assessment of our business and future prospects when considering an investment in our Company.

(b). The Post-TRP Investment will not be financed by the [REDACTED] raised from the [REDACTED]

We will use internal resources to satisfy the cash consideration payable by us in relation to the Post-TRP Investment.

(c). Acquisition of minority interests only and absence of control for Zhuhai Boya

We will not be able to control a majority of the board of directors nor the daily management of Zhuhai Boya and therefore it will not be treated as our subsidiary upon completion of the Post-TRP Investment. As a result, its financial information will not be consolidated into our Group.

(d). Impracticality and undue burden

As we will not control Zhuhai Boya, we are unable to provide our reporting accountant with full access to Zhuhai Boya’s financial record, provide them opportunities to fully familiarize with Zhuhai Boya’s accounting policies or to gather and compile the necessary financial information and supporting documents to prepare the financial information required under the Listing Rules. As such, it would be impracticable and unduly burdensome for us to disclose the financial information of Zhuhai Boya in strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

(e). Alternative disclosure in this Document

We have provided alternative information in this Document in connection with the Post-TRP Investment required for the announcement for a discloseable transaction under Chapter 14 of the Listing Rules including, among other things, (i) the reasons for the Post-TRP Investment, (ii) description of the principal business of the Zhuhai Boya, (iii) descriptions of the counterparty of the acquisition of the Zhuhai Boya and a confirmation that they are Independent Third Parties, (iv) the considerations for the Post-TRP Investment and how they are expected to be satisfied, (v) basis on which the considerations for the Post-TRP Investment to be determined, and (vi) key financial information of Zhuhai Boya.

[REDACTED]

[REDACTED]

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[REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Yang Yong (楊勇)	Flat G, 58/F, BLK 16 Caribbean Coast Tung Chung New Town Hong Kong	New Zealand
Mr. Zhou Yan (周彦)	Flat 15A, Tower 5, Area B Xihaiwan Garden No. 2099 Chuangye Road Nanshan District Shenzhen, Guangdong Province PRC	Chinese
Mr. Liu Zeyu (柳澤宇)	89 Tanglin Halt Road, #35–344 Commonwealth View Singapore 141089	Singaporean
<i>Independent non-executive Directors</i>		
Dr. Song Xiaoke (宋曉科)	Apartment 6B, Block 3A Phase II of Lanxi Valley Nanshan District Shenzhen, Guangdong Province PRC	Chinese
Dr. Sun Xiaoling (孫曉嶺)	Flat 7A, Building 3 Chengzhongya Court 299 Fuhua 3rd Road Futian District Shenzhen, Guangdong Province PRC	Chinese
Dr. Chu Junhong (楚軍紅)	Room B09 9/F Block 3 Pine Court 23 Sha Wan Drive Pokfulam Hong Kong	Chinese

For further information regarding our Directors, see “Directors and Senior Management.”

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor and [REDACTED]	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Legal Advisors to our Company

As to Hong Kong Laws
Tian Yuan Law Firm LLP
Suites 3304–3309, 33/F
Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC Laws
Grandway Law Offices
7–8/F News Plaza
No. 26, Jianguomennei Avenue
Dongcheng District
Beijing
PRC

**Legal Advisors to the Sole Sponsor and
[REDACTED]**

As to Hong Kong Laws
Zhong Lun Law Firm LLP
4/F, Jardine House
1 Connaught Place
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

	<i>As to PRC Laws</i> Zhong Lun Law Firm Shenzhen Office 57/58/59/F Tower A, Ping An Finance Centre 5033 Yitian Road Futian District Shenzhen, Guangdong PRC
Auditor and Reporting Accountants	BDO Limited <i>Certified Public Accountants</i> 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Transfer Pricing Tax Consultant	BDO Tax Limited 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. 2504–2505 Wheelock Square 1717 Nanjing West Road Shanghai 200040 PRC
[REDACTED]	[REDACTED]

CORPORATE INFORMATION

Registered Office and Headquarters in the PRC	Suite 2102, Jingxing Haishang Building No. 91 Guiwan Third Road Nanshan Street Qianhai Shenzhen-Hong Kong Cooperation Zone Shenzhen
Principal Place of Business in Hong Kong	31/F., Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Company’s Website	<u>www.mcu.com.cn</u> <i>(the information contained on the website does not form part of this document)</i>
Joint Company Secretaries	Mr. Wu Xinyuan (吳新元) Suite 2102, Jingxing Haishang Building No. 91 Guiwan Third Road Nanshan Street Qianhai Shenzhen-Hong Kong Cooperation Zone Shenzhen Ms. Wong Hoi Ting (黃凱婷) <i>(ACG) (HKACG)</i> 31/F., Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Authorized Representatives	Mr. Liu Zeyu (柳澤宇) 89 Tanglin Halt Road, #35-344 Commonwealth View Singapore 141089 Ms. Wong Hoi Ting (黃凱婷) <i>(ACG) (HKACG)</i> 31/F., Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Audit Committee	Dr. Sun Xiaoling (孫曉嶺) <i>(chairperson)</i> Dr. Song Xiaoke (宋曉科) Dr. Chu Junhong (楚軍紅)
Nomination Committee	Dr. Song Xiaoke (宋曉科) <i>(chairperson)</i> Dr. Sun Xiaoling (孫曉嶺) Mr. Yang Yong (楊勇)
Remuneration and Appraisal Committee	Dr. Sun Xiaoling (孫曉嶺) <i>(chairperson)</i> Dr. Song Xiaoke (宋曉科) Mr. Yang Yong (楊勇)
Strategy and Sustainable Development Committee	Mr. Yang Yong (楊勇) <i>(chairperson)</i> Dr. Sun Xiaoling (孫曉嶺) Dr. Song Xiaoke (宋曉科)

CORPORATE INFORMATION

Compliance Advisor

Guoyuan Capital (Hong Kong) Limited

17/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

[REDACTED]

[REDACTED]

Principal Bank(s)

Bank of China Shenzhen Penglong Sub-branch

Shops 113A, 115, 116, 203, Huacai Tiancheng Ju,
Intersection of Haide 2nd Road and Wenxin 2nd Road
Nanshan District
Shenzhen City, Guangdong Province
PRC

China Minsheng Banking Corp., Ltd. Shenzhen Taoyuan Sub-branch

1st and 2nd Floor, Suhao Mansion Annex
No. 98–100 Taoyuan Road, Nanshan District
Shenzhen City, Guangdong Province
PRC

China Merchants Bank Shenzhen Science and Technology Industrial Park Sub-branch

1st Floor, Feiyada Technology Building
No. 2 Gaoxin 1st Road South, Nanshan District
Shenzhen City, Guangdong Province
PRC

Industrial Bank Shenzhen Branch Business Office

No. 4013 Shennan Avenue
Futian District
Shenzhen City, Guangdong Province
PRC

INDUSTRY OVERVIEW

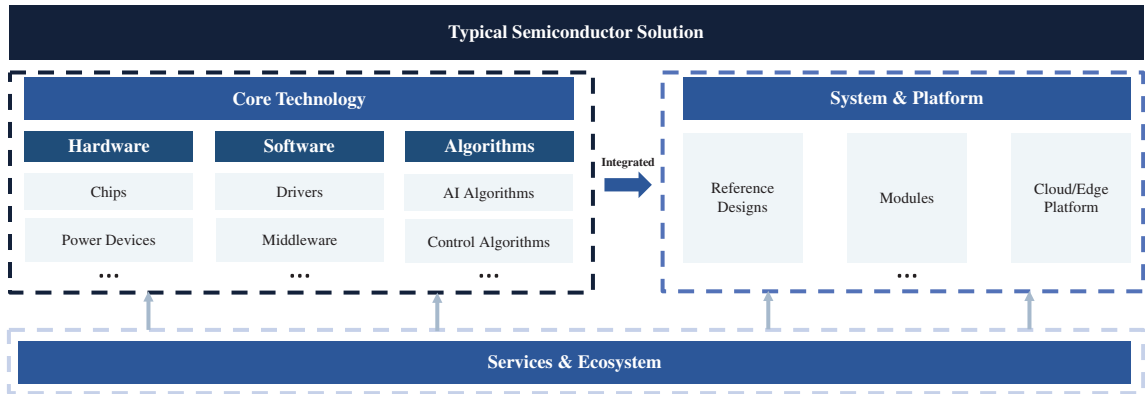
Certain information and statistics set out in this section and elsewhere in this document are derived from various government and other publicly available sources and from the market research report prepared by Frost & Sullivan. Frost & Sullivan is an independent industry consultant engaged by us, and we commissioned Frost & Sullivan to prepare a market research report. The information from official governmental sources has not been independently verified by our Company, the Sole Sponsor, the [REDACTED], [REDACTED], [REDACTED], [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors, supervisors, advisers, officers, employees, agents, or any other persons or parties involved in the [REDACTED], and no representation is given as to the accuracy. For discussions of risks relating to our industry, please see “Risk Factors — Risks Relating to Our Business and Industry.”

OVERVIEW OF SEMICONDUCTOR INDUSTRY

Definition

Semiconductors form the foundation of the modern electronic information industry, with applications across computing, communications, consumer electronics, automotive electronics, and industrial control. The industry spans design, manufacturing, and packaging and testing, featuring high technical barriers, heavy capital investment, and strong global integration. Growth has been driven by emerging applications such as artificial intelligence, the Internet of Things, and new energy vehicles.

The semiconductor industry covers the full process from materials, design and manufacturing to packaging and testing, forming the technological foundation of the IC industry. ICs represent the core downstream application of semiconductors, transforming semiconductor materials into functional electronic products. The semiconductor industry therefore provides the technological and manufacturing base for IC production, while the IC market reflects the commercial realization of semiconductor value.



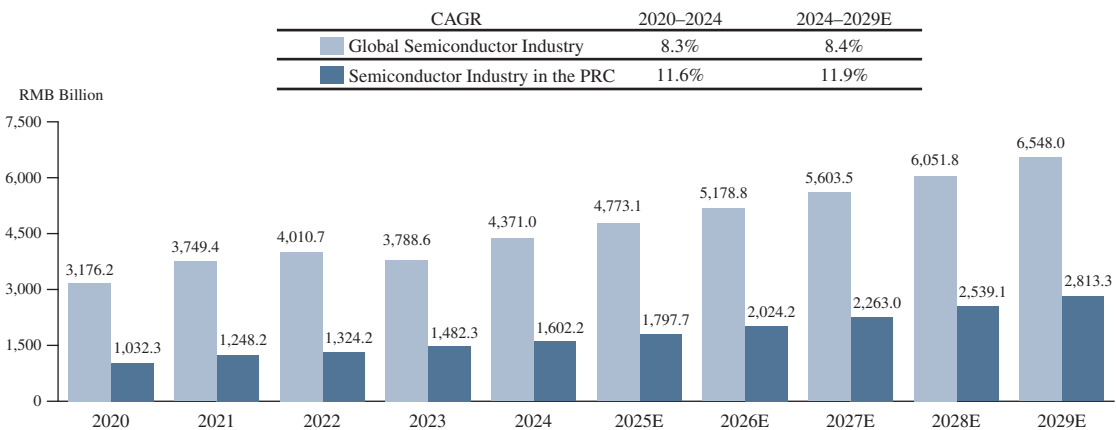
Source: Frost & Sullivan

INDUSTRY OVERVIEW

Market size of Semiconductor Industry

From 2020 to 2024, the global semiconductor industry grew from RMB3,176.2 billion to RMB4,371.0 billion, while the PRC market increased from RMB1,032.3 billion to RMB1,602.2 billion, outpacing global growth. From 2024 to 2029, the global market is projected to reach RMB6,548.0 billion and the PRC market RMB2,813.3 billion. Growth is expected to be supported by AI, automotive semiconductors, high-performance computing, and continued domestic capability enhancement in the PRC.

Market Size of Global Semiconductor Industry, by Revenue, 2020–2029E



Note: The exchange rate used is USD1.0 = RMB7.12, according to the China Foreign Exchange Trading System.

Source: World Semiconductor Trade Statistics (WSTS), China Semiconductor Industry Association (CSIA), Frost & Sullivan

OVERVIEW OF IC INDUSTRY

Definition

An integrated circuit (IC) is a miniature electronic device or component in which transistors, resistors, capacitors, and interconnections are fabricated onto a single semiconductor chip through semiconductor manufacturing processes. ICs perform functions such as signal processing, data storage, and control. Based on function and structure, ICs can be categorized into digital ICs, analog ICs, and mixed-signal ICs, with widespread applications in computing, communications, consumer electronics, automotive electronics, and industrial control.

MCUs (Microcontroller Units) are classified by their functional role as general-purpose control chips, typically integrating a processor core, embedded memory, and peripheral interfaces for real-time control in applications such as home appliances, automotive systems, and industrial equipment. In 2024, MCU industry accounted for 3.8% of the market size of global IC industry.

SoCs (System-on-Chips) are identified by their level of system integration, combining multiple subsystems — including CPUs, GPUs, communication, and AI acceleration modules — on a single chip to achieve high performance and energy efficiency in complex applications such as smart devices, edge computing, and automotive domain controllers. In 2024, SoC industry accounted for 32.1% of the market size of global IC industry.

ASICs (Application-Specific Integrated Circuits) are distinguished by their customization level, designed for specific tasks or end-use applications such as cryptographic computation, telecom base stations, and sensor signal processing, optimized for maximum performance and power efficiency. In 2024, ASIC industry accounted for 11.2% of the market size of global IC industry.

INDUSTRY OVERVIEW

Other chip types, including ASSPs, FPGAs, DSPs, and mixed-signal controllers, are categorized according to their programmability or signal-processing specialization, serving differentiated or reconfigurable use cases.

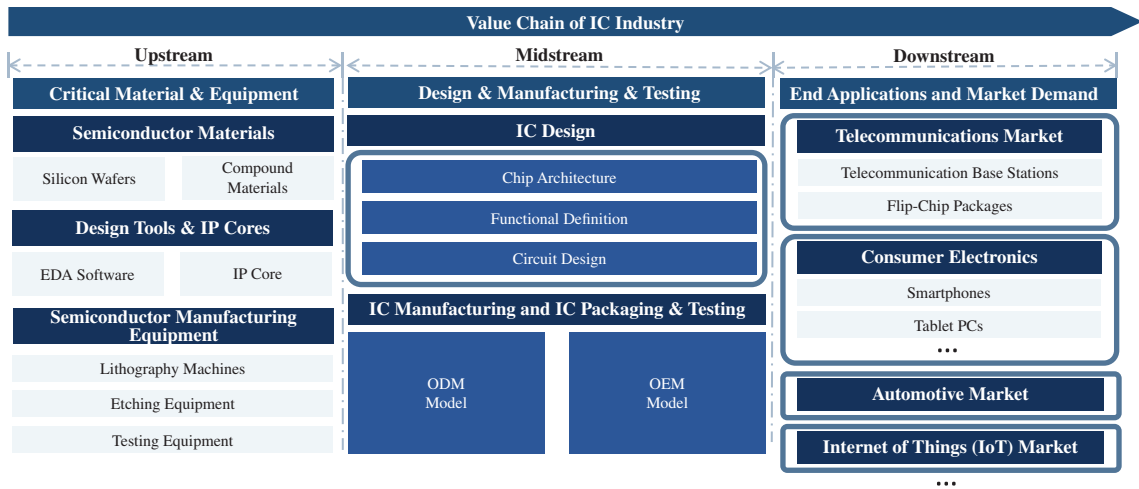
Aspect	MCU	SoC	ASIC
Architecture	Integrated chip combining CPU, embedded memory and standard peripherals/interfaces	Highly integrated chip combining multiple functional blocks on a single chip, of ten including multi-core processing and dedicated modules	Customized circuitry tailored for a specific use case, primarily implemented through fixed circuit logic
Functionality	Executes general-purpose embedded control tasks, typically via firmware	Supports more complex processing, including multitasking and parallel processing within a system role	Executes one dedicated function with high efficiency and consistency, and is generally not intended for broader reuse
Product positioning	Cost-sensitive, low-power, low-complexity control applications	Performance-sensitive applications requiring higher integration and broader functionality	High-volume, high-performance applications with specific requirements, prioritizing long-term efficiency over upfront development cost
Typical application scenarios	Household appliances, smart meters, basic automotive modules and industrial control nodes	Connectivity and infotainment modules, gateways and AIoT devices requiring stronger processing capability	Display drivers, biometric sensing/recognition and battery charging or power management

An MCU is mainly designed for embedded control and supports control-oriented functions through firmware, allowing adaptation across systems without changing hardware. By contrast, an ASIC is optimized for a specific application, with functionality largely defined by fixed circuit logic and limited post-deployment flexibility. A SoC, while sometimes serving a single commercial function, integrates multiple processing and functional blocks on one chip, enabling parallel processing and more efficient handling of diverse workloads than a typical MCU.

Value Chain of IC Industry

The semiconductor industry value chain comprises upstream materials, equipment, EDA tools and IP cores, which provide the foundation for chip design and manufacturing; midstream IC design, manufacturing, packaging and testing, which transform design specifications into finished semiconductor products; and downstream applications such as telecommunications, consumer electronics, automotive and IoT. The midstream segment primarily operates under the IDM and Fabless models. Under the IDM model, companies conduct IC design, wafer fabrication and packaging and testing in-house, allowing for stronger process control, supply stability and quality consistency, albeit with higher capital intensity. Under the Fabless model, companies focus on IC design and product development while outsourcing manufacturing and testing to foundries and OSAT providers, offering greater flexibility and lower asset intensity. In practice, certain market participants adopt hybrid or fab-lite models.

INDUSTRY OVERVIEW

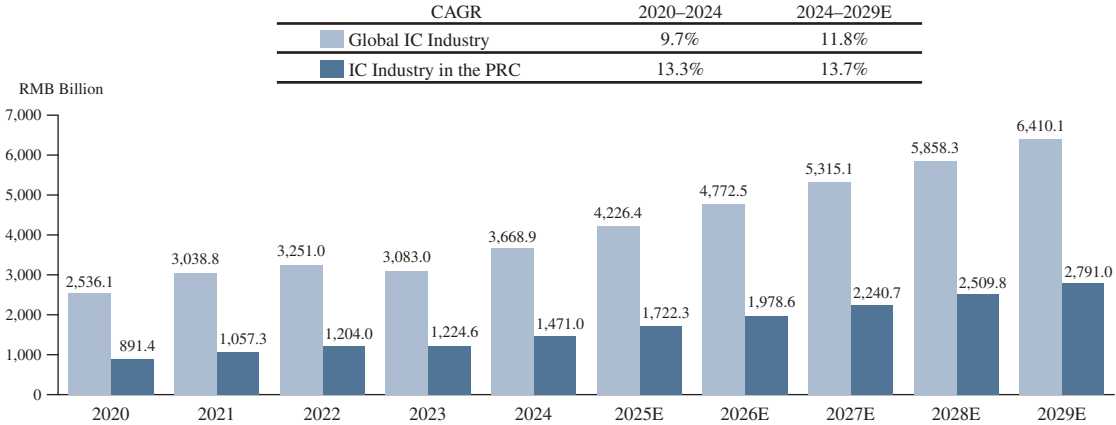


Source: Frost & Sullivan

Market Size of IC Industry

From 2020 to 2024, the global IC industry grew from RMB2,536.1 billion to RMB3,668.9 billion, while the PRC market rose from RMB891.4 billion to RMB1,471.0 billion, outpacing global growth. From 2024 to 2029, both markets are expected to expand further, driven by AI, automotive electronics, high-performance computing and continued growth in emerging applications.

Market Size of IC Industry, by Revenue, 2020–2029E



Note: The exchange rate used is USD1.0 = RMB7.12, according to the China Foreign Exchange Trading System.

Source: World Semiconductor Trade Statistics (WSTS), China Semiconductor Industry Association (CSIA), Frost & Sullivan

Market Drivers of IC Industry

Continuous Technological Iteration

Emerging technologies such as AI, IoT, robotics and autonomous driving are reshaping demand in the IC market. These applications require higher computing performance, lower power consumption, greater integration and stronger functional safety, thereby accelerating innovation in IC design, process technology and advanced packaging, and supporting sustained growth of the industry.

INDUSTRY OVERVIEW

Sustained Demand from Consumer Electronics Segment

Consumer electronics remain a key source of IC demand. Smartphones, wearables and smart household appliances continue to drive demand for chips with higher processing power, greater integration, wireless connectivity, lower power consumption and improved energy efficiency.

Rapid Growth from Industrial and Automotive Segments

Industrial control and automotive electronics are fast-growing IC application areas. Smart manufacturing, robotics and Industry 4.0 drive demand for reliable, durable and securely connected chips, while ADAS, in-vehicle infotainment and electric powertrains are increasing adoption of high-performance microcontrollers, ASICs and power management chips.

Future Trends of IC Industry

Self-Sufficiency and Domestic Substitution

The IC industry in the PRC is expected to advance toward greater self-sufficiency, supported by policies promoting technological sovereignty and supply chain security. Rising investment in domestic R&D, fabrication, packaging and testing, and design tools is expected to strengthen the local value chain, accelerate domestic substitution, and support broader adoption across consumer electronics, automotive, industrial control and AI applications.

Energy Efficiency and Sustainability

Energy efficiency and environmental sustainability are becoming increasingly important in the IC industry. Manufacturers are enhancing low-power design, DVFS and PMIC technologies to reduce energy consumption, while foundries are adopting greener fabrication practices such as water recycling, lower emissions and renewable energy use. As global energy and carbon regulations tighten, sustainability is becoming both a compliance requirement and a source of long-term competitiveness.

OVERVIEW OF MCU INDUSTRY

Definition

Microcontroller unit (MCU) is a small, integrated circuit that functions as a miniature computer, combining a processor, memory, and input/output peripherals on a single chip. MCUs are designed to control specific functions within larger electronic systems, making them ideal for embedded systems. MCUs can be classified based on bit-width, architecture, and functions.

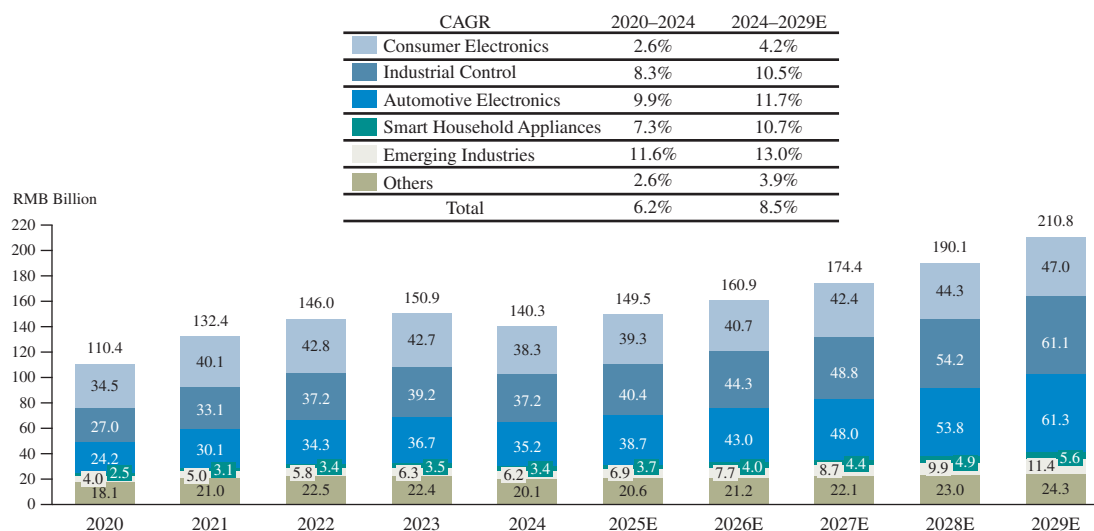
Market Size of Global MCU Industry

Between 2020 and 2024, the market size of global MCU industry expanded from RMB110.4 billion in 2020 to RMB140.3 billion in 2024, with a CAGR of 6.2%. Among downstream applications, consumer electronics dominated the largest category in 2024, reaching RMB38.3 billion. Emerging industries segment (such as edge AI, robots, and drones) was the fastest-growing sector, showing a CAGR of 11.6% during this period.

By 2029, the market size of global MCU industry is projected to reach RMB210.8 billion, representing a CAGR of 8.5%. Automotive electronics sector is expected to reach RMB61.3 billion, followed by industrial control sector (RMB61.1 billion in 2029).

INDUSTRY OVERVIEW

Market Size of Global MCU Industry, Breakdown by Downstream Applications, by Revenue, 2020–2029E



Notes:

- 1) The exchange rate used is USD1.0 = RMB7.12, according to the China Foreign Exchange Trading System.
- 2) Emerging industries include edge AI, robots, drones, etc.
- 3) Others include medical electronics, computing and storage, network communications, security and agriculture, etc.

Source: World Semiconductor Trade Statistics (WSTS), Frost & Sullivan

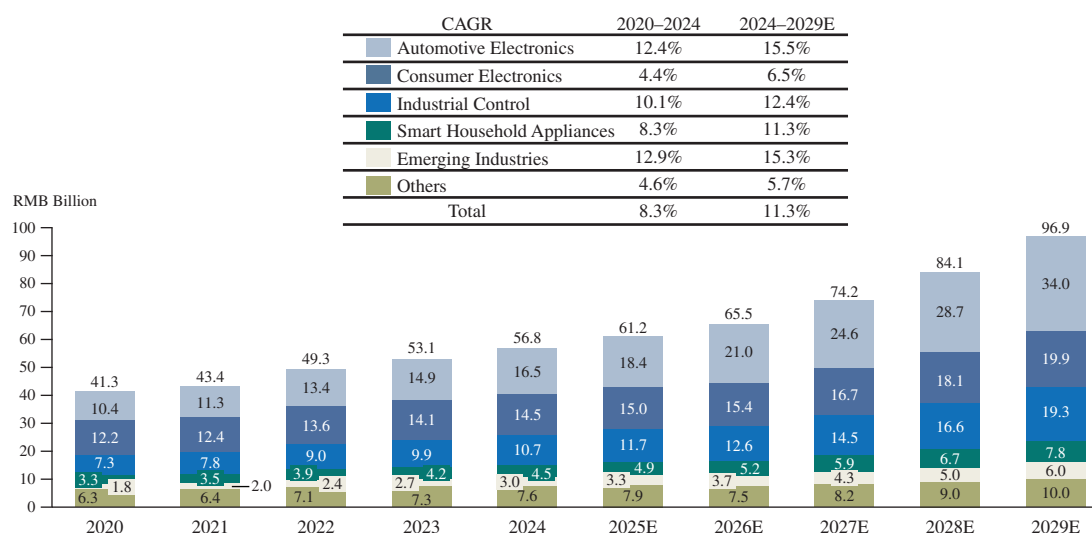
Market Size of MCU Industry in the PRC

Between 2020 and 2024, the market size of MCU industry in the PRC expanded from RMB41.3 billion in 2020 to RMB56.8 billion in 2024, with a CAGR of 8.3%. Among downstream applications, automotive electronics and consumer electronics were the two largest categories in 2024, reaching RMB16.5 billion and RMB14.5 billion respectively.

By 2029, the market size of MCU industry in the PRC is projected to reach RMB96.9 billion, representing a CAGR of 11.3%. With strong momentum, automotive electronics sector is expected to reach RMB34.0 billion in 2029, followed by consumer electronics sector (RMB19.9 billion in 2029).

INDUSTRY OVERVIEW

Market Size of MCU Industry in the PRC, Breakdown by Downstream Applications, by Revenue, 2020–2029E



Notes:

- 1) Emerging industries include edge AI, robots, drones, etc.
- 2) Others include medical electronics, computing and storage, network communications, security and agriculture, etc.

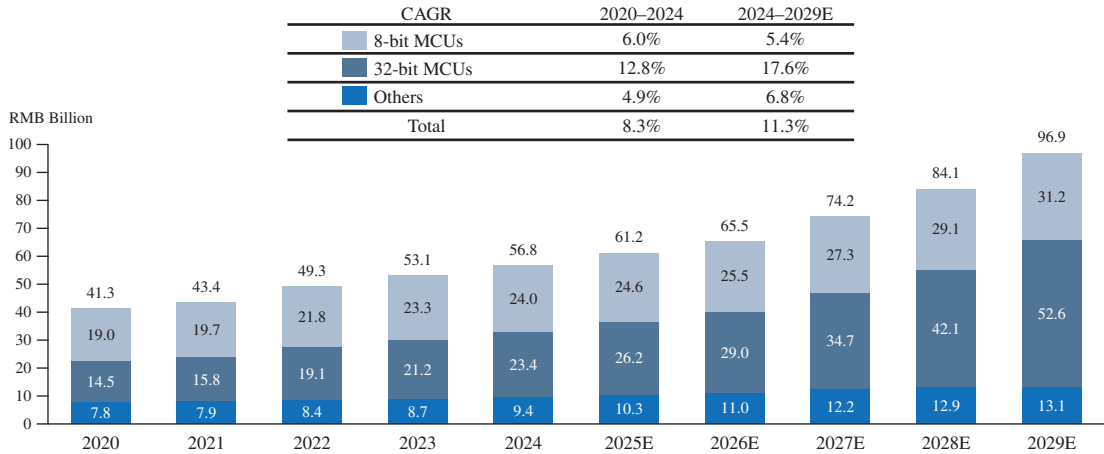
Source: China Semiconductor Industry Association (CSIA), Frost & Sullivan

The core distinction between 8-bit and 32-bit MCUs is their data bus width, with 8-bit MCUs optimized for low-cost, low-power basic control tasks and 32-bit MCUs delivering higher processing speed, larger memory support, and greater capability for complex algorithmic or multitasking applications. From 2020 to 2024, the market size of 8-bit MCUs still dominated the MCU industry in the PRC, reaching RMB24.0 billion in 2024, while 32-bit MCUs were the fastest-expanding segment, growing with a CAGR of 12.8%.

By 2029, the market size of 32-bit MCUs will continue to maintain a rapid growth rate and is projected to reach RMB52.6 billion, with a CAGR of 17.6%. Although the growth rate of the 8-bit MCUs market will slow down, its market size is expected to reach RMB31.2 billion by 2029.

INDUSTRY OVERVIEW

Market Size of MCU Industry in the PRC, Breakdown by Bit-width, by Revenue, 2020–2029E



Note: Others include 4-bit MCUs, 16-bit MCUs, 64-bit MCUs, etc.

Source: China Semiconductor Industry Association (CSIA), Frost & Sullivan

Entry Barriers of MCU Industry

Technological Customization Barrier

MCUs are tailored to meet the requirements of a wide variety of application scenarios. This involves mastery of embedded architecture design, peripheral integration, signal processing capabilities, and firmware optimization. For example, automotive-grade MCUs must meet strict functional safety standards and operate reliably in harsh conditions, while IoT devices prioritize ultra-low power consumption and wireless connectivity. Achieving these performance balances requires years of design experience, specialized engineering talent, and accumulated intellectual property. New entrants often face steep learning curves and extended development cycles before they can meet such diverse and stringent requirements.

Ecosystem and Development Tool Barrier

The adoption of MCUs relies heavily on the availability of a robust development ecosystem. This includes software development kits (SDKs), integrated development environments (IDEs), extensive reference designs, and compatible middleware libraries. A strong ecosystem shortens customers' development cycles, reduces integration risks, and improves product reliability, which significantly enhances customer loyalty. Building such an ecosystem requires not only substantial investment in tools and documentation but also long-term technical support and active engagement with developer communities. Established MCU vendors benefit from years of ecosystem building, creating high switching costs for customers. New entrants often struggle to provide comparable development resources and support networks, which limits their ability to win market share quickly.

Certification and Reliability Barrier

Many MCU applications operate in safety-critical or highly regulated environments, such as automotive electronics, industrial machinery, and medical devices. These applications require compliance with stringent safety, reliability, and quality standards, including ISO 26262 for automotive functional safety, IEC 61508 for industrial safety, and specialized medical device certifications. Achieving such certifications requires comprehensive design validation, environmental and stress testing, electromagnetic compatibility (EMC) assessments, and long-term reliability trials. The process can take years and involves significant engineering resources and capital investment. Furthermore, customers in these sectors prefer suppliers with proven field performance and a history of compliance, which creates a strong barrier for new entrants without established track records.

INDUSTRY OVERVIEW

Downstream Requirements Barrier

Success in the MCU market also depends on how quickly suppliers sense and translate downstream change into silicon. Incumbents with long-standing presence in automotive, industrial or consumer segments accumulate real-time insight into emerging protocols, power budgets and certification roadmaps, letting them tape-out devices that match next-generation requirements ahead of rivals. New entrants, lacking this living market feed, must rely on published briefs and second-hand briefings, arriving late to sockets already locked by established vendors who anticipated the shift. Thus, intimate and current downstream knowledge becomes a self-reinforcing barrier, rewarding those already inside the loop with faster design wins and leaving outsiders to chase yesterday’s trends.

OVERVIEW OF SOC INDUSTRY

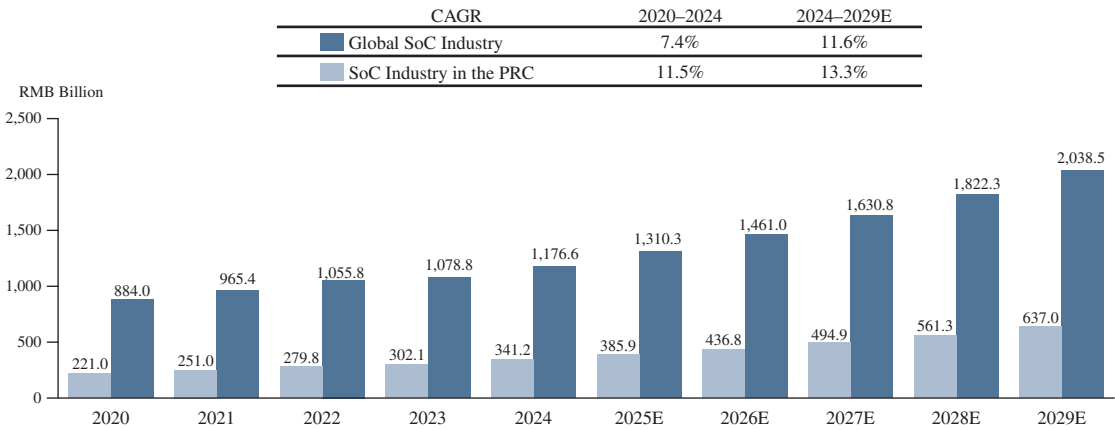
Definition

System on Chip (SoC) refers to a highly integrated circuit that combines a central processing unit (CPU), system control units, peripheral interfaces and human-machine interface IP blocks on a single chip, often together with a complete operating system. Depending on downstream applications, SoCs integrate various specialized functional IPs, resulting in complex internal architectures that require advanced chip design capabilities and close hardware-software co-development. Compared with single-function chips, SoCs offer higher levels of integration and architectural complexity, and have become a mainstream direction in integrated circuit design. They serve as the core computing and control components in a wide range of electronic devices, including smartphones, Internet of Things (IoT) devices and automotive electronics.

Market Size of SoC Industry

From 2020 to 2024, the global SoC market size increased from RMB884.0 billion to RMB1,176.6 billion, representing a CAGR of 7.4%, and is projected to reach RMB2,038.5 billion by 2029, reflecting a CAGR of 11.6% from 2024 to 2029. In the PRC, the SoC market size increased from RMB221.0 billion in 2020 to RMB341.2 billion in 2024, representing a CAGR of 11.5%, and is expected to reach RMB637.0 billion by 2029, with a CAGR of 13.3% from 2024 to 2029. The growth of the SoC industry globally and in the PRC is driven by accelerating digital transformation, the rollout of 5G networks, and increasing demand from emerging technologies such as artificial intelligence, autonomous driving and the Internet of Things, alongside continuous advancements in semiconductor manufacturing that improve performance and cost efficiency.

Market Size of SoC Industry, by Revenue, 2020–2029E



Notes: The exchange rate used is USD1.0 = RMB7.12, according to the China Foreign Exchange Trading System.

Source: World Semiconductor Trade Statistics (WSTS), China Semiconductor Industry Association (CSIA), Frost & Sullivan

INDUSTRY OVERVIEW

OVERVIEW OF ASIC INDUSTRY

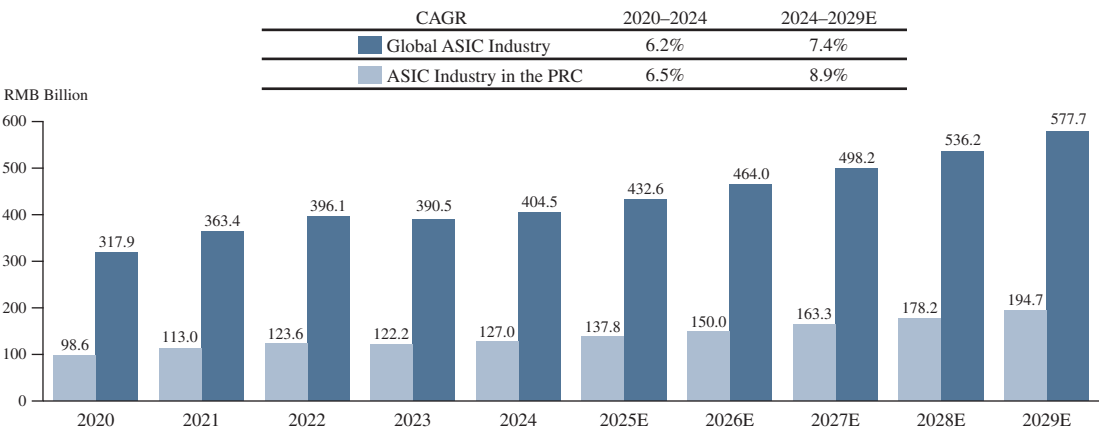
Definition

ASIC (Application-Specific Integrated Circuit) is an integrated circuit specifically designed and manufactured to meet particular application or functional requirements. Unlike general-purpose chips, ASICs are tailor-made for specific tasks, offering higher performance efficiency, lower power consumption, and smaller chip area. They are widely used in fields such as telecommunications, consumer electronics, automotive electronics, and industrial control.

Market Size of ASIC Industry

From 2020 to 2024, the global ASIC market size increased from RMB317.9 billion to RMB404.5 billion, and is projected to reach RMB577.7 billion by 2029, reflecting a CAGR of 7.4% from 2024 to 2029. In the PRC, the market size increased from RMB98.6 billion in 2020 to RMB127.0 billion in 2024, representing a CAGR of 6.5%, and is expected to reach RMB194.7 billion by 2029, with a CAGR of 8.9% from 2024 to 2029. Growth of the ASIC industry is driven by rising demand for customized semiconductor solutions in applications such as artificial intelligence computing, data centers, telecommunications and automotive electronics, alongside the increasing need for energy-efficient chips.

Market Size of ASIC Industry, by Revenue, 2020–2029E



Notes: The exchange rate used is USD1.0 = RMB7.12, according to the China Foreign Exchange Trading System.

Source: World Semiconductor Trade Statistics (WSTS), China Semiconductor Industry Association (CSIA), Frost & Sullivan

COMPETITIVE LANDSCAPE

The global MCU industry has a limited number of participants and is primarily dominated by large-scale companies, with the top five players collectively accounting for around 70% of global revenue, reflecting a high degree of market concentration. At the same time, smaller companies remain active, typically focusing on specific applications or regional markets, though their overall shares are limited. Overall, the industry is characterized by dominance of large enterprises and high concentration, supplemented by fragmented competition in lower-end and niche segments.

INDUSTRY OVERVIEW

Rankings

Ranking of MCU Companies, by Market Share Measured by the Revenue Generated in the PRC (2024)				
Ranking	Company	Listed Status	Revenue (Million RMB)	Market Share Measured by the Revenue in MCU Market in the PRC, 2024
1	Company A ¹	Listed	7,776.0	13.7%
2	Company B ²	Listed	7,376.8	13.5%
3	Company C ³	Listed	5,875.7	10.3%
4	Company D ⁴	Listed	4,960.5	8.7%
5	Company E ⁵	Listed	4,752.9	8.4%
		Top 5 Subtotal	31,038.9	54.6%
8	The Company	Listed	0.17%	1.2%

Source: Annual Reports, Frost & Sullivan

Notes:

- (1) Headquartered in Tokyo and listed on the Tokyo Stock Exchange, it is a major global semiconductor company providing 32-bit and 16-bit MCUs widely used in automotive, industrial and IoT applications.
- (2) Headquartered in Germany and listed on the Frankfurt Stock Exchange, it is a leading automotive and industrial semiconductor supplier offering 32-bit MCUs used across vehicles, power systems and motor-control applications.
- (3) Headquartered in Eindhoven, the Netherlands, and listed on NASDAQ, it is a major automotive-focused semiconductor company providing 32-bit MCUs and processors used in body control, vehicle networking and industrial IoT.
- (4) Headquartered in Arizona, United States, and listed on NASDAQ, it is a major supplier of 8-bit, 16-bit and 32-bit MCUs serving long-lifecycle industrial, automotive, consumer and embedded-control markets.
- (5) Headquartered in Geneva, Switzerland, and listed on Euronext Paris and the NYSE, it is a leading global supplier of 32-bit MCUs, with its STM32 family widely used in industrial automation, consumer electronics and smart-appliance applications.

Ranking of MCU Companies, by Market Share Measured by Shipments in the PRC (2024)				
Ranking	Company	Listed Status	Shipments (Million Units)	Market Share Measured by the Shipments in MCU Market in the PRC, 2024
1	Company B	Listed	2,254.4	14.5%
2	Company A	Listed	2,184.3	14.1%
3	The Company	Listed	1,940.6	12.6%
4	Company C	Listed	1,557.1	10.1%
5	Company E	Listed	1,283.7	8.3%
		Top 5 Subtotal	9,594.6	59.6%

Source: Annual Reports, Frost & Sullivan

INDUSTRY OVERVIEW

Ranking of MCU Companies, by Market Share Measured by the Revenue Generated of Consumer Electronics MCU in the PRC (2024)				
Ranking	Company	Listed Status	Revenue (Million RMB)	Market Share Measured by the Revenue in Consumer Electronics MCU Market in the PRC, 2024
1	Company A	Listed	1,415.2	9.8%
2	Company D	Listed	1,150.8	7.9%
3	Company E	Listed	674.9	4.7%
4	Company B	Listed	399.0	2.8%
5	The Company	Listed	306.5	2.1%
		Top 5 Subtotal	3946.5	27.3%

Source: Annual Reports, Frost & Sullivan

Ranking of MCU Companies, by Market Share Measured by the Revenue Generated of Smart Household MCU in the PRC (2024)				
Ranking	Company	Listed Status	Revenue (Million RMB)	Market Share Measured by the Revenue in Smart Household MCU Market in the PRC, 2024
1	Company A	Listed	800.9	17.6%
2	Company B	Listed	579.4	12.7%
3	The Company	Listed	312.4	6.9%
4	Company E	Listed	299.4	6.6%
5	Company F ⁽¹⁾	Listed	275.3	6.1%
		Top 5 Subtotal	3946.5	49.9%

Source: Annual Reports, Frost & Sullivan

Notes:

- (1) Headquartered in Dallas, Texas, the United States, and listed on the NASDAQ, it is a major global semiconductor company providing a wide range of products including diverse 32-bit MCUs, analog chips and digital signal processors, which are widely used in automotive, industrial automation, energy infrastructure, consumer electronics and IoT applications.

The Group’s MCU products are currently mainly applied in consumer electronics and smart home devices. These end markets are generally cost-sensitive and typically require relatively modest levels of computing performance and reliability, which results in lower average selling prices for such MCU products. In contrast, international peers maintain a strong presence in higher-value segments such as industrial control and automotive electronics, where performance, robustness and long-term reliability requirements support meaningfully higher ASP levels. Although the Group has begun to expand into these high-value application areas and has achieved initial progress, it remains in a catch-up stage relative to leading international players. As a result, the difference in product mix contributes to the Group’s lower ASP compared with international peers, leading to a situation where its shipment volume share is higher, while its revenue share is relatively lower. The Group’s MCU ASP decreased from RMB0.61 in 2022 to RMB0.37 in 2024, whereas many global MCU suppliers record ASPs around USD0.6. As a result, the Group naturally achieves a higher market share by shipment than by revenue, consistent with its price positioning and product mix.

INDUSTRY OVERVIEW

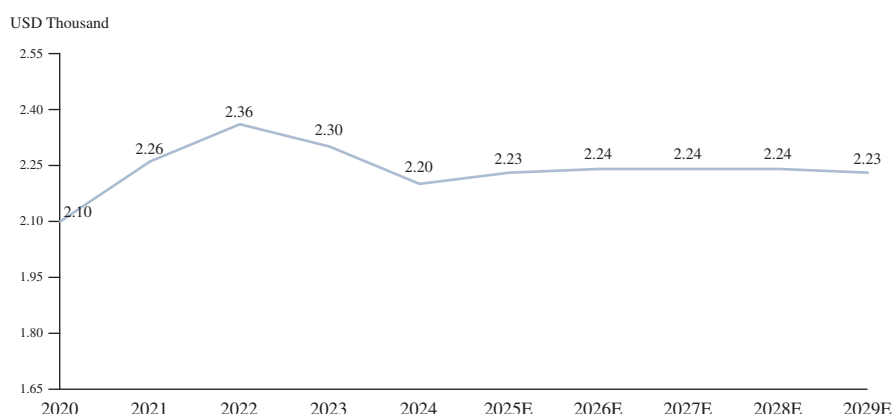
Cost Analysis

The cost structure of MCUs is primarily composed of wafer fabrication, packaging and testing, with wafer fabrication typically accounting for more than half and representing the most critical cost driver. MCUs mainly rely on mature process nodes rather than advanced technologies.

From 2020 to 2022, mature-node wafer prices experienced a significant increase driven by global capacity shortages and the chip supply crunch. However, from 2023 to 2024, mature-node wafer prices declined as consumer electronics demand weakened and inventories were digested.

Looking ahead, foundry makers’ mature-node wafer ASP is expected to show a slight recovery from 2025, followed by a broadly stable trend over the remainder of the forecast period. This is mainly because the supply-demand environment for mature-node capacity is expected to become more balanced, while production-related costs are expected to continue providing support to pricing. As a result, mature-node wafer prices are expected to gradually stabilize after the decline seen in 2023 and 2024.

Foundry Maker’s Mature-Node Wafer ASP, 2020–2029E



Source: Annual Reports, Frost & Sullivan

Note: Excluding prices of customized products

“Mature-node” wafers generally refer to process technologies at 28 nm and above (e.g., 40/55/65/90/130/180 nm), which offer stable yields, proven reliability, and support for embedded memory, analog, and high-voltage integration. Such nodes are particularly suitable for MCU products that emphasize cost efficiency over advanced logic performance.

The Group’s products are predominantly fabricated on mature-node wafers (e.g., 40/55/65/90/130/180 nm), with limited adoption of advanced nodes for certain products or new platforms. As mature-node sourcing represented the principal component of wafer procurement during the Track Record Period, the disclosure focuses on mature-node wafer pricing to best reflect the Group’s primary cost drivers and pricing dynamics. Advanced-node usage remained limited in scope and volume and therefore was not the principal driver of overall wafer costs.

SOURCE OF INFORMATION

In connection with the [REDACTED], we have engaged Frost & Sullivan to conduct a detailed analysis and prepare a market research report on the MCU, ASIC and SoC industry. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the U.S. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. The agreed fee paid to Frost & Sullivan for the preparation and use of the Frost & Sullivan Report is RMB450,000. The payment of such amount was not contingent upon our successful [REDACTED]

INDUSTRY OVERVIEW

or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other market research report in connection with the [REDACTED]. We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of the MCU, ASIC and SoC industry. Unless otherwise indicated, market estimates or forecasts in this section represent Frost & Sullivan’s view on the future development of the MCU, ASIC and SoC industry.

In preparing the Frost & Sullivan Report, Frost & Sullivan has relied on its in-house database, independent third-party reports, and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices, and other relevant information. Frost & Sullivan has exercised due care in collecting and reviewing the information so collected and believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct, and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. In compiling and preparing the research, Frost & Sullivan assumed that the social, economic, and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the MCU, ASIC and SoC industry. In addition, Frost & Sullivan has developed its forecast on the following bases and assumptions: (i) the economy in the global range is likely to maintain stable growth in the next decade, and (ii) the MCU, ASIC and SoC industry are expected to grow based on the macroeconomic assumptions of the economy. Frost & Sullivan’s research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources. Except as otherwise noted, all data and forecasts in this section come from the Frost & Sullivan Report.

REGULATORY OVERVIEW

THE PRC LAWS, REGULATIONS AND POLICIES

This section provides an overview of the major PRC laws, regulations and policies relevant to the Company’s daily operations currently carried out in the PRC.

LAWS, REGULATIONS AND POLICIES RELATING TO THE INTEGRATED CIRCUIT INDUSTRY

In June 2014, the State Council of the PRC (the “**State Council**”) promulgated the Outline for Promoting the Development of National Integrated Circuit Industry (《國家集成電路產業發展推進綱要》), indicating that the development goal of the integrated circuit industry is that by 2030, the main parts of the integrated circuit industry chain shall reach an internationally advanced level, with a number of enterprises entering the international first tier, thus achieving leapfrogging development. The main task and priorities of development is to focus on the development of the integrated circuit design industry. Centered around the industrial chain in key areas, it involves strengthening the collaborative innovation of integrated circuit design, software development, system integration, content and services. The rapid growth of the design industry will drive the development of the manufacturing industry with the rapid growth of the design industry.

In November 2016, the State Council promulgated the “13th Five-Year Plan” for the Development of National Strategic Emerging Industries (《「十三五」國家戰略性新興產業發展規劃》), which launched the major productivity layout planning project of integrated circuits, implemented a number of projects with strong driving effects, and promoted the rapid leap in industrial capabilities. It aims to accelerate the construction of production lines for advanced manufacturing processes, memory chips, and characteristic processes, improve the design and development capabilities and application levels of key products such as safe and reliable CPUs, digital-analog/analog-to-digital conversion chips, and digital signal processing chips, and promote the rapid development of industries such as packaging and testing, key equipment, and materials. It also provides support to improve the service level of foundry enterprises and third-party IP core enterprises, assist in collaborative innovation between design enterprises and manufacturing enterprises, and promote key links to improve industrial concentration while cultivating collaborative innovation in the semiconductor display industry chain.

In July 2020, the State Council announced the Several Policies for Promoting the High-quality Development of Integrated Circuit and Software Industries in the New Era (《新時期促進集成電路產業和軟件產業高質量發展若干政策》), in order to further optimize the development environment of the integrated circuit industry and software industry, deepen international cooperation in the industry, and improve the innovation ability and development quality of the industry.

In December 2020, the Ministry of Finance (the “**MOF**”), the State Administration of Taxation (the “**SAT**”), the National Development and Reform Commission (the “**NDRC**”) and the Ministry of Industry and Information Technology (the “**MIIT**”) jointly promulgated the Announcement on Enterprise Income Tax Policies for Promoting High-quality Development of Integrated Circuit Industry and Software Industry (《關於促進集成電路產業和軟件產業高質量發展企業所得稅政策的公告》). Pursuant to the foregoing provisions, key integrated circuit design enterprises and software enterprises encouraged by the State will be exempted from enterprise income tax from the first to the fifth year from the profit-making year and will be subject to enterprise income tax at a reduced tax rate of 10% in subsequent years.

In March 2021, the National People’s Congress (the “**NPC**”) approved the Outline of the 14th Five-Year Plan (2021–2025) for National Economic and Social Development and Long-Range Objectives for 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), which proposes to foster advanced manufacturing clusters and promote the innovation and development of industries such as integrated circuits, aerospace equipment, high-tech ships and ocean engineering equipment, robots, advanced railway equipment, advanced power equipment, engineering machinery, high-end CNC machine tools, medicine and medical equipment.

REGULATORY OVERVIEW

In December 2021, the State Council promulgated the Notice on Printing and Distributing the “14th Five-Year Plan” for the Development of the Digital Economy (《國務院關於印發「十四五」數字經濟發展規劃的通知》), which states that during the 14th Five-Year Plan period, the innovation capabilities of key technologies should be strengthened, aiming at strategic forward-looking fields such as sensors, quantum information, network communications, integrated circuits, key software, big data, artificial intelligence, block chain, new materials, etc., while the strengths of China’s socialist system, new-type national mobilization system, and super-sized market should be utilized to enhance foundational R&D capabilities in digital technologies. It also states that key technical shortcomings should be addressed, the organizational methods such as “selecting the best candidates via open competition mechanism” should be optimized and innovated, focusing on breakthroughs in key core technologies in the fields of high-end chips, operating systems, industrial software, core algorithms and frameworks, and strengthening the integrated research and development of general-purpose processors, cloud computing systems, and key software technologies. In addition, efforts should be made to enhance the competitiveness of key links in the industrial chain and improve the supply chain systems of key industries such as 5G, integrated circuits, new energy vehicles, artificial intelligence, and industrial Internet should be improved.

In May 2022, the SAT issued the Guidance of Preferential Tax Policy for Software Enterprises and Integrated Circuit Enterprises (《軟件企業和集成電路企業稅費優惠政策指引》). In order to facilitate timely understanding of the applicable tax incentives, the above guidelines specify the contents of the incentives, eligibility criteria and policy basis for integrated circuit enterprises. For example, enterprises engaged in integrated circuit design, equipment, materials, packaging and testing encouraged by the state are entitled to periodic reduced enterprise income tax. Key integrated circuit design enterprises encouraged by the state are entitled to periodic reduced enterprise income tax. The training expenses of employees of integrated circuit design enterprises can be deducted before tax according to the actual amount incurred.

In April 2023, the MOF and the SAT jointly promulgated the Notice on the Weighted Deduction Policy for Value-added Tax on Integrated Circuit Enterprises (《財政部、稅務總局關於集成電路企業增值稅加計抵減政策的通知》), which allows enterprises engaged in integrated circuit design, production, closed beta test, equipment and materials to deduct extra 15% of the deductible input tax in the current period from the value-added tax payable from January 1, 2023 to December 31, 2027.

In December 2023, the NDRC promulgated the Industrial Structure Adjustment Guidance Catalogue (2024 Edition) (《產業結構調整指導目錄(2024年本)》), which states that integrated circuits was categorized as information industry, the 28th in the first category of Encouragement Catalogue. The Company’s main business is design, R&D and sales of integrated circuit, which was categorized as the first category and the Encouraged Project of the Catalogue.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Overseas investors’ investment activities in the PRC are principally governed by the Catalog of Encouraged Industries for Foreign Investment (《鼓勵外商投資產業目錄》), and the Special Administrative Measures (Negative List) for Foreign Investment Access (《外商投資准入特別管理措施(負面清單)》), which are promulgated and amended from time to time by the Ministry of Commerce (the “**MOFCOM**”) and the NDRC, as well as the Foreign Investment Law of PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”) and its respective implementation rules and ancillary regulations.

The Foreign Investment Law, which was promulgated by the NPC on March 15, 2019 and implemented on January 1, 2020, establishes the management system for pre-access national treatment and negative list for foreign investment in the PRC. “Pre-access national treatment” means that foreign investors and their investments shall be treated no less favorably than domestic investors and their investments at the stage of investment access; “negative list” refers to the special administrative measures for access of foreign investment in specific fields as prescribed by the PRC.

REGULATORY OVERVIEW

The PRC gives national treatment to foreign investment outside the negative list. In addition, the Regulation for Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**Implementation Regulations**”), which came into effect on January 1, 2020, further stipulates that the PRC shall, according to the needs of national economic and social development, formulate a catalogue of encouraged foreign-invested industries, and specify the specific industries, fields and regions in which foreign investors are encouraged and guided to invest.

On September 6, 2024, the NDRC and the MOFCOM jointly revised and issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 version) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “**Negative List**”), which came into effect on November 1, 2024, to replace the previous negative list thereunder and is the currently effective Negative List. Pursuant to the Foreign Investment Law, the Implementation Regulations and the Negative List, overseas investors shall not make investments in prohibited industries as specified in the Negative List, while foreign investments must satisfy certain conditions stipulated in the Negative List for investment in restricted industries. Industries not listed in the Negative List are generally deemed “permitted” for foreign investments. According to the above list and catalog, investment in integrated circuit design does not belong to the restricted or prohibited industries of foreign investment.

According to the Measures for Security Review of Foreign Investment (《外商投資安全審查辦法》) promulgated by NDRC and MOFCOM in December 2020 and implemented on January 18, 2021, foreign investment that affects or may affect national security shall be subject to security review in accordance with the provisions of the Measures. For foreign investments within the following scope, foreign investors or the relevant parties in China (hereinafter referred to collectively as the “**parties concerned**”) shall take the initiative to declare to the office of the working mechanism prior to implementation of the investments: (i) investments in military industry, military industrial supporting and other fields relating to the security of national defence, and investments in areas surrounding military facilities and military industry facilities; (ii) investments in important agricultural products, important energy and resources, important equipment manufacturing, important infrastructure, important transport services, important cultural products and services, important information technology and Internet products and services, important financial services, key technologies and other important fields relating to national security, and obtaining the actual controlling stake in the investee enterprise.

REGULATIONS RELATING TO OVERSEAS INVESTMENT

Pursuant to the Administrative Measures for Overseas Investments (《境外投資管理辦法》) which was promulgated by the MOFCOM on September 6, 2014 and came into effect on October 6, 2014, the MOFCOM and provincial competent commerce departments shall conduct filing or approval management depending on different circumstances of overseas investments of enterprises. Overseas investments involving any sensitive country or region, or any sensitive industry shall be subject to approval management, overseas investments under other circumstances shall be subject to filing management.

Pursuant to the Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) which was promulgated by the NDRC on December 26, 2017 and came in effect on March 1, 2018, an enterprise located within the territory of the PRC (the “**Investor**”) making an outbound investment shall go through such formalities as the approval and filing for the outbound investment project (the “**Project(s)**”), the reporting of relevant information, and the cooperation in the supervision and inspection over the outbound investment. Sensitive Projects carried out by Investors directly or through overseas enterprises controlled by them shall be subject to approval; non-sensitive Projects directly carried out by Investors, namely, the non-sensitive Projects involving Investors’ direct investment of assets and equities or the provision of financing or guarantees shall be subject to filing. The aforementioned “sensitive project” means a project involving a sensitive

REGULATORY OVERVIEW

country or region or a sensitive industry. The NDRC promulgated the Catalogue of Sensitive Industries for Outbound Investment (Edition 2018) (《境外投資敏感行業目錄(2018年版)》), effective on March 1, 2018 to list the foreign investment sensitive industries in detail.

Pursuant to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policy for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the State Administration of Foreign Exchange (the “SAFE”) on February 13, 2015 and implemented on June 1, 2015, the verification and approval of foreign exchange registration of overseas direct investment is abolished. The banks shall directly examine and handle foreign exchange registration of overseas direct investment. The SAFE and its branches shall conduct indirect regulation of foreign exchange registration of overseas direct investment via banks.

LAWS AND REGULATIONS RELATING TO CYBER SECURITY AND DATA SECURITY

On July 1, 2015, the Standing Committee of the National People’s Congress (the “SCNPC”) promulgated the State Security Law of the PRC (《中華人民共和國國家安全法》), which became effective on the same day, pursuant to which the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, projects relating to national security matters and other important activities that are likely to impact national security of China. According to the State Security Law of the PRC, national security refers to a status in which the regime, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other vital interests of the state, are relatively free from danger and unthreatened by any internal or external forces, as well as the capacity to ensure the maintenance of this secure state.

Pursuant to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) promulgated by SCNPC on November 7, 2016 and implemented on June 1, 2017, those who build, operate or provide services through networks shall take technical measures and other necessary measures according to laws, administrative regulations and compulsory national standards to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data.

The SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) on June 10, 2021, which became effective on September 1, 2021, for the establishment of a data classification and hierarchical protection system to conduct classified and hierarchical protection of data. Entities carried out data processing activities shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security, in accordance with the provisions of laws and regulations.

LAWS AND REGULATIONS RELATING TO LAND AND REAL ESTATE

Land Assignment

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on June 25, 1986, latest amended on August 26, 2019, and implemented on January 1, 2020, the Implementing Regulation for the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》) promulgated by the State Council on December 27, 1998, latest amended on July 2, 2021, and implemented on September 1, 2021, and the Provisional Regulations of the PRC for the Grant and Assignment of the Right to Use the State-owned Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) promulgated by the State Council on May 19, 1990 and latest amended and implemented on November 29, 2020, the land in the PRC is either State-owned or collectively-owned. Except for land which is legally owned by the State or has been expropriated as State-owned according to law, all of the land is collectively-owned. The State-owned land use rights may be used by third parties through grant, allocation, lease, capital

REGULATORY OVERVIEW

contribution and other forms. Third parties who have obtained the State-owned land use rights may legally use, profit from and dispose of the State-owned land use rights within the statutory term of use and scope of planned uses.

Leasing Properties

Pursuant to the Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》) promulgated by the SCNPC on July 5, 1994, latest amended on August 26, 2019, and became effective on January 1, 2020, the lessor and the lessee shall enter into a written lease contract for leasing of building to stipulate the term of lease, purpose of the lease, lease price, maintenance and repair liability etc., and any other rights and obligations of both parties; the lease contract shall be registered and filed with the real estate administration authorities.

In addition, according to the Management Measures for the Lease of Commercial Housing (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010, and became effective on February 1, 2011, the lessor and the lessee shall complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development (real estate) department of the People’s Government of the centrally-administered municipality, municipality or county where the leased property is located. Individuals or organizations who violate the foregoing provisions shall be ordered by the development (real estate) department of the People’s Governments of centrally-administered municipalities, municipalities or counties to make correction within a stipulated period; where the individual failed to make correction within the stipulated period, a fine of not more than RMB1,000 shall be imposed; where the organization failed to make correction within the stipulated period, a fine ranging from RMB1,000 to RMB10,000 shall be imposed.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, amended on October 17, 2020 and effective on June 1, 2021, and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the State Council on June 15, 2001 and latest amended on December 11, 2023 and came into effect on January 20, 2024, patentable inventions and creations include “invention”, “utility model” and “design”. The PRC patent system adopts a “first to file” principle, which means that where more than two persons file a patent application for the same invention, a patent will be granted to the person who filed the application first. A patent is valid for twenty years in the case of an invention, ten years in the case of utility models and fifteen years in the case of designs, starting from the application date. Following the grant of patent rights for an invention or a utility model, unless otherwise stipulated in the Patent Law, no organization or individual shall implement the patent without licensing from the patentee, i.e. shall not manufacture, use, offer to sell, sell or import such patented products for manufacturing and business purposes, or use the patented method and use, offer to sell, sell or import products obtained directly according to the patented method. Following the grant of design patent rights, no organization or individual shall implement the patent without licensing from the patentee, i.e. shall not manufacture, offer to sell, sell or import the design patented products for manufacturing and business purposes.

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》), promulgated by the SCNPC on August 23, 1982, amended on April 23, 2019 and came into effect on November 1, 2019, and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002, last amended on April 29, 2014 and came into effect on May 1, 2014, stipulate the procedures for trademark registration, cancellation, renewal, modification, transfer and invalidation. According to the aforementioned legislation, the validity period of a registered trademark shall be ten years, calculated from the date of approval of

REGULATORY OVERVIEW

registration. If there is a continuous need for the use of trademark, a renewal process shall be initiated within 12 months before the expiry of the registration. If the renewal procedures cannot be completed within the specified period, a six-month grace period may be granted to complete the renewal procedures. The validity period of each trademark renewal shall be 10 years from the date of the expiry of the previous registration. Where renewal formalities are not completed upon expiry of the validity period, the registered trademark shall be cancelled.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020 and came into effect on June 1, 2021, and the Implementation Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002, last amended on January 30, 2013 and came into effect on March 1, 2013, Chinese citizens, legal persons or organizations without legal personality enjoy copyright over their works, whether published or not, in accordance with this Law. Works refer to original intellectual achievements in the fields of literature, art and science which can be expressed in a certain form, including written works, oral works, musical, dramatic, opera, dance, acrobatic artistic works, fine arts, architectural works, photographic works, audio-visual works, graphic works and model works, such as engineering design plan, product design plan, map, schematic diagram, etc., computer software and any other intellectual achievements which comply with the characteristics of the works. A copyright holder shall enjoy a number of personal rights and property rights, including publication right, the right of authorship, the right of revision, the right to preserve the integrity of work, reproduction right, distribution right, rental right, exhibition right, performance right, screening right, broadcasting right, information network transmission right, filming right, adaptation right, translation right, compilation right and any other rights that should be enjoyed by a copyright holder.

Pursuant to the Regulations on the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001, last amended on January 30, 2013 and became effective on March 1, 2013, and the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002, “computer software” (the “**software**”) refers to computer programs and related files. Chinese citizens, legal persons or other organizations enjoy the copyright of the software they have developed, whether the software is released publicly or not. Software copyright commences from the date on which the development of the software is completed. The protection period for software copyright of a legal person or other organization shall be 50 years, concluding on 31 December of the 50th year after the software’s initial release. But if the software has not been released within 50 years from the date on which the software development is completed, it shall no longer receive protection.

Layouts Design of Integrated Circuit

Pursuant to the Protection of the Layout Design of Integrated Circuits (《集成電路布圖設計保護條例》) (the “**Regulations on the Protection**”) which was promulgated by the State Council on April 2, 2001 and became effective on October 1, 2001, where Chinese natural persons, legal persons or other organizations create layout designs, they shall enjoy the proprietary rights in the layout designs in accordance with the Regulations on the Protection. Proprietary rights in layout designs shall become valid after being registered with the administrative department of the State Council responsible for intellectual property. Unregistered layout designs are not protected by the Regulations on the Protection. The protection period of the proprietary rights in a layout design is 10 years, commencing from the date of the application for registration of the layout design or the date that it is put into commercial use anywhere in the world, whichever is earlier. However, regardless of whether or not a layout design is registered, or whether or not it is put into commercial use, it shall no longer be protected by the Regulations on the Protection after 15 years from the time of its creation.

REGULATORY OVERVIEW

Domain Name

Pursuant to the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and became effective on November 1, 2017, the MIIT is the main regulatory authority responsible for managing Internet domain names in the PRC. Domain name registration is handled by a domain name service agency established in accordance with relevant regulations, and the applicants shall become the domain name holders upon successful registration. Communication administrative bureaux of all provinces, autonomous regions and centrally-administered municipalities shall implement supervision and administration over domain name services within their administrative region.

LAWS AND REGULATIONS RELATING TO PRODUCT LIABILITY

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “**Product Quality Law**”) promulgated by the SCNPC on February 22, 1993 and latest amended on December 29, 2018, producers and sellers shall establish a sound internal product quality control system, strictly adhere to a job responsibility system in relation to quality standards and quality liabilities, and implement corresponding examination and inspection measures. The forgery or imitation of quality marks such as certification marks is prohibited. It is prohibited to falsify the place of origin of product or to forge or imitate the name or address of another factory. Additionally, the adulteration of, or mixing of improper elements with products under manufacturing or on sale, passing off the sham as the genuine or passing off the inferior as the superior is also prohibited. Any manufacturer or seller who violates the Product Quality Law may be subject to (i) administrative penalties, including suspension of production or sale, ordered correction of illegal activities, confiscation of products subject to illegal production or sale, imposition of fines, confiscation of illegal gains and, in severe cases, revocation of business license; and (ii) criminal liabilities if the illegal activity constitutes a crime.

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT TRADE

Laws and Regulations Relating to Import and Export Management

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the Standing Committee of the NPC on May 12, 1994, and last amended on December 30, 2022 and the Regulations on the PRC on the Administration of the Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) issued by the State Council on December 10, 2001, and last amended on March 10, 2024, the State may restrict or prohibit the importation of relevant goods or technologies for reasons including safeguarding national security, protecting public interests or public morality, safeguarding human health or safety, protecting the life or health of animals or plants, protecting the environment, or establishing or accelerating the development of specific domestic industries. The competent authority for foreign trade under the State Council, in conjunction with other relevant departments of the State Council, shall formulate, adjust and publish the catalogue of goods and technologies subject to import or export restrictions or prohibitions. Except for the goods which is explicitly prohibited or restricted by laws or administrative regulations, the State Council shall allow free importation and exportation of goods, and maintain fair, free and orderly import and export trade in goods.

With respect to goods prohibited from import, since December 2001, the Ministry of Commerce, the General Administration of Customs, and the Ministry of Ecology and Environment have issued nine Catalogues of Prohibited Imports, some of which have been repealed. Regarding goods subject to import restrictions, the Ministry of Commerce promulgated the “Measures for the Administration of Import Licenses for Goods” (《貨物進口許可證管理辦法》) on December 20, 2001, which was last amended on December 10, 2004. The measures stipulate that the state implements import license management for goods subject to import restrictions, and the Ministry of Commerce shall, together with the General Administration of Customs, formulate, adjust and publish the annual Catalogue for Goods Subject to the Administration of Import Licenses. According to the

REGULATORY OVERVIEW

currently effective Catalogues of Prohibited Imports and the Catalogue for Goods Subject to the Administration of Import Licenses, the wafers imported by the Company are not subject to import restrictions or prohibitions.

The Provisions on the Registration of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》) which was promulgated by the General Administration of Customs of the PRC (the “GAC”) on November 19, 2021 and took effect on January 1, 2022, the consignee or consignor of imported or exported goods or a customs declaration enterprise needs only to apply for record-filing to the customs, with no registration with the GAC necessary any longer. The record-filing information shall be made public via the Import and Export Credit Information Publicity Platform of the Customs of China.

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994, and last amended on December 30, 2022, the requirements for foreign trade operators engaging in goods or technology import and export to go through the record-filing registration with the foreign trade department of the State Council or its authorized agencies have been abolished.

Laws and Regulations Relating to Tariff

Pursuant to the Tariff Law of the People’s Republic of China (《中華人民共和國關稅法》) (the “**Tariff Law**”), promulgated by the Standing Committee of the NPC on April 26, 2024 and effective from December 1, 2024, all goods and articles permitted for import and export shall be subject to tariffs levied by the Customs in accordance with the relevant laws and regulations. Consignees of imports, consignors of exports, and carriers or recipients of inbound items shall be the taxpayer liable for tariffs. Logistics enterprises and customs declaration enterprises shall be the withholding agents for tariffs.

The Tariff Commission of the State Council promulgated the Customs Import and Export Tariffs of the People’s Republic of China (2025) (《中華人民共和國進出口稅則 (2025) 》) (the “**Customs Tariff**”) on December 30, 2024, which came into force on January 1, 2025. The Customs Tariff is an annex to the Tariff Law, which stipulates in detail the tariff items and rates of imported and exported goods, as well as the rules for the application of tariff items and rates.

According to the Tariff Law and the Customs Tariff, imported goods originating from World Trade Organization members that commonly apply most-favored-nation (MFN) treatment clauses, imported goods originating from countries or regions that have concluded or jointly participated in international treaties or agreements containing clauses granting each other MFN treatment, and imported goods originating within the territory of the People’s Republic of China are subject to MFN tariff rates. Pursuant to the Notice on Import Tax Policies to Support the Development of the Integrated Circuit Industry and Software Industry (《財政部海關總署稅務總局關於支持集成電路產業和軟件產業發展進口稅收政策的通知》) jointly promulgated by the MOF, the General Administration of Customs, and the SAT in March 2021, integrated circuit companies that meet the requirements of this regulation are exempt from import duties on self-use production raw materials, consumables, and self-use equipment that cannot be produced domestically or whose performance cannot meet the demand. The implementation period is from July 27, 2020 to December 31, 2030.

During the Track Record Period, the imported products we purchased were wafers. According to the Regulations of the People’s Republic of China on the Origin of Import and Export Goods (《中華人民共和國進出口貨物原產地條例》) promulgated by the State Council on March 2, 2019 and effective on the same day, and the Notice on Rules for Determining the Country of Origin of Semiconductor Products (《關於半導體產品“原產地”認定規則的通知》) issued by the China Semiconductor Industry Association on April 11, 2025, where all the goods are sourced from one country or region, the country or region shall be the place of origin of the goods, and the place of origin of “integrated circuits” shall be determined by the location of the wafer fabrication facility.

REGULATORY OVERVIEW

To the best of our knowledge, the Countries of Origin for the imported wafers we procure are Singapore, South Korea and Mainland China, where the MFN rate applies in accordance with the Customs Tariff. Therefore, the imported wafers we purchase are subject to 0% tariff rate.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION AND FIRE SAFETY

Laws and Regulations Relating to Environmental Protection

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989, which was amended on April 24, 2014 and came into effect on January 1, 2015, the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated by the Standing Committee of the National People’s Congress on October 28, 2002 and last amended on December 29, 2018, and the Regulations on the Administration of Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) which was promulgated by the State Council on November 29, 1998, last amended on July 16, 2017 and came into effect on October 1, 2017, the State shall implement classified administration of environmental impact assessment for construction projects in accordance with the degree of environmental impacts of construction projects. Construction entities shall produce environmental impact reports, environmental impact statements, or complete environmental impact registration forms in accordance with relevant regulations. Construction entities shall not commence construction if the environmental impact assessment documents for the project are not examined or approved by the relevant examination and approval authorities.

According to the Measures for the Administration of Pollutant Discharge Permits (《排污許可管理辦法》) promulgated by the Ministry of Ecology and Environment on April 1, 2024 and implemented on July 1, 2024, the Regulations on the Administration of Pollutant Discharge Permits (《排污許可管理條例》) promulgated by the State Council on January 24, 2021, and the Classified Management List of Pollutant Discharge Permits from Fixed Pollution Sources (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》) promulgated by the Ministry of Ecology and Environment on December 20, 2019, enterprises, public institutions and other producers and operators shall be subject to the key management, simplified management of pollutant discharge licensing and pollutant discharge registration management according to the quantity of pollutants generated and discharged, the impact on the environment and other factors. Entities subject to registration management are not required to apply for a pollutant discharge license.

Fire Safety Related Laws and Regulations

Pursuant to the Fire Protection Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC on 29 April 1998 and last amended and effective on 29 April 2021, and the Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on 1 April 2020 and newly amended on 21 August 2023 (the “**Interim Regulations**”), the fire protection design and construction of special construction projects specified by the competent housing and urban-rural development authorities of the State Council must comply with the national fire prevention technical standards for project construction. The fire prevention design review and acceptance system for construction projects shall be implemented. The developer shall submit the fire safety design documents to the competent housing and urban-rural development authorities for review and complete the fire protection acceptance procedures upon completion of the construction project. For construction projects other than special construction projects, a system of filing and spot check shall be implemented. The developer shall complete filing formalities with the housing and urban-rural development authority following the inspection and acceptance. Where the developer does not complete filing formalities with the housing and urban-rural development department following inspection and acceptance, the housing and urban-rural development department shall order the developer to make correction and impose a fine of not more than RMB5,000.

REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATING TO TAXATION

Corporate Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) promulgated on 16 March 2007 and last amended on 24 February 2017 and 29 December 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the “**Implementation Regulation**”) promulgated on 6 December 2007, last amended on 6 December 2024, and implemented on 20 January 2025, the unified enterprise income tax rate is 25%. However, a non-resident enterprise that does not have an establishment or place of business within the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall be subject to a 10% corporate income tax rate on income derived from PRC. A uniform corporate income tax rate of 25% applies to both foreign-invested and domestic enterprises, but tax incentives are granted to special industries and projects. Eligible small low-profit enterprises are subject to a reduced corporate income tax rate of 20%. The Chinese government provides key support to high-tech enterprises, which are subject to a reduced enterprise income tax rate of 15%.

VAT

According to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) (the “**VAT Provisional Regulations**”) which was promulgated by the State Council on December 13, 1993, and last amended and came into effect on November 19, 2017, and the Detailed Rules for the Implementation for the Provisional Regulations the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) (the “**VAT Detailed Rules for the Implementation for the Provisional Regulations**”) which was promulgated by the MOF on December 25, 1993 and last amended on October 28, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of PRC shall pay value-added tax at the rate of 0%, 6%, 11% and 17% for different goods sold and different services provided, unless otherwise specified. According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) promulgated on April 4, 2018 and effective on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%. According to the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) jointly promulgated by the MOF, the SAT and the General Administration of Customs on March 20, 2019 and became effective from April 1, 2019, for general VAT payers’ sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The Foreign Exchange Control Regulations of the PRC (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Regulations**”) promulgated by the State Council on January 29, 1996 and last amended on August 5, 2008, is the key foreign exchange control regulation in force, applicable to all activities related to the foreign exchange receipts and disbursements and transactions of domestic corporations and individuals and to the said activities of overseas corporations and individuals within the territory of the PRC.

Pursuant to the Circular of the SAFE on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE on December 26, 2014, a domestic company shall, within 15 business days from completion of its overseas listing issuance, complete registration formalities for overseas listing with the foreign exchange bureau at its place of registration. Funds raised from overseas listing of a domestic company may be repatriated to China or deposited overseas, and the usage of funds shall be consistent with the content of the document and other disclosure documents.

REGULATORY OVERVIEW

According to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by SAFE on June 9, 2016 and amended on December 4, 2023, domestic institutions may settle their foreign exchange receipts under the capital account (including repatriated funds raised through overseas listing) entitled to discretionary settlement with banks as actually needed for business operation. Domestic institutions may, at their discretion, settle up to 100% of their foreign exchange receipts under the capital account for the time being. The SAFE may adjust the aforesaid proportion in due time in light of the balance of payment.

Pursuant to the Circular of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Administration in Support of Foreign Business Development (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) implemented by the SAFE on April 10, 2020, enterprises meeting the prescribed requirements are allowed to use income under the capital accounts as capital funds, external debts and overseas listings for domestic payment without providing banks with authenticity certification materials in detail in advance, to the extent that funds are used for true and law-compliant purposes and such enterprises comply with the in-force administrative provisions on the use of income under the capital accounts. According to the “Notice of the State Administration of Foreign Exchange on Further Deepening Reforming to Facilitate Cross-border Trade and Investment” (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) issued by the SAFE on 4 December 2023, the foreign exchange funds raised by domestic enterprises through overseas listing may be directly remitted to the settlement account of capital accounts. Funds in the settlement account of capital accounts may be settled and used at discretion.

LAWS AND REGULATIONS RELATING TO LABOR SECURITY

Labor Law and Labor Contract

According to the Labor Law of the PRC (《中華人民共和國勞動法》), promulgated by the SCNPC on July 5, 1994 and last amended on December 29, 2018, and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), promulgated by the SCNPC on June 29, 2007, last amended on December 28, 2012 and became effective on July 1, 2013, a labor contract shall be concluded for establishment of work relationships. Wages paid by the employers to their employees shall not be less than the local minimum wage standards. Employers shall establish a comprehensive management system to protect the rights of their employees, including a system governing occupational health and safety to provide employees with occupational training to prevent occupational injury, and employers are required to truthfully inform prospective employees of the job description, working conditions, working location, occupational hazards, and status of safe production as well as remuneration and other conditions.

Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), promulgated by the SCNPC on October 28, 2010 and last amended on December 29, 2018, and the Provisional Regulations for the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), promulgated by the State Council on January 22, 1999 and last amended on March 24, 2019, the State shall establish social insurance systems including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance. Employers shall complete social security registration with the social security agency for their employees within thirty days from the date of employment and contribute social insurance premiums in accordance with the proportion of the total wages of their employees as stipulated by the state. Where employers fail to promptly contribute social security premiums in full amount, the social security premiums collection agency shall order them to make or supplement contributions within a stipulated period. Currently, the employer contribution rates for social insurance of the Company and its subsidiaries in Mainland China, as stipulated by their respective local governments, are

REGULATORY OVERVIEW

within the range of: 16%–17% for pension insurance, 1.5%–9.5% for medical insurance, 0.5%–0.8% for maternity insurance, 0.5%–0.8% for unemployment insurance, and 0.2%–2.2% for work injury insurance.

Pursuant to the Regulations on the Housing Provident Fund (《住房公積金管理條例》), promulgated by the State Council on April 3, 1999 and last amended on March 24, 2019, When hiring a new employee, the employer shall make registration of contribution with the Housing Provident Fund Management Centre within 30 days from the date of employment, and arrange for the establishment or transfer of the employee’s housing provident fund account. The contribution rates to housing provident fund for both employees and employers shall not be less than 5% of the employee’s average monthly salary in the previous year. The specific contribution rates shall be drafted by the Housing Provident Fund Management Committee, reviewed by the people’s government at the same level, and then submitted to the people’s government of the province, autonomous region, or municipality directly under the central government for approval. If an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the housing provident fund management centre shall order it to make the payment and deposit within a prescribed time limit; where the payment and deposit have not been made after the expiration of the time limit, an application may be made to a people’s court for compulsory enforcement. Currently, the employer contribution rates for housing provident fund of the Company and its subsidiaries in Mainland China fall within a uniform range of 5% to 12%, as stipulated by the local governments.

LAWS AND REGULATIONS RELATING TO OVERSEAS SECURITIES OFFERING AND LISTING BY DOMESTIC COMPANIES

Securities Laws and Regulations

The Securities Law of the PRC (《中華人民共和國證券法》) (the “**PRC Securities Law**”), which was promulgated by the SCNPC on December 29, 1998, last amended on December 28, 2019 and came into effect on March 1, 2020, comprehensively regulating activities in the mainland China securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The PRC Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The CSRC is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Overseas Listing

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and the accompanying regulatory rules application guidelines promulgated by the CSRC on February 17, 2023 and effective on March 31, 2023 (the “**Trial Measures**”), a unified filing management system shall be implemented for direct or indirect overseas offerings of securities and listings by domestic enterprises. All issuers shall complete the filing procedures with the State Council’s securities regulatory authority and report relevant information. Issuers listing directly in overseas markets shall file with the CSRC within three working days after submitting their application for overseas listing. Issuers shall not be permitted to list securities in overseas markets under any of the following circumstances: (i) where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) where the domestic company intending to make

REGULATORY OVERVIEW

the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; (v) where there are material ownership disputes over equity held by the domestic company’s controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller.

According to Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Provisions on Strengthening Confidentiality and Archives Administration**”) jointly issued by the CSRC and other relevant departments on February 24, 2023 and effective on March 31, 2023, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of mainland China by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of mainland China. Cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We are a leading intelligent control solutions provider in China, specializing in the design and delivery of integrated circuit chips, with microcontroller units (MCUs) at the core of our offerings. Leveraging deep domain expertise and innovation-driven development, we empower a wide range of applications with high-performance, energy-efficient, and cost-effective intelligent control solutions.

Our history traces back to June 2001 when the predecessor of our Company was established in the PRC as a limited liability company, primarily engaged in the development, design and sales of integrated circuit chips. We made our entry into the consumer electronics and smart household appliances sectors and extend from our core strengths in these sectors into verticals such as industrial control and automotive electronics. Building on our strengths in MCU design and development, we have extended our offerings to include a broad range of system-on-chips and application-specific integrated circuits, enabling us to deliver one-stop intelligent control solutions that integrate chips, embedded algorithms, and technical support. As we continue to improve our design capabilities and accumulate experience in our product portfolio and application development, we have transformed from a chip design company into a one-stop intelligent control solutions provider.

In December 2019, our Company was converted into a joint stock company. Since August 2022, our A Shares have been listed on the Shanghai Stock Exchange STAR Market (stock code: 688380). As of the Latest Practicable Date, our total issued share capital was RMB400,365,000, comprising 400,365,000 A Shares (including 1,506,639 A Shares as treasury Shares), of which approximately 55.77% was controlled by our Controlling Shareholders Group.

KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

The following is a summary of our Group’s key corporate and business development milestones:

Year	Event
2001	Our company was established.
2014	We achieved in-circuit emulation support across our entire MCU production line.
2017	Chengdu R&D Center was established.
2018	We expanded our market presence to the consumer electronics sector. Beijing R&D Center was established. We acquired Sichuan Xinlianfa and initiated our own assembly and test production line.
2019	We converted into a joint-stock liability company.
2020	We were awarded the 2020 China IC Design Awards — Best MCU of the Year (2020年中國IC設計成就獎 — 年度最佳MCU)
2021	Our products were recognized as “One of the Top Ten Main Control Chips for BLDC Motor Controllers in 2021” (2021年BLDC電機技術市場表現獎BLDC電機控制器十大主控芯片). We achieved the mass production of 12-inch wafer 90/55nm eFlash MCU products.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Event
2022	Our Company’s A Shares were listed on the Shanghai Stock Exchange STAR Market (stock code: 688380). Our new generation of automotive-grade MCU compliant with the AEC-Q100 standard has been officially released. We were awarded the “Cutting-Edge Chip Award” (前沿芯片獎) by the RISC-V Alliance (RISC-V聯盟). We were accredited as a National Specialized, Sophisticated, Differential, and Innovative SMEs (國家專精特新“小巨人”企業). We launched the first multi-channel, dual-AD high-precision SoC CMS8H1215 in China.
2024	Certified for ISO 26262 Automotive Functional Safety Process at ASIL D level (ISO 26262汽車功能安全ASIL D流程認證). We received the “Market Performance Award” by the Shenzhen Semiconductor Industry Association.

MAJOR SUBSIDIARIES

As of the Latest Practical Date, the following entities were our major subsidiaries which had made a material contribution to our results of operation during the Track Record Period.

Name of subsidiary	Place of incorporation	Date of Incorporation	Equity interest attributable to our Group	Principal business activities
China Micro (Sichuan)	PRC	April 7, 2017	100%	research and development and sales of chips
Zhongshan Lianfa	PRC	January 28, 2010	100%	chip sales and technical support
China Micro (Shanghai)	PRC	September 16, 2020	100%	research and development of chips
China Micro (HK)	Hong Kong	Sep 5, 2008	100%	wafer purchase platform

MAJOR SHARE CAPITAL CHANGES AND DEVELOPMENT OF OUR COMPANY

Early Development of our Company

In June 2001, our Company was founded by Mr. Yang, focusing on research and development of MCUs. The initial registered capital of our Company was RMB1,000,000. Upon the completion of several rounds of capital raises, in September 2019, the registered capital of our Company reached RMB66,660,000.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Conversion into a Joint Stock Company with Limited Liability

In December 2019, our Company (then known as Shenzhen China Micro Semicon Co., Ltd. (深圳市中微半導體有限公司)) was converted from a limited liability company to a joint stock company with limited liability with a share capital of RMB66,660,000 divided into 66,660,000 Shares, which were subscribed by all of the then shareholders (being our promoters during the conversion). Immediately following the conversion, the shareholding structure of our Company was as follows:

<u>Name of the Shareholder</u>	<u>Number of Shares Held</u>	<u>Approximate Percentage of Shareholding</u> (%)
Mr. Yang	28,800,000	43.20
Mr. Zhou Yan (周彥)	20,400,000	30.60
Mr. Zhou Fei (周飛)	3,600,000	5.40
Mr. Jiang Zhiyong (蔣智勇)	3,600,000	5.40
Mr. Luo Yong (羅勇)	3,600,000	5.40
Shunwei Xinhua	3,330,000	5.00
Shunwei Zhiyuan	3,330,000	5.00
Total	66,660,000	100.00

Shares Capital Increase and Share Transfer prior to the Listing on the Shanghai Stock Exchange STAR Market

Following the completion of several rounds of capital raises in 2020 and the share transfer in January 2021, the Company’s share capital was RMB337,365,000. Immediately prior to the listing on the Shanghai Stock Exchange, Mr. Yang, Mr. Zhou Yan and Mr. Zhou Fei directly and indirectly controlled an aggregate of approximately 73% of our Company’s issued share capital at the time.

Listing on the Shanghai Stock Exchange STAR Market

In August 2022, our A Shares were listed on the Shanghai Stock Exchange STAR Market (stock code: 688380). During the A-Share Listing, we offered a total of 63,000,000 A Shares under the A-Shares Listing, representing approximately 15.74% of our enlarged share capital immediately following the completion of the A-Shares Listing and our registered share capital increased to RMB400,365,000. Upon completion of the A-Shares Listing, Mr. Yang, Mr. Zhou Yan and Mr. Zhou Fei directly and indirectly controlled an aggregate of approximately 61.52% of our Company’s issued share capital at the time.

Repurchase of Shares for Employee Incentive Purposes

A repurchase mandate for the repurchase of A Shares for the purpose of our Company’s employee stock ownership plans or equity incentives was approved by the sixth meeting of the second session of the Board convened on August 10, 2023 (“**Repurchase Mandate**”). The Repurchase Mandate was valid for 12 months from the date of approval of the repurchase mandate by the Board and has expired on August 9, 2024. A total of 1,506,639 A Shares were repurchased under the Repurchase Mandate, which are held under our Company’s stock repurchase account and do not carry any shareholders’ rights, including but not limited to voting rights at the Shareholders’ meeting and dividend rights. Any of such repurchased A Shares not used for purpose of our Company’s employee stock ownership plans or equity incentives within 36 months after the completion of the repurchase shall be canceled. As of the Latest Practicable Date, the Company has not cancelled any of such repurchased A Shares.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, we did not carry out any major acquisitions, disposals or mergers which would fall within the scope of Rule 4.05A of the Listing Rules.

POST TRACK RECORD PERIOD ACQUISITION

We proposed to acquire a minority equity interest of a company after the Track Record Period and up to the Latest Practicable Date. We have applied to the Stock Exchange for, and the Stock Exchange [has agreed] to grant us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in relation to the proposed acquisition. See “Waivers from Strict Compliance with the Listing Rules — Waiver in respect of Company and Business to be Acquired after the Track Record Period” for alternative disclosure of the acquisition.

EMPLOYEE INCENTIVE SCHEMES

Since our A Share Listing, we adopted the 2023 Restricted Share Incentive Scheme to attract and retain talents and to motivate our employees. The scheme initially granted 4,800,000 restricted A-shares. Subsequently, 2,791,790 of these shares were canceled. As of the Latest Practicable Date, the remaining 2,008,210 outstanding and unvested restricted shares were canceled due to the non-satisfaction of the vesting conditions. As (i) all the granted restricted shares were canceled, (ii) none of the restricted shares have been vested, and (iii) there were no further shares available for grant under the 2023 Restricted Share Incentive Scheme, the 2023 Restricted Share Incentive Scheme was terminated by our Company on March 18, 2026.

OUR CONTROLLING SHAREHOLDERS GROUP

As of the Latest Practicable Date, the Controlling Shareholders Group was able to exercise approximately 55.77% voting rights in our Company. For details regarding the Controlling Shareholders, see “— Relationship with our Controlling Shareholders Group.”

OUR A SHARE LISTING AND REASONS FOR THE PROPOSED [REDACTED] ON THE HONG KONG STOCK EXCHANGE

Since 2022, our Company has been listed on the Shanghai Stock Exchange STAR Market. As of the Latest Practicable Date, our Directors confirmed that we had no instances of any material non-compliance with the applicable rules of the Shanghai Stock Exchange STAR Market and other applicable securities laws and regulations of the PRC in any material respects, and, to the best knowledge of our Directors having made all reasonable enquiries, there are no material matters that should be brought to the investors’ attention in relation to our compliance record on the Shanghai Stock Exchange STAR Market. Our PRC Legal Advisor is of the view that, since our A Share listing and up to the Latest Practicable Date, there had been no instances of any material non-compliance with the applicable rules of the Shanghai Stock Exchange STAR Market and other applicable PRC securities laws and regulations. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that would cause them to disagree with our Directors’ confirmation with regard to the compliance records of the Company on the Shanghai Stock Exchange STAR Market.

Our Company seeks to be [REDACTED] on the Hong Kong Stock Exchange in order to provide further capital for the development and expansion of our business, provide an additional fundraising platform for our Company should the need arise, further strengthen our business profile and market position in the industry, and better attract overseas investors and talents. See “Business — Our Strategies” and “Future Plans and [REDACTED]” for more details.

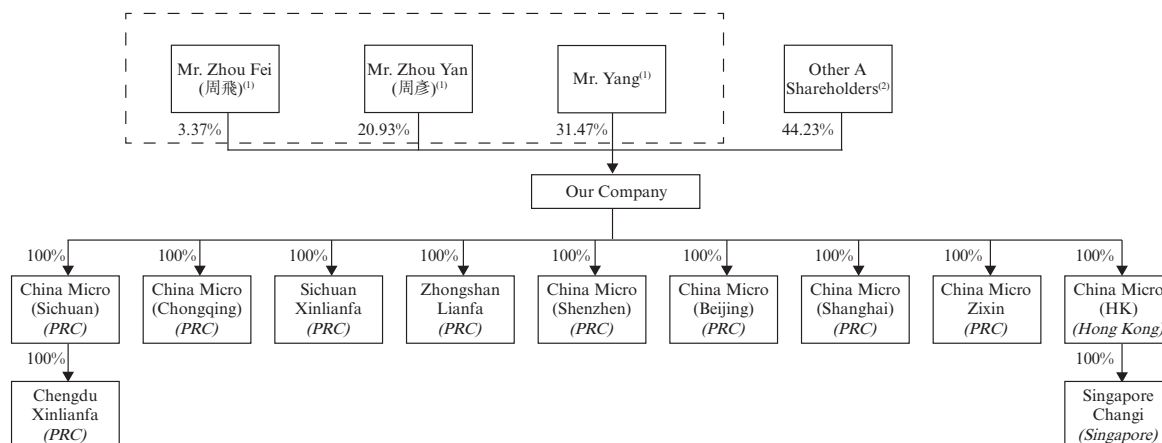
HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

[REDACTED]

[REDACTED]

OUR SHAREHOLDING AND CORPORATE STRUCTURE

The following chart depicts our simplified corporate and shareholding structure immediately prior to the [REDACTED]:



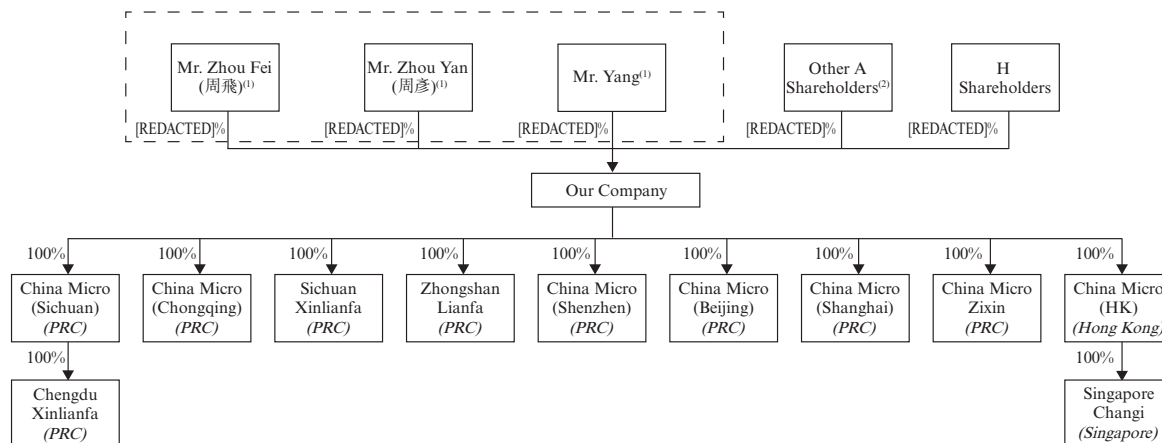
Notes:

- (1) Mr. Yang, Mr. Zhou Yan (周彦), and Mr. Zhou Fei (周飛) constitute our Controlling Shareholders Group pursuant to the Acting-in Concert Agreement. For further details, please refer to the Section headed “Relationship with Our Controlling Shareholders” to this document.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(2) None of such A Shareholders held more than 5% interest in our Company as of the Latest Practicable Date.

The following chart depicts our simplified corporate and shareholding structure immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised):



Notes (1) to (2): Please refer to the details on the preceding page.

BUSINESS

OVERVIEW

Who We Are

We are a leading intelligent control solutions provider in China, specializing in the design and delivery of integrated circuit chips, with microcontroller units (“MCU”) at the core of our offerings. Leveraging domain expertise and a focus on practical technological advancement, we empower a wide range of applications with high-performance, energy-efficient, and cost-effective intelligent control solutions. According to Frost & Sullivan, we were among the earliest domestic players to independently develop and design MCUs. Our first-mover advantage and relentless innovation have kept us in an industry-leading position. In 2024, we ranked first in China’s MCU industry in terms of shipment volume and third in terms of revenue.

Building on our strengths in MCU design and development, we have extended our offerings to include a broad range of system-on-chips (“SoC”) and application-specific integrated circuits (“ASIC”), enabling us to deliver one-stop intelligent control solutions that integrate chips, embedded algorithms, and technical support. These solutions power a wide array of downstream applications, including consumer electronics, smart household appliances, industrial control, and automotive electronics. During the Track Record Period, we generated revenue from the provision of MCU, SoC, and ASIC solutions, as well as the sale of other related products.

We have built strong competitive advantages across both general consumer and high-end application scenarios. In the general consumer segment, our MCU products hold a leading position in China’s consumer electronics and smart household appliance sectors. According to Frost & Sullivan, we ranked first and second in China’s MCU market for smart household appliances and consumer electronics, respectively, in terms of revenue in 2024. Capitalizing on this foundation, we have successfully expanded into high-end MCU applications, particularly in the fast-growing fields of industrial control and automotive electronics. In industrial control, we focus on brushless direct current motors (“BLDC”) solutions, while in the automotive electronics sector, we are developing advanced automotive-grade MCU products based on M4 and RISC-V architectures, which are widely used microcontroller platforms known for their high computing performance, energy efficiency, and scalability.

Underpinned by our deep insight into domestic customer needs, solid technological capabilities, well-established distribution channels, and proven operational track record, we have cultivated a diversified customer base. As of December 31, 2025, we had served over 1,000 customers in aggregate, including leading industry players, renowned consumer brands, and prominent automotive manufacturers, laying a strong foundation for future growth and market expansion.

Leveraging our deep technology stack and forward-looking market insights, we have also successfully expanded our business into emerging application areas such as AI, data centers, and robotics. We believe that cutting-edge technologies such as AI and robotics are poised to become key drivers of innovation and growth in the MCU industry. Looking ahead, we intend to continue investing in R&D to accelerate the penetration of our MCU products into these strategic frontier markets.

BUSINESS

The following chart illustrates our business highlights:



Market Leadership⁽¹⁾

China's No. 1

- in China's MCU market⁽²⁾
- in China's 8-bit MCU market⁽²⁾⁽³⁾
- in China's smart household appliance MCU market⁽³⁾

China's No. 2

in China's consumer electronics MCU market⁽³⁾



Outstanding R&D Capabilities

Over 1,000
dedicated IPs⁽⁴⁾

228
approved integrated circuit layout designs⁽⁴⁾

72
patents⁽⁴⁾

241
R&D personnel, accounting for around 52.5% of total headcount⁽⁵⁾



Extensive Product Portfolio and Business Scale

Around 3,800
chip product specifications across various categories⁽⁴⁾

2.8 billion
an average of around 2.8 billion units shipped per year⁽⁶⁾



Robust Financial Performance and Key Growth Drivers

Rapid Growth

- Revenue CAGR of 25.4% from 2023 to 2025
- Net profit CAGR of 107.7% from 2024 to 2025

Emerging Growth Drivers

- Industrial control product revenue surged 44.2% YoY in 2025
- Automotive electronics product revenue surged 88.7% YoY in 2025

Notes:

- (1) for the year ended December 31, 2024
- (2) in terms of shipment volume in 2024
- (3) in terms of revenue in 2024
- (4) as of the Latest Practicable Date
- (5) as of December 31, 2025
- (6) during the Track Record Period

Our Solutions and Products

Drawing on decades of experience in chip design and development, we have adopted a scenario-driven and demand-oriented approach to product development. We possess a deep understanding of end-product use cases and design our solutions from the perspective of actual functional needs. By leveraging our integrated technical capabilities, from chip architecture design to peripheral circuit integration, we translate complex and diverse customer requirements into scalable, mass-producible intelligent control solutions, while avoiding unnecessary technical redundancy.

Building on this foundation, we have continuously expanded and enriched our product portfolio to serve a growing range of downstream application scenarios. Since our inception, we have embraced a development strategy that fosters a virtuous cycle, “application defines the chip, chip empowers the scenario,” enabling us to extend from our core strengths in consumer electronics and smart household appliances into verticals such as industrial control and automotive electronics. Guided by this strategy, we have built a comprehensive MCU product lineup and broadened our offerings into a diversified product matrix centered around our MCU capabilities. This includes SoC

BUSINESS

and ASIC solutions, as well as other related products, forming a complete intelligent control chip solution suite. The synergy between MCU and peripheral components allows us to deliver higher levels of integration and functionality.

As our product capabilities evolved, so has our role in the value chain. We have transformed from a chip design company into a one-stop intelligent control solutions provider, offering not just chips, but also embedded algorithms and application reference designs. This transition enables us to respond to increasing complexity and vertical specialization in smart control scenarios.

Our intelligent control solutions are built on a strong technological foundation encompassing reliable MCU technologies, high-performance touch and sensing, motor drive and positioning, low power consumption, CSP MOSFETs, inverter IGBT, and automotive-grade MCU capabilities. These technologies are widely applied across our product lines, supporting our core value proposition of high reliability, performance, and energy efficiency.

To enable rapid and efficient product development, we have established a modular chip development platform integrating over 1,000 self-developed IP modules. This platform allows for structured, reusable design across different use cases, enabling fast delivery of personalized solutions while maintaining cost efficiency through shared IP reuse.

Across our core verticals, consumer electronics, smart household appliances, industrial control, and automotive electronics, this comprehensive, solution-oriented model significantly enhances customer experience. It simplifies the design process, shortens development cycles, and reduces total system cost, strengthening customer stickiness and reinforcing our position as a value-added technology partner.

Our Business Model

Since our inception, we have focused on the design, R&D and sales of intelligent control chips, spanning MCUs, SoCs and ASICs and other related products. We primarily offer MCU, SoC and ASIC products, integrated with embedded algorithms and supporting software to deliver one-stop intelligent control solutions. In addition, we provide other related products such as development tools, enabling customers to seamlessly integrate our solutions into their end-products and accelerate their time-to-market. Operating under a fabless business model, we concentrate our resources on IC design, platform development and market-driven innovation, while partnering with leading foundries and outsourced semiconductor assembly and test (“OSAT”) providers to transform our designs into high-quality, scalable products.

During the Track Record Period, we primarily generated revenue from the provision of MCU, SoC, and ASIC solutions. Our full product matrix and underlying technological capabilities are set out below.

BUSINESS



Our Technologies and Research and Development

We focus on in-house R&D of core technologies, complemented by the selective introduction of mature licensed IPs to enhance our technical capabilities and the overall performance of our products. As of the Latest Practicable Date, we had developed approximately 17 key manufacturing technologies for our semiconductor products, which enhance their reliability, energy efficiency, and cost-effectiveness.

We have established a strong R&D team. As of December 31, 2025, our R&D team comprised 241 experienced technical professionals, accounting for 52.5% of our total headcount. Many of our R&D personnel are seasoned semiconductor engineers with deep expertise in technology and materials innovation. For details, see “— Research and Development.”

Our Operational Achievements and Financial Performance

During the Track Record Period, we achieved annual shipments an average of approximately 2.8 billion units per year. As of December 31, 2025, we had served over 1,000 customers in aggregate across a wide range of application scenarios. This scale reflects the maturity of our solution framework and reinforces customer trust in our technology and delivery capabilities.

Our proven delivery capabilities, strong customer retention, and integration across our operations and partnerships provide a solid foundation for continued expansion. Our customer retention rate remained strong at 63.5%, 73.2% and 82.8% in 2023, 2024 and 2025, respectively.

Fueled by a solid customer base, ongoing product innovation, and continued technological advancement, we achieved steady revenue growth and a resilient profit profile during the Track Record Period. Our revenue increased by 27.8% from RMB713.6 million in 2023 to RMB911.7 million in 2024, and further rose to RMB1,122.2 million in 2025. Despite recording a net loss in 2023, we achieved net profit of RMB136.8 million and RMB284.2 million in 2024 and 2025, respectively.

BUSINESS

Our Market Opportunities

Amid the global wave of digital transformation and intelligent automation, MCUs, as the core of embedded smart control systems, are poised to benefit significantly from the rapid expansion of downstream applications. According to Frost & Sullivan, the global MCU market has maintained steady growth and is projected to continue expanding in the coming years, driven by increasing demand for intelligent and connected devices.

China stands out as the largest and most dynamic MCU application market globally, with strong demand from consumer electronics, automotive electronics and industrial control, alongside fast-growing emerging fields such as AI and robotics. This market landscape supports not only high production volumes but also the continuous development of tailored solutions to meet diverse and evolving application scenarios. Such combination of scale and diversified use cases creates favorable conditions for iterative product upgrades, allowing chip designers to refine functions, optimize performance and enhance cost-effectiveness based on specific industry requirements and real-world feedback.

Downstream demand for MCU solutions is supported by several major application sectors, including consumer electronics and smart household appliances, automotive electronics and industrial control, as well as emerging applications such as AI edge computing and robotics. The increasing adoption of intelligent control functions and connected devices across these sectors is expected to continue driving demand for MCU solutions. For further details on the global and China MCU markets and its downstream application markets, see “Industry Overview — Overview of MCU Industry.”

With over two decades of deep industry cultivation, we have built an extensive customer base and a robust network of partnerships, underpinned by our deep understanding of customer needs, robust product portfolio, and stable partnerships across manufacturing and OSAT. These strengths enable us to fully leverage China’s strategic position to capture global growth opportunities.

To further capitalize on these opportunities, we have established a comprehensive capability framework encompassing R&D management, a diverse talent base, and collaborative innovation platforms. This includes a general-purpose chip design and development platform, a cross-product technology middleware, and a proprietary IP library, alongside strategic investments in AI, robotics, and other frontier technologies. These capabilities empower us to respond swiftly to evolving customer needs, reduce development time and cost through modular design, and accelerate our entry into high-growth verticals.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths can empower us to achieve sustainable growth.

A leading MCU-centric intelligent control solutions provider in China

We are a leading intelligent control solutions provider in China, with MCUs at the core of our product strategy. Powered by integrated technological capabilities and deep insight into application scenarios, we have established market leadership in consumer electronics and smart household appliances, while accelerating our expansion into higher-value sectors such as industrial control and automotive electronics. This diversified presence has shaped a comprehensive and scalable competitive edge across multiple downstream markets.

Guided by a “scenario-driven, demand-defined” product development strategy, we align our product development closely with real-world application needs. Instead of focusing solely on technical specifications, we prioritize functionality, performance, and adaptability required in specific use cases to drive design decisions, enabling faster iteration and stronger product-market fit. We provide one-stop intelligent control solutions that extend from chip design to underlying algorithms. Our product portfolio, anchored by MCUs, also includes a broad array of SoCs, ASICs and related passive components. Through holistic design that integrates top-level chip architecture,

BUSINESS

resource configuration, peripheral circuitry, and embedded algorithms, we ensure deep compatibility with end-application requirements and avoid redundant technology stacking. As of the Latest Practicable Date, we offered around 3,800 product specifications, empowering us to respond quickly to evolving customer needs across consumer electronics, smart household appliances, industrial control, and automotive electronics sectors.

According to Frost & Sullivan, we are among the earliest domestic companies to independently develop and design MCUs in China. In 2024, we ranked first in China’s MCU industry by shipment volume and third by revenue, reflecting the market’s broad recognition of our technological leadership and comprehensive capabilities.

Our competitive strength is most pronounced in consumer-facing markets. In consumer electronics, we ranked among the top two MCU suppliers by shipment volume for five consecutive years. Our market share rose from 6.0% in 2020 to 14.7% in 2024, with shipment volume increasing from 424.3 million units in 2020 to 1,377.2 million units in 2024, representing a CAGR of 34.2%, well above the industry’s 7.2% average growth rate. In smart household appliances, we maintained the top one position in terms of shipment volume over the past five years. Our market share increased from 8.9% in 2020 to 14.4% in 2024, with shipments growing from 286.2 million units in 2020 to 509.2 million units in 2024, representing a CAGR of 15.5%, outperforming the industry’s 2.4% average growth rate. These results underscore our strong execution and stickiness in the broad consumer space.

At the same time, we have expanded our offerings into two of the fastest-growing application verticals, namely, industrial control and automotive electronics, which are becoming new engines of our long-term growth. In industrial control, our revenue grew from RMB78.2 million in 2023 to RMB184.9 million in 2024, and further to RMB246.8 million in 2025, representing a CAGR of 77.7% from 2023 to 2025. In automotive electronics, our revenue rose from RMB22.5 million in 2023 to RMB28.3 million in 2024, and further to RMB53.4 million in 2025, at a CAGR of 54.3% from 2023 to 2025. These achievements further extend our application footprint and reinforce our position in high-growth segments.

Driven by our leadership in China’s MCU industry and our expanding application coverage, we have delivered robust growth throughout the Track Record Period. Our revenue increased from RMB713.6 million in 2023 to RMB911.7 million in 2024, and further to RMB1,122.2 million in 2025. With a proven track record of technological innovation, product scalability, and customer loyalty, we are well-positioned to capture the accelerating demand for MCU-centric intelligent control solutions in China and beyond.

Robust R&D resources and deep technological reserves forming a wide and defensible moat

We firmly believe that sustained R&D investment and deep technological accumulation form the foundation of long-term competitiveness. With over 20 years of dedicated experience in intelligent control, we have established a robust technological moat characterized by abundant R&D resources, comprehensive technical reserves, scalable development platforms, and significant cost advantages, all of which empower our continued expansion across application scenarios.

Our R&D strength stems from both talent pools and consistent capital investment. As of December 31, 2025, we had 241 experienced R&D personnel, representing 52.5% of our total workforce, with expertise spanning MCU chip design, analog circuitry, and embedded algorithms. During the Track Record Period, we incurred total R&D expenses of RMB372.2 million, accounting for 13.5% of our aggregated revenue during the years, far above the industry average. This long-standing commitment provides solid support for technology iteration and new product development.

Leveraging these investments, we have built a comprehensive IP portfolio and technical foundation around core intelligent control related IC design. We now possess independent design capabilities in mainstream MCU architectures, high-precision analog, motor control, radio

BUSINESS

frequency communication, high-performance touch technologies, and a broad range of embedded algorithms. As of the Latest Practicable Date, we had amassed over 1,000 proprietary IP modules, alongside 72 patents, 28 copyrights, and 228 layout design rights, covering the full spectrum from chip architecture to system-level applications.

Building on this solid foundation, we developed a modular chip development platform centered on our MCU architecture. This platform integrates more than 1,000 IP modules to enable structured, reusable, and highly configurable chip development. It allows us to quickly address personalized needs across downstream sectors, such as consumer electronics, smart household appliances, industrial control, and automotive electronics, while reducing marginal development costs. For example, motor control IP originally developed for industrial applications can be efficiently repurposed for smart home devices, or a proprietary control algorithm can be reused across multiple product lines for the same customer. This platform-based approach significantly reduces both development time and cost, resulting in a low-cost, high-efficiency innovation model.

In parallel, we have amassed a suite of proprietary, high-barrier core technologies through two decades of independent R&D. These include high-reliability MCU designs, high-performance touch sensing, precision analog circuits, motor drive chips and algorithms, ultra-low-power architectures, CSP MOSFETs, reverse-conducting IGBTs, and automotive-grade MCU technologies. These technologies are widely deployed across our product lines and endow our solutions with superior reliability, performance, and power efficiency. For instance, automotive-grade MCU designs meet stringent vehicle safety standards, while low-power innovations cater to consumer electronics with long battery life needs. These features form clear technical barriers that differentiate us from competitors.

Through this stepwise approach, from abundant R&D resources, to deep technical reserves, to a modularized development platform, and culminating in high-barrier proprietary technologies, we have built a self-reinforcing technical moat that delivers both agility in meeting market demand and structural advantages in cost and performance. This dual edge positions us strongly to scale across multiple verticals and sustain our competitive leadership over the long term.

Diversified product portfolio and broad application coverage

At the core of our product matrix is the MCU, around which we have developed a diversified portfolio that covers control, peripheral components, and embedded algorithms. Building upon our strengths in general-purpose MCUs, we have further expanded into niche segments such as industrial control MCUs and automotive-grade MCUs, achieving a wide array of MCU product coverage. Around the MCU's control functionality, we have extended upstream and downstream to integrate power, signal, and communication components, forming a complete offering of SoCs, ASICs, and foundational algorithms. As of the Latest Practicable Date, our portfolio comprised around 3,800 product specifications, enabling us to address the varying needs of customers across consumer electronics, smart household appliances, industrial control, and automotive electronics in terms of functionality, performance, cost-effectiveness, and configuration. Furthermore, by combining MCU, peripheral components, and embedded algorithms into unified offerings, we provide integrated solutions that significantly reduce the coordination burden of multi-vendor sourcing for customers and strengthen their stickiness to our solution framework.

In terms of application coverage, we follow a two-pronged expansion strategy of “consolidating traditional sectors and breaking into high-end segments” to achieve full-scenario penetration. In the early stages, we capitalized on our product advantages in consumer electronics and smart household appliances to establish a mature customer base and strong market recognition. With the continued transformation and upgrading of downstream industries, we have strategically expanded into high-growth sectors such as industrial control and automotive electronics. We have thus formed a balanced application landscape characterized by stable foundations in consumer electronics and smart household appliances and accelerated breakthroughs in industrial control and automotive electronics.

BUSINESS

Specifically, in consumer electronics, our products are widely adopted in smart wearables and home medical equipment. In smart household appliances, we are deeply embedded in the control systems of white goods and small appliances. In industrial control, we focus on motor drive, programmable logic controllers, and other core scenarios. In automotive electronics, we have entered critical areas such as in-vehicle control and sensor modules. This comprehensive industry coverage enables us not only to benefit from the growth momentum of multiple verticals but also to shield our overall business from demand fluctuations in any single market.

Importantly, our diversified product portfolio and broad application landscape reinforce each other through a two-way synergy. On one hand, our wide-ranging offerings provide strong technological support across verticals, for example, our motor drive IPs proven in industrial control can be rapidly redeployed in motor control for smart household appliances, reducing the cost of cross-sector expansion. On the other hand, application-side feedback drives continuous product refinement, for instance, the stringent reliability standards in automotive electronics have elevated the stability benchmarks of our general-purpose MCUs. This virtuous cycle of “product adapts to scenario, scenario refines product” accelerates our innovation pace and deepens scenario fit.

Taken together, our diversified product matrix and expansive application coverage serve not only as a growth engine but also as a strategic moat. This integrated model enables us to deepen customer engagement through full-solution offerings, mitigate macro and industry-specific volatility through portfolio resilience, and secure early entry into high-growth sectors, thereby fueling our long-term expansion and strengthening our competitive edge.

Deep customer engagement and an expansive customer landscape

We have cultivated a highly sticky and resilient customer landscape through a dual focus on “technology empowerment + tailored services.” By integrating proprietary technology platforms with scenario-specific support, we have formed long-standing relationships with leading players across consumer electronics, smart household appliances, industrial control, and automotive electronics. These deep collaborations form a cornerstone of our sustainable growth.

Leveraging over two decades of experience in chip design and modular platform development, we have established a co-creation model with customers built on scenario insight and solution customization. We work closely with end customers to identify critical pain points, such as motor control in household appliances or sensing modules in automotive electronics, delivering differentiated solutions that avoid unnecessary technical complexity. We also respond rapidly to evolving needs, such as high real-time performance in industrial control or ultra-low power consumption in consumer electronics. This agile, collaborative model has enabled us to gain deep trust and early involvement in the R&D cycles of leading customers, creating a virtuous cycle of “joint development — product iteration — deepened partnership.”

Our strong customer stickiness is underpinned by three key advantages. First, we offer integrated solutions that require customer-side system validation and tuning, resulting in high switching costs in terms of both time and resources. Second, our long-standing collaboration with reliable manufacturing and packaging partners ensures stable supply and delivery capabilities, even during industry volatility. Third, our in-depth knowledge of downstream application trends allows us to anticipate customer needs, such as rising demand for high-performance automotive-grade MCUs, and quickly translate them into product solutions that help customers capture market opportunities ahead of competitors.

As of the Latest Practicable Date, we had maintained stable partnerships with leading customers across our key verticals. These enduring relationships not only provide recurring orders and revenue stability, but also serve as feedback loops for product innovation. For example, customer inputs have helped us improve the reliability standards of our automotive-grade MCUs and refine our motor control algorithms for appliance applications.

BUSINESS

In sum, this expansive customer landscape creates a strong foundation for mutual growth. By embedding our solutions deeply into customers’ products and development processes, we not only enhance customer retention but also elevate our role from a chip supplier to a strategic partner, reinforcing our competitive position across multiple end markets.

Stable and collaborative supply chain framework

As a fabless semiconductor company, we focus on chip design, R&D, and sales while leveraging a dual-track supply chain model that combines long-term partnerships with key suppliers and our own in-house capacity. This integrated approach balances supply chain stability with production flexibility, providing resilient manufacturing support for our continued growth.

On the external supplier side, we have built long-standing and stable collaborative relationships with leading wafer foundries and OSAT providers. Among them, our collaboration with one major wafer partner dates back to 2008, when we jointly launched one of the first domestically produced 8-bit MCU chips. Over time, the partnership expanded across their entire production lines. In 2021, we became one of the earliest adopters of their 12-inch wafer 90/55nm eFlash process and remain among the few customers capable of achieving mass production across their full process platform. This reflects both the technical depth and strategic stability of our collaboration. In parallel, we maintain a “multi-foundry, multi-process” sourcing strategy, allowing us to diversify capacity reserves and flexibly respond to growing demand across different application markets. Our scale, deep integration with supplier processes have enabled us to secure priority capacity allocation and jointly drive process optimization, reinforcing a mutually beneficial supply chain framework.

In addition, our substantial and stable procurement has positioned us as a strategically important customer to our major suppliers. Our wafer purchases from five largest wafer suppliers in each year of the Track Record Period amounted to RMB383.9 million, RMB332.6 million and RMB414.1 million in 2023, 2024 and 2025, respectively, while our packaging and testing purchases from five largest suppliers in each year of the Track Record Period amounted to RMB127.4 million, RMB156.0 million and RMB179.1 million during the same years, respectively. These sizeable and recurring orders not only secure us preferential access to production capacity during industry upcycles, but also allow us to collaborate closely with suppliers on process upgrades, forming a virtuous cycle of “demand driving capacity, capacity supporting demand.”

To complement external supply, we have established an in-house packaging and testing line. This line functions as a capacity adjustment facility that provides backup during short-term supply chain disruptions and supports immediate “package-and-test” needs for engineering batches of new products. By shortening the R&D and verification cycle, our internal line enhances time-to-market while strengthening supply resilience. This “external stability + internal flexibility” model ensures reliable delivery for mass production and improves responsiveness to sudden spikes in demand or R&D requirements, enhancing both our operational agility and our ability to withstand supply chain risks.

Through decades of accumulated supplier trust, large-scale procurement advantages, and the buffer of in-house capacity, we have built a supply chain framework that combines stability with flexibility. Beyond ensuring reliable production across market cycles, our collaborative approach with suppliers also enables us to jointly advance process innovation and product competitiveness. This integrated supply chain has become a critical competitive strength underpinning our sustainable growth.

Visionary and technically grounded management team driving sustainable growth

Our sustained development is underpinned by a visionary and technically proficient management team. The core management possesses a deep understanding of technological evolution and market dynamics in the integrated circuit industry, and excels at translating this insight into sound strategic direction. Backed by a capable and experienced R&D team, our management continues to drive long-term growth with clarity and conviction.

BUSINESS

Our founder, Mr. Yang Yong, brings decades of industry experience and robust technical expertise. Holding a master’s degree from Southeast University, Mr. Yang has accumulated extensive hands-on experience in chip design and product development. Since inception, he has played a pivotal role in shaping our technological roadmap and product strategies, from the early development of MCU core technologies to the later expansion into high-growth verticals such as industrial control and automotive electronics, further underpinned by our forward-looking R&D strategy focused on cutting-edge sectors such as AI and robotics. His foresight and decisive leadership have been instrumental in positioning us at the forefront of emerging opportunities.

Under the leadership of Mr. Yang and the senior management, we have built a strong technical team with domain expertise. Many of our lead engineers have over a decade of industry experience, and our senior R&D heads bring more than 20 years of specialized knowledge across mixed-signal IC design, analog chip development, system integration, and embedded application engineering. Their ability to tackle complex product development challenges and adapt technologies to real-world scenarios forms the backbone of our innovation capabilities.

To sustain this momentum, we have established a robust talent development system. We emphasize both the transfer of technical know-how and the growth of the next generation of engineers, cultivating a talent structure that is well-balanced, resilient, and primed for continuity. This ensures not only the timely execution of current R&D initiatives but also builds long-term strength for future breakthroughs and business expansion.

OUR BUSINESS STRATEGIES

We intend to leverage our existing strengths and carry out the following strategies to capture growing market opportunities, further solidify our market position and achieve our mission:

Strengthen R&D investment and drive breakthroughs across multiple technological frontiers

We view in-house research and development as the core engine of our long-term growth. We plan to further increase resource allocation toward product development and technological advancement. Through continuous iterations of core technologies and breakthroughs across multiple application domains, we aim to further enhance our R&D capabilities and solidify our market competitiveness.

Deepen product strength in core markets

In our two core advantage segments, smart household appliances and consumer electronics, we will continue to focus on the evolving needs of downstream customers. Leveraging our accumulated expertise in intelligent control solutions, we will intensify R&D investment in MCU product development. By benchmarking against the performance of both domestic and international peers, we will actively compete in the market and pursue continuous upgrades of our core technologies. These efforts are intended to maintain and strengthen our leading position in the smart household appliance and consumer electronics sectors.

Accelerate innovation in emerging and frontier fields

In parallel, we will pursue targeted innovations in high-growth verticals such as industrial control and automotive electronics, as well as in frontier areas including AI and robotics:

- *Industrial control*: We will center our R&D on motor drive control technologies, with dedicated project pipelines to accelerate commercialization and expand service coverage in this sector.
- *Automotive electronics*: Our focus will be on developing next-generation automotive-grade MCUs based on M4 and RISC-V architectures, featuring enhanced computing power and performance. These products will be designed to meet the stringent requirements of domain controller applications.

BUSINESS

- *AI and robotics*: We plan to expedite the development of high-performance, large-resource MCUs based on M4, M7, and RISC-V cores, tailored to meet the complex demands of cutting-edge applications in these domains.

By advancing R&D across both established and emerging fields, we seek to elevate our overall technological capabilities and build a solid foundation for sustained business expansion.

Broaden product portfolio and capture high-end application markets to enhance market share

We plan to pursue a dual-pronged strategy of “product line diversification” and “high-end application penetration,” with the goal of expanding our market share and reinforcing our competitive edge. This strategy encompasses both upstream product development and downstream application deployment, enabling us to address varied customer needs while positioning ourselves in high-value growth segments.

On the product development side, we will continue advancing our R&D roadmap centered around MCUs, expanding into a more diversified and synergistic product matrix. Vertically, we aim to enhance the breadth and performance of our MCU, SoC, ASIC, and embedded algorithm offerings. By integrating peripheral components such as power management, signal processing, and communication modules around the MCU core, we will create high-integration solutions that combine “chip + algorithm” for improved functionality and system-level value. Horizontally, we will deepen our customization capabilities, tailoring product configurations to fit specific customer application scenarios, from cost-sensitive smart household appliances to mission-critical industrial control and automotive electronics. This dual-direction approach enables us to deliver differentiated, end-to-end solutions across a range of price-performance requirements.

On the application side, we will pursue a tiered expansion strategy guided by the principles of “consolidating core segments, breaking through strategic verticals, and pre-positioning in emerging frontiers.”

First, we will reinforce our foundation in consumer electronics and smart household appliances. By continuously upgrading core product performance, including main control performance, integration, low power consumption, and reliability, we aim to further strengthen our technical leadership. We will also deepen cooperation with top-tier brands and explore integration of AIoT and intelligent interaction features, ultimately evolving our offerings from standalone chips into scenario-driven, integrated solutions. This will help consolidate and expand our market leadership in these segments.

Second, we will accelerate penetration into industrial control and automotive electronics, which serve as our key strategic growth pillars. In the automotive segment, we will focus on mass-producing automotive-grade MCUs, obtaining functional safety certifications, and upgrading high-reliability process nodes. In the industrial control segment, we will benchmark against global leaders while promoting domestic substitution. By offering differentiated solutions in these high-barrier markets, we aim to move up the value chain and establish our “second growth curve.”

Third, we will proactively invest in emerging segments such as AI and robotics. Anticipating growing demand for AI and robotics application areas, such as service robots, humanoid robotics, and AI-integrated devices, we are advancing early-stage R&D and technology reserves in this space. This forward-looking strategy is designed to capture emerging opportunities and secure a first-mover advantage in next-generation application scenarios.

BUSINESS

Enhance existing customer relationships, deepen key account engagement, and expand international footprint

We are executing a three-pronged customer development strategy focused on consolidating existing partnerships, penetrating high-value key accounts, and accelerating global expansion. Through refined service delivery and international market deployment, we aim to enhance customer stickiness and broaden our overall market coverage.

Building on our technological strength in intelligent control solutions, we intend to further enhance the depth and quality of cooperation with existing customers. By providing customized, scenario-based solutions and integrating “chip + algorithm + service” into a unified offering, we not only meet customers’ evolving needs with precision but also establish technological and service-driven switching costs. This strengthens customer loyalty and underpins the steady growth of our recurring business.

We will prioritize strategic engagement with leading players in each downstream segment. To this end, we are developing a tiered customer service model, allocating dedicated technical support teams to our most valuable customers and establishing fast-response mechanisms tailored to their needs. At the same time, we will enhance our supply chain agility to match the large-scale, high-reliability expectations of these customers. By shifting the collaboration model from “single-product delivery” to “full-lifecycle value co-creation,” we aim to increase the revenue contribution from top-tier accounts and secure deeper, more strategic partnerships.

We are also implementing a global development strategy to drive the next phase of growth. This includes intensifying our efforts in acquiring overseas customers and adapting our product offerings to align with regional application needs. Through this, we aim to bring our MCU and intelligent control solutions to international markets, expanding our global footprint and evolving from a domestically leading enterprise to a globally competitive brand.

Establish a global talent pool and enhance our R&D talent pipeline

We regard talent as the cornerstone of technological innovation and long-term growth. To support our ongoing development, we place a high priority on attracting top-tier professionals and systematically strengthening our R&D talent pipeline.

Going forward, we will establish a global recruitment and talent development framework, with a strategic focus on core areas such as chip design, underlying algorithm development, and automotive-grade technologies. We aim to attract high-end talent with deep technical expertise and international industry perspectives, thereby enhancing the overall strength and professionalism of our core R&D team.

BUSINESS

We will continue to expand and optimize our talent pool through a dual-track mechanism combining internal development and external recruitment. Internally, we will foster the next generation of technical leaders by enhancing knowledge transfer, mentorship, and training systems, laying a strong foundation for a resilient talent ladder. Externally, we will actively tap into industry-wide talent networks to fill key positions with experienced professionals in critical technology areas.

By building a multi-tiered, full-spectrum talent structure, we aim to ensure both the stability and innovation capacity of our R&D function. This comprehensive approach to talent management will serve as a continuous driving force for the execution of our long-term strategic objectives.

Strengthen and expand our operations outside the PRC

We intend to strengthen and expand our operations outside the PRC to support our long term global development. As of the Latest Practicable Date, our overseas activities remain limited in scale and are primarily conducted through our office in Singapore. The employees stationed in Singapore include management staff, who are responsible for certain daily operational coordination relating to overseas matters, and R&D personnel, who primarily collaborate with our R&D team in the PRC on technical validation, testing support and research and development activities. The Singapore office does not engage in sales activities and does not operate as a revenue generating center. These operations provide a foundation for future expansion and help facilitate cross border R&D collaboration.

Looking ahead, we plan to establish our global operations and R&D centers in Hong Kong to serve as the core platform for expanding our international presence. Hong Kong’s strategic location, international business environment and established talent pool make it an attractive base for supporting our global strategy. The global operations center is expected to undertake functions including overseas business development, global marketing, customer service coordination and operational management relating to our international expansion. Through these activities, we aim to strengthen our responsiveness to overseas customer needs, enhance our brand visibility and build a more comprehensive overseas sales and service network.

In parallel, the R&D center in Hong Kong will focus on forward looking research, product innovation and collaboration with research institutions and industry partners. The Hong Kong R&D center will complement our existing R&D teams in the PRC and Singapore and enable us to broaden our technological capabilities, attract high quality technical talent and accelerate the development of next generation products.

Selectively pursue strategic acquisitions

We believe that strategic acquisitions are effective methods to diversify our solution and product offerings and enhance our competitiveness. Therefore, we plan to actively pursue strategic collaborations with IC product providers along the industry value chain, including chip technology companies.

Moreover, we will closely monitor market trends and proactively seek suitable acquisition targets that can provide strategic benefits or synergies. Our preferred targets are chip design companies with strong technological capabilities, scalable business models, and high growth potential. In particular, we plan to explore opportunities in emerging sectors such as AI and robotics, which offer strong growth potential and opportunities for cross-sector integration and synergy. Strategic acquisitions in these areas will allow us to expand our product portfolio and downstream applications, extend our technological reach, and enhance our ability to capture future industry opportunities. In evaluating potential mergers, acquisitions, and investments, we intend to consider factors such as technology differentiation, market synergy, talent pool, and operational efficiency. We believe that by selectively pursuing strategic transactions, we can rapidly strengthen our technological foundation, accelerate market expansion, enhance customer offerings, and further solidify our competitive advantages in the IC market.

BUSINESS

OUR SOLUTIONS AND PRODUCTS

We strategically position ourselves as a chip-centric provider of intelligent control solutions. Guided by an “application-defined chip” philosophy, we design and develop our IC products based on the specific functional and performance requirements of target application scenarios. From the early stages of chip design, we embed key supporting components, including proprietary algorithms and motor control software, into our products, enabling us to offer highly integrated, one-stop intelligent control solutions. These scenario-specific solutions not only accelerate the commercialization of our customers’ end-products but also deliver significant technical advantages, including enhanced reliability, lower power consumption, and greater cost efficiency.

During the Track Record Period, we derived revenue primarily from the provision of solutions and products, as well as the sale of other related products. The table below sets forth a breakdown of our revenue by business line during the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Solutions and products						
MCU solutions	571,164	80.1	697,843	76.6	846,387	75.4
SoC solutions	91,190	12.8	185,085	20.3	241,030	21.5
ASIC solutions	32,280	4.5	24,048	2.6	31,489	2.8
Other related products ⁽¹⁾	15,219	2.1	3,676	0.4	1,887	0.2
Sub-total	709,853	99.5	910,652	99.9	1,120,793	99.9
Other products ⁽²⁾	1,223	0.2	1,003	0.1	1,357	0.1
Other services ⁽³⁾	2,494	0.3	—	—	—	—
Total	713,570	100.0	911,655	100.0	1,122,150	100.0

Notes:

- (1) Other related products primarily comprise development tools.
- (2) Other products primarily comprise the sales of scrap materials.
- (3) Other services primarily comprise technical support services.

Our solutions consist primarily of MCU, SoC and ASIC solutions, for which we offer a diverse product portfolio covering a wide range of MCUs, SoCs and ASICs. To a lesser extent, we also offer other related products such as development tools, which complement our solutions. Within each category, we offer products in multiple specifications to address distinct performance and functionality requirements across different application scenarios. While many of our products are designed for general purpose use, we also develop customer-oriented solutions that align with the unique goals and challenges of each customer. This breadth and flexibility enable us to serve a wide spectrum of downstream industries, including consumer electronics, smart household appliances, industrial control and automotive electronics.

BUSINESS

The table below sets forth our product portfolio layout in different application scenarios as of the Latest Practicable Date.

	Consumer electronics ⁽¹⁾	Smart household appliances	Industrial control	Automotive electronics
MCUs	✓	✓	✓	✓
SoCs	✓	✓	✓	—
ASICs	✓	✓	✓	—

Note:

- (1) In the consumer electronics sector, in addition to traditional application scenarios, we are also actively expanding into emerging areas such as AI and robotics.

The table below sets forth our sales volume and average selling price by product category during the years indicated.

	Year ended December 31,					
	2023	Average selling price ⁽¹⁾	2024	Average selling price ⁽¹⁾	2025	Average selling price ⁽¹⁾
	Sales volume (Unit' 000)	(RMB)	Sales volume (Unit' 000)	(RMB)	Sales volume (Unit' 000)	(RMB)
MCUs	1,417,561	0.40	1,908,191	0.37	3,374,022	0.25
SoCs	69,751	1.31	176,126	1.05	228,888	1.05
ASICs	295,369	0.11	310,968	0.08	420,214	0.07
Other related products ⁽²⁾	31,707	0.48	3,433	1.07	37,870	0.05
Total	1,814,388		2,398,718		4,060,994	

Notes:

- (1) Average selling price is calculated by dividing revenue by the corresponding sales volume during the same period.
- (2) Other related products primarily include development tools.

During the Track Record Period, the average selling prices of our MCU, SoC, and ASIC products declined steadily, primarily due to cost reductions, product iteration, and technical advancements.

On the cost and market front, our average unit inventory cost decreased by approximately 27.9% from 2023 to 2025. This was mainly driven by domestic foundries achieving scale in mid- to high-precision wafer production, as well as a broader industry shift toward local supply chains in response to overseas uncertainties. The resulting cost savings were reflected in lower selling prices. In addition, as we accelerated product upgrades, older products saw faster price erosion. To support this transition and improve inventory turnover, we launched a de-stocking strategy in 2023, including promotional sales, which increased sales volume while exerting downward pressure on average selling prices.

In line with Moore's Law, which observes that the number of transistors on a chip doubles approximately every 18 to 24 months, advances in semiconductor integration have continued to reduce the wafer area required per chip, thereby enabling more chips to be produced from a single wafer. This improvement in manufacturing efficiency further lowered the wafer cost per unit, contributing to the continued decline in average selling prices across our core product lines.

BUSINESS

Furthermore, we observed dynamic shifts in both the revenue and sales volume mix across our key product categories during the Track Record Period. Such evolution was closely linked to broader market dynamics, customer procurement strategies, and our own efforts to refine product offerings, manage inventory levels, and maintain pricing flexibility.

From 2023 through 2024, downstream demand began to moderate amid inventory digestion by customers and overall market correction. In response, we launched a proactive destocking strategy in 2023 to accelerate turnover of legacy or high-inventory products, which boosted sales volume across our major products. In late 2024, market demand gradually recovered, and we began to ramp up shipments of newly launched products. In 2025, our 8-bit MCU, 32-bit MCU and 32-bit SoC shipments reached new highs compared to that in 2024. The increase in 8-bit MCU shipments was primarily driven by enhanced sales and marketing initiatives, which supported broader market penetration. The growth in 32-bit MCU and 32-bit SoC shipments was mainly attributable to the ramp-up of new products and increased customer adoption. However, 8-bit SoC and ASIC product segments experienced sales moderation, reflecting steady demand in their respective application markets.

MCU Solutions

An MCU, or microcontroller unit, is a compact, self-contained computer IC designed to control a specific task or device. It integrates a processor (central processing unit), memory for storing and running programs, built-in timers, input and output interfaces for connecting to sensors and controls, and communication ports. It can also convert signals between analog and digital formats. With its “small yet complete” design, an MCU is indispensable in scenarios requiring low cost, low power consumption, and customized control, making it one of the most in-demand chip types in the semiconductor industry. By combining all these functions into a single chip, an MCU can operate independently without additional components, making it ideal for managing targeted operations in consumer electronics, smart household appliances, automotive systems, and industrial control equipment.

We strategically focus on 8-bit and 32-bit MCUs, delivering a balance of performance, power efficiency, and cost-effectiveness. Renowned for their versatility and reliability, our MCUs power a wide spectrum of applications, from consumer electronics and smart household appliances to automotive systems and industrial controls. By leveraging these highly adaptable and dependable products, we have secured a strong foothold across multiple end markets, with a particularly dominant presence in consumer electronics. According to Frost & Sullivan, we ranked first in China’s MCU market by shipment volume in 2024, first in the 8-bit width MCU segment in terms of both revenue and shipments in 2024, and first in the smart household appliances MCU market in China in terms of revenue in 2024. The table below sets forth the key product specifications, features and advantages of certain core MCU products.

Core products	Product image	Product features and advantages	Primary applications
8-bit MCUs		Our 8-bit MCUs are designed to perform reliable control functions in a variety of devices. They support key features such as signal conversion, touch input, display control, and flexible connection options, enabling broad application adaptability. We supply these MCUs together with our self-developed evaluation kits, tools, and software, allowing customers to test and refine their designs more efficiently and accelerate product launch timelines.	(i) Smart household appliances: remote controls, display control panels for refrigerators and washing machines; (ii) Automotive electronics: car seat adjustments, various lights, ambient lighting control; (iii) Consumer electronics: toy control; and (iv) Industrial control: industrial weighing control.

BUSINESS

Core products	Product image	Product features and advantages	Primary applications
32-bit MCUs		Our 32-bit MCUs are built on a proven, industry-standard architecture that delivers the optimal balance of speed, efficiency, and flexibility. Serving as the “brain” of the device, they provide fast processing capabilities for demanding applications while maintaining low power consumption. With built-in analog components such as amplifiers and comparators, they reduce reliance on additional hardware. Depending on application needs, they offer ample memory, abundant connection pins, and flexible expandability, making them highly adaptable across a broad spectrum of devices and industries.	(i) Consumer electronics: drone electronic speed controllers; (ii) Smart household appliances: air conditioner outdoor units, and facial recognition for smart door locks; (iii) Industrial control: industrial fans, industrial pumps and power tools; and (iv) Automotive electronics: electronic tailgate, seat switch, UWB digital key and vehicle air conditioning.

The following table sets forth a breakdown of our revenue from provision of MCUs by product category for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
8-bit MCUs	479,443	83.9	557,112	79.8	635,541	75.1
32-bit MCUs	91,721	16.1	140,731	20.2	210,846	24.9
Total	571,164	100.0	697,843	100.0	846,387	100.0

We deliver integrated MCU solutions by combining our MCU products with supporting algorithms, software, and technical services, enabling customers to streamline development and accelerate time-to-market with a one-stop solution.

For general-purpose MCU applications, we provide our customers a low-level hardware abstraction library, evaluation boards and kits, integrated development environments (“**IDEs**”), and mass production tools. Specifically, this low-level hardware abstraction library provides a set of universal application interfaces that ensure application portability across our diverse product series and enable customers to swiftly transition between product series. Evaluation boards and kits deliver foundational systems for product development applications. They facilitate customer assessment of performance parameters and product features, accelerating the adoption of our products. IDEs and mass production tools form the cornerstone of MCU applications, ensuring efficiency and stability throughout the customer’s development and manufacturing processes. We also provide the underlying algorithms and develop graphical interfaces to facilitate the development of touch-sensing MCUs for customers, meeting the high-performance requirements for waterproofing and resistance to electromagnetic interference in household appliances with a touch-sensing feature. Details of other algorithms and technical services combined in our solutions, see “— Core Algorithms and Technical Supports.”

SoC Solutions

SoC is a type of integrated circuit that combines all the key components of a complete computer system, such as processors, memory, communication modules, and peripheral interfaces, into a single chip. Combining both hardware and embedded software, an SoC delivers a “system-on-a-chip” solution that underpins many modern smart devices.

Unlike an MCU, which is built for a single control task, a SoC can integrate multiple processors, complex peripherals, and a full operating system to support multitasking and parallel processing. Compared with an ASIC, which is optimized for one dedicated function, SoC can

BUSINESS

incorporate ASIC modules alongside general-purpose processors, achieving a balance between customization and versatility. This adaptability makes SoCs ideal for complex applications such as mobile devices and automotive electronics.

Drawing on our technological expertise, we design SoCs that integrate both digital and analogue IP to support targeted functions such as motor control, wireless charging, measurement, wireless connectivity, high-voltage drives, electromagnetic heating, and battery management. Compared with traditional ICs, our SoCs are more compact and energy-efficient, while offering enhanced reliability and the flexibility to handle advanced, user-level applications.

The table below sets forth the key product specifications, features and advantages of certain core SoC products.

Core products	Product image	Product features and advantages	Primary applications
Motor control SoCs		Our motor control SoCs integrates innovative high-speed level-shifting circuits and high-performance signal processing circuits, reducing the need for external components and enabling more accurate motor current sensing. This significantly simplifies customer board layout. Additionally, our motor control SoCs, combined with our proprietary high-efficiency motor control algorithms, offer outstanding motor control and broad adaptability. Coupled with high-precision, high-speed measurement circuits, they not only achieve precise motor power control, but also provide the system with safety features.	Smart household appliances: hair dryer, water pump, power tools, vacuum cleaner, robotic vacuum cleaner, and electric two-wheeler
Measurement SoCs		Integrated with our proprietary 24-bit high-precision $\Sigma \Delta$ ADC, our measurement SoCs achieve an equivalent input noise as low as 30nVrms. This enables precise measurement of faint signals. Utilizing our specialized signal processing technology, our measurement SoCs demonstrate excellent resistance to radio frequency interference, ensuring stable and accurate measurements.	Consumer electronics: measurement for medical and personal care devices, such as body scales, body fat scales, and blood pressure monitors
Wireless SoCs		Our wireless SoCs integrate 2.4 GHz and Bluetooth modules for point-to-point communication and are broadly applied in smart household and lighting control products. This high-level integration streamlines IC design, reduces the bill of materials, and minimizes size and weight.	Industrial control: remote communication and control applications, such as remote meter reading, and various consumer, industrial control, and healthcare products controlled via mobile apps.

We provide integrated SoC solutions by combining our SoC products with supporting software, algorithms, and technical services, enabling customers to accelerate system development and improve efficiency across applications.

We have developed a range of algorithms for motor control SoC products, including algorithms for position sensor processing, sensorless position observation, modulation, weak magnetic field detection, sensorless square-wave commutation, parameter identification and noise cancellation, to enhance motor control precision. On the other hand, for measurement-oriented SoC products, we use low-noise, high-precision filtering algorithms to develop a graphical interface that allows our customers to easily interpret the useful information from analog-to-digital converter (“ADC”) sampling and enhance the accuracy of ADC small-signal sampling. Details of other algorithms and technical services combined in our solutions, see “— Core Algorithms and Technical Supports.”

BUSINESS

ASIC Solutions

An ASIC, or application-specific integrated circuit, is a type of chip custom-designed for a specific application or functional requirement. Unlike an MCU, which is a general-purpose chip, an ASIC is purpose-built to perform a particular function, such as processing a certain communication protocol, converting data from a specific type of sensor, or accelerating AI algorithm computations. Its design is aimed at achieving extreme optimization for a defined use case, whether in terms of performance, power consumption, chip size, or cost. They are best suited for scenarios where the functional requirements are clear, stable, and intended for large-scale production. ASICs are widely used in applications that demand strict customization in functionality, performance, or power efficiency, such as dedicated control chips in smart household devices, sensor fusion chips in autonomous driving, and specialized sensor interface chips in industrial control.

Leveraging our keen insight into market demand and in-depth research of downstream application scenarios, we develop purpose-built ASIC products tailored to specific functions and use cases. We offer a wide range of ASICs that support various tasks or applications, including high-precision ADCs, linear regulators, remote controls, touch controls, and display drivers. Set out below are illustrations of our core ASIC product series:



**High-precision 24-bit
sigma delta ADC series**



**Low-power airflow
detection series**

By pairing our ASIC products with tailored algorithms, software, and technical support, we provide end-to-end ASIC solutions that empower customers to simplify development, reduce integration effort, and speed up their product launch. Details of algorithms and technical services combined in our solutions, see “— Core Algorithms and Technical Supports.”

Other Related Products

While our primary focus during the Track Record Period was on digital and analog chips, we also generated a smaller portion of revenue from sale of other related products, primarily including development tools.

We provide a comprehensive suite of development tools, including simulation and programming tools. These tools allow customers to simulate and analyze electronic designs before creating prototypes, which helps them reduce development costs, shorten development cycles, and enhance the performance and reliability of electronic systems simultaneously. These tools consist of both hardware and software that are necessary for customers to perform secondary development on our control-type chips, such as writing customized code to enable specific functionalities.

Due to their general-purpose design and broad compatibility across product specifications, our development tools are typically purchased only once during a customer’s initial adoption of our chip products. Once acquired, the same set of tools can be reused for subsequent projects involving our chips, and therefore do not require repeated purchases. The separate and one-off nature of such purchases distinguishes them from our IC product sales and reflects their role as enabling instruments for customer-driven development, rather than bundled elements of our IC solutions.

BUSINESS

Core Algorithms and Technical Supports

To provide customers with comprehensive one-stop chip solutions, we have developed and bundled our core chip products with proprietary underlying algorithms and dedicated technical support. These algorithms and technical capabilities are deeply embedded into our chip architecture, forming integrated solutions that enable customers to shorten development cycles, reduce system integration costs, and accelerate the deployment of our chips in their end products.

The embedded algorithms and supporting software are functionally indispensable and not ancillary. These embedded elements are essential for enabling the chip to perform the intended intelligent control functions. Without them, customers would be required to develop core control logic and system integration frameworks independently, which is highly technical, time consuming and costly. Our embedded algorithms and software provide validated control strategies, communication protocols, motor control modules and reference designs that customers directly rely on, thereby significantly improving their development efficiency. For many application scenarios, the chip alone cannot achieve the desired performance without the integrated algorithms and embedded software specifically designed for that chip architecture.

Our current solution portfolio covers multiple functional domains. For example, our touch libraries deliver precise and responsive capacitive touch control for a wide range of consumer and industrial devices; our host control software enables intuitive system configuration, debugging, and performance monitoring; and our motor control algorithms optimize speed regulation, torque control, and energy efficiency for applications such as household appliances, power tools, and industrial control. In addition, we continue to expand our solution suite to address emerging market needs, such as advanced sensing, connectivity, and energy management, thereby enhancing the versatility and market applicability of our chip products.

Applications for Our Solutions and Products

Our solutions and products can be widely used in various application scenarios, including consumer electronics, smart household appliances, industrial control and automotive electronics. Based on the performance and reliability requirements of various application scenarios, we offer different selections of MCUs, SoCs and ASICs to meet their specific needs.

The following table sets forth the details of end products under each application scenarios:

Application Scenario	End Products
Consumer Electronics	Panorama cameras, smart door locks, handheld stabilizers, mobile power banks, Bluetooth earphones, e-cigarettes wireless chargers, blood pressure monitors, oximeters, infrared thermometers, electric scooters, drones, beauty devices, electric toothbrushes, shavers, hair clippers, positioning devices, light dimmers, lighters, toys
Smart Household Appliances	Air conditioners, refrigerators, washing machines, kitchen and bathroom appliances (including range hoods, integrated stoves dishwashers, sterilizers, water heaters, and smart toilet seats), small kitchen appliances (such as rice cookers, air fryers, health pots, wall-mounted ovens, microwave ovens, blenders), lifestyle appliances (such as water purifiers, air purifiers, fans, heaters, dehumidifiers, coffee machines), cleaning appliances (including robotic vacuum cleaners, floor sweepers, air purifiers), smart home devices (smart switches, smart lighting)
Industrial Control	Industrial fans, industrial systems, power tools, automation devices, smart water meters, smart electric meters, smart gas meters, OA printers, industrial robots

BUSINESS

Automotive Electronics

Automotive lighting (headlamps taillights, ambient lights, reading lights), automotive windows and sunroofs, power tailgates, seat control switches, intelligent gateways, HVAC control, tire pressure monitoring, magnetic levitation systems, water pumps, ultrasonic radars, CAN-BOX, DC/DC converters, UWB digital key systems, QQS/AQI sensors digital dashboard clusters, BCM controllers, drive-by-wire systems, intelligent air suspension, body control modules, and domain controllers

The table below sets forth a breakdown of our revenue generated from the provision of solutions and products by application scenario during the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Consumer electronics	310,706	43.8	359,457	39.5	466,682	41.6
Smart household appliances	298,535	42.0	337,972	37.1	353,838	31.6
Industrial control	78,156	11.0	184,905	20.3	246,829	22.0
Automotive electronics	22,456	3.2	28,318	3.1	53,444	4.8
Total	709,853	100.0	910,652	100.0	1,120,793	100.0

Consumer Electronics



Consumer electronics encompass electronic devices and related products designed for personal or household use, spanning everyday scenarios such as entertainment, daily living, communication, and health. Within this sector, MCUs are prized for their core advantages of low power consumption, high integration, cost efficiency, and robust control capabilities. They excel at system coordination and real-time control, serving as the essential “control chips” for a wide range of consumer electronics. In particular, our MCU products are deployed across an extensive array of consumer devices, including e-cigarettes, mobile power banks, true wireless earphone charging cases, power tools, wireless chargers, smart door locks, electronic scales, sensors, and other portable products.

With years of accumulated expertise and a proven track record, we have established ourselves among the foremost MCU suppliers in the consumer electronics industry. According to Frost & Sullivan, we ranked second in the PRC MCU market for consumer electronics by revenue in 2024, and also secured leading market shares in multiple subsectors, including e-cigarettes and wireless chargers.

In addition to the wide application of our MCU products, our SoC and ASIC chips are also used in various consumer electronics. SoCs are widely adopted in devices such as smartphones and smartwatches. By integrating multiple functions including computing, image processing, and

BUSINESS

communication into a single chip, SoCs significantly reduce device size and enhance overall system efficiency. ASICs, on the other hand, are typically designed to perform specific core functions aligned with particular application needs, such as graphics acceleration modules for game consoles. These application-specific designs help optimize performance for targeted scenarios while reducing power consumption and cost.

During the Track Record Period, our solutions and products were supplied to various leading consumer electronics manufacturers in the PRC. The consumer electronics sector consistently represented a significant revenue driver, contributing 43.8%, 39.5% and 41.6% of our revenue from provision of solutions and products in 2023, 2024 and 2025, respectively.

Smart Household Appliances



Smart household appliances combine traditional household appliances with advanced technologies such as the Internet of Things, sensors, and automated control. They are characterized by automatic sensing, intelligent decision-making, remote interaction, and energy-efficiency optimization, covering both major household appliances, such as smart air conditioners, and small household appliances, such as smart door locks.

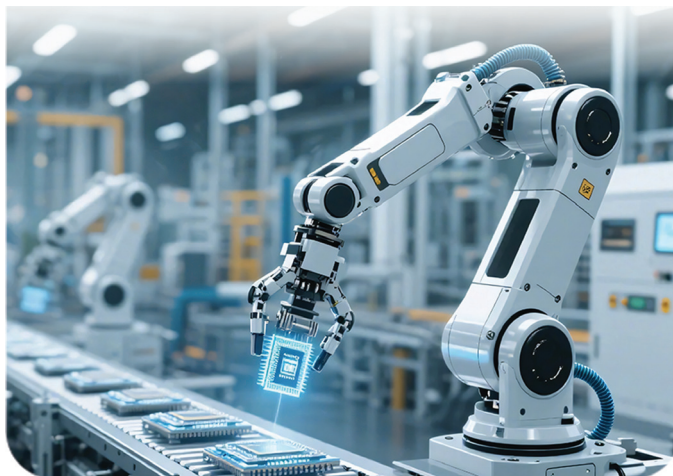
We entered this market through small household appliances and have since expanded into major household appliances. Today, our MCUs, SoCs and ASICs are used in a wide range of products, including air purifiers, air fryers, microwave ovens, smart speakers, water heaters, dishwashers, range hoods, air conditioners, refrigerators, and washing machines.

In particular, we are a leading player in the PRC smart household appliance MCU market. According to Frost & Sullivan, we ranked first in the PRC MCU market for smart household appliances by revenue in 2024. We were also, as of the Latest Practicable Date, one of the few integrated semiconductor solution providers in the PRC combining a motor control technology platform with a touch-sensing technology platform.

During the Track Record Period, we supplied our smart household appliance solution to various well-known manufacturers. The smart household appliance sector has been a significant revenue contributor, accounting for 42.0%, 37.1% and 31.6% of our revenue from provision of solutions and products in 2023, 2024 and 2025, respectively.

BUSINESS

Industrial Control



The industrial control sector is built on technologies that enable automation, precision, and intelligence in production, focusing on equipment control, process optimization, data monitoring, and decision-making to enhance efficiency, cut energy use, and ensure safety.

Our industrial control application covers BLDC MCU, SoC and ASIC solutions, enabling deployment across diverse applications such as motor control, instrumentation, power tools, and industrial robots.

During the Track Record Period, we supplied our industrial control solutions to various leading motor manufacturers. Revenue from the industrial control sector contributed 11.0%, 20.3% and 22.0% of our revenue from provision of solutions and products in 2023, 2024 and 2025, respectively.

Automotive Electronics



Our automotive-grade chips are offered in intergenerational product series, covering a broad spectrum of applications including body control, switches, lighting, thermal management, and sensors.

We offer a portfolio of automotive-grade products certified under the AEC-Q100 standard. Among them, our BAT32A series represents a significant advancement in the 32-bit MCU market. These MCUs are capable of stable operation across a wide temperature range from -40°C to 125°C ,

BUSINESS

meeting the stringent performance and environmental requirements of automotive applications. Our automotive-grade MCUs are characterized by wide-temperature tolerance, ultra-low power consumption and high resistance to electromagnetic interference. With a comprehensive product matrix, our customers are able to select products that suit the specific technical and functional needs of various automotive control systems.

To facilitate product integration and development, we provide a full suite of technical support, including software and hardware development kits, application documentation, turnkey reference designs and on-site technical assistance. Our automotive-grade chips are also compatible with the AUTOSAR standard platform, supporting customers in shortening their product development cycle and accelerating commercial deployment.

During the Track Record Period, we supplied automotive-grade solutions to nine well-known automotive manufacturers, as well as to 55 prominent automotive parts manufacturers. Revenue from the automotive sector contributed 3.2%, 3.1% and 4.8% of our revenue from provision of solutions and products in 2023, 2024 and 2025, respectively.

According to Frost & Sullivan, the PRC produced approximately 31 million automobiles in 2024, translating into a demand for about 48.1 billion chips and a market size of RMB166.8 billion. The market is expected to maintain steady growth, presenting us with ample opportunities to expand our footprint in the automotive semiconductor sector. Leveraging our proven capabilities and strong customer base, we aim to capture these growth opportunities and further strengthen our market position.

Future Development

We plan to increase investment in expanding the applications of our products in the automotive sector while consolidating our market leadership in consumer electronics and smart household appliances. In particular, we plan to increase the share of our products used in higher-value applications, such as air conditioners and refrigerators. From a technical perspective, our focus will be to (i) conduct R&D to achieve pin-to-pin compatibility across 8- and 32-bit MCUs and other hardware, thereby reducing customers’ switching costs; and (ii) develop modular solutions that enable customers to accelerate product development cycles.

OUR KEY TECHNOLOGIES

We possessed approximately 17 key technologies for manufacturing our semiconductor products as of the Latest Practicable Date. The table below provides an overview of key technologies:

Key technology	Technical characteristics	Origins and Ownership
Platform-level key technology		
High-reliability system architecture	This system architecture enables high-reliability reset and operation, and high-reliability flash data protection.	Self-developed; Proprietary
High-immunity memory module design	Such design ensures that the read/write circuitry of the storage module remains stable and reliable during abnormal power fluctuations.	Self-developed; Proprietary
Low-power system design	This design encompasses low-power power supply module design, low-power oscillator design, system design supporting low-latency direct data access, and distributed switch-controlled power supply system design.	Self-developed; Proprietary
Memory error correction code (“ECC”) verification	It uses ECC encoding and decoding to correct single-bit errors and detect double-bit errors, thereby enhancing memory reliability.	Self-developed; Proprietary

BUSINESS

Key technology	Technical characteristics	Origins and Ownership
Multi-power domain technology and multi-clock domain technology	It partitions multiple power and clock domains within the chip, enabling users to control the switching of power domains and the frequencies of clock domains flexibly, in order to balance performance and power consumption.	Self-developed; Proprietary
Program read protection technology	This technology allows read protection levels to be controlled via option bytes, offering three selectable levels of protection.	Self-developed; Proprietary
On-chip clock scanning technology	The use of on-chip phase-locked loop clocks to generate scan capture clocks reduces the amount of test equipment required, while also supporting AC scan testing based on the actual clock division configurations.	Self-developed; Proprietary
Scan chain compression and decompression technology	It addresses the challenges of testing complex chips, including excessive test data volumes, prolonged test durations and high testing costs.	Self-developed; Proprietary
Built-in burn-in/aging mode	This involves generating pseudo-random vectors via a linear feedback shift register for use in ageing tests through scan links.	Self-developed; Proprietary
Product-level key technology High-security level system design	This design complies with the ISO 26262 ASIL-B level, a globally recognized automotive functional safety standard. This ensures our products meet rigorous safety and reliability requirements for automotive applications.	Self-developed; Proprietary
High-precision delta-sigma ADC design technology	It enables 24-bit ADC, allowing for accurate and stable signal acquisition in scenarios with stringent sensor measurement requirements, such as industrial control and smart home devices. This supports precise data capture from a wide range of sensors, even in environments with high noise or low signal levels.	Self-developed; Proprietary
Chopper-based low-noise pin grid array (“PGA”) design technology	It has a low-noise PGA with extensive requirements for sensor measurement.	Self-developed; Proprietary
In-phase/quadrature method-based impedance measurement technology	It enables precise impedance measurement by analyzing both the in-phase and quadrature components of a signal, supporting accurate electrical characterization of sensors and biological tissues in applications such as smart healthcare and wearable devices.	Self-developed; Proprietary
Dual-ADC-based low-power electronic scale technology	It can enhance measurement resolution and accuracy while maintaining ultra-low power consumption, making it ideal for battery-powered electronic scales and weight-sensing applications.	Self-developed; Proprietary
High-immunity high-sensitivity touch detection technology	It enables accurate touch detection even in noisy environments or through thick or wet surfaces, balancing high sensitivity with strong resistance to electromagnetic interference.	Self-developed; Proprietary
Low-voltage half-bridge integrated power module	It integrates power devices and control logic into a compact half-bridge module that operates under low voltage, offering efficient and reliable motor drive solutions for applications such as small appliances and industrial equipment.	Self-developed; Proprietary

BUSINESS

Key technology	Technical characteristics	Origins and Ownership
Pyroelectric sensor weak signal acquisition technology	It enables the precise capture and processing of ultra-weak signals from pyroelectric sensors, enhancing sensitivity and accuracy in applications such as motion detection and infrared sensing.	Self-developed; Proprietary

RESEARCH AND DEVELOPMENT

R&D are fundamental to sustaining our market-leading position and driving long-term growth, enabling us to respond swiftly to the evolving requirements of downstream applications for our products. We focus on in-house R&D of core technologies, complemented by the selective introduction of mature licensed IPs to enhance our technical capabilities and the overall performance of our products.

As of December 31, 2025, we had a robust R&D team of 241 experienced technical professionals, representing 52.5% of our total headcount. Many of our R&D personnel are seasoned semiconductor engineers with deep expertise in technology and materials innovation. In 2023, 2024 and 2025, our research and development expenses amounted to RMB120.5 million, RMB127.5 million and RMB124.2 million, respectively, representing 16.9%, 14.0% and 11.1% of our total revenue in the respective years, underscoring our strong commitment to technological advancement.

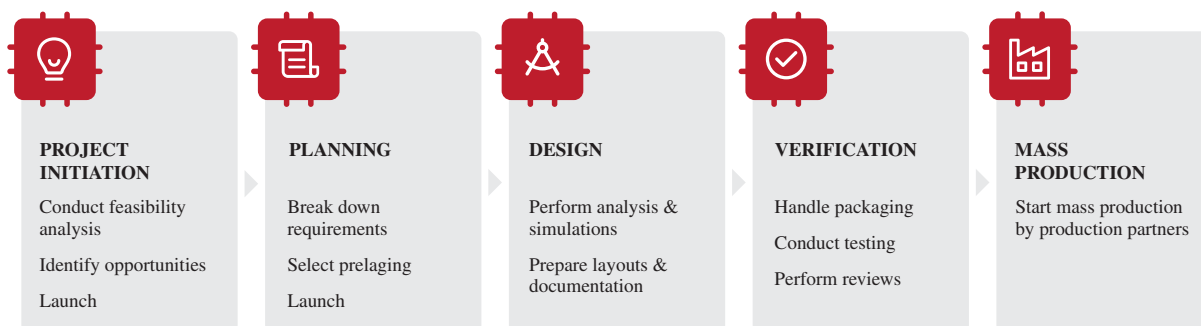
In addition to our in-house R&D capabilities, during the Track Record Period we established collaborations with leading universities. As part of our collaboration, we have established joint laboratories with these partner universities, which are used for carrying out R&D programs on AI chips and digital radio frequency ICs, respectively. These partnerships grant us direct access to cutting-edge industry developments and emerging technical challenges, while providing valuable insights into evolving market demands. Such engagement strengthens our ability to anticipate technological shifts and seize new market opportunities ahead of the curve. The salient terms of these collaboration agreements are set forth below:

- *Term:* Generally one to three years.
- *Principal rights and obligations:* Both parties will collaborate through a jointly established R&D team to address technical challenges. We propose specific R&D tasks for each phase based on our needs, while the partner university provides dedicated R&D personnel to work continuously on the laboratory’s projects.
- *Research plan and costs:* The parties will jointly formulate a research plan. We typically bear all costs and expenses associated with the R&D activities under the agreement.
- *Intellectual property:* Unless otherwise agreed, research results and IP generated under the collaboration will be jointly owned, with each party free to use them without the other’s consent. Any transfer or licensing to third parties requires prior written consent from the other party, and related proceeds will be shared equally. IP developed independently by either party will be solely owned by that party.
- *Confidentiality:* Both parties must keep confidential all information related to the agreement’s performance, including any confidential information received from the other party.
- *Renewal and termination:* Agreements may be extended by mutual consent. Either party may terminate the agreement without cause by providing three months’ prior written notice.

BUSINESS

Our R&D Process

We follow a structured and disciplined approach to product development, with clearly defined stages and roles to ensure quality, efficiency, and innovation at every step. The following diagram illustrates the stages of our R&D process:



- **Project initiation.** We conduct a comprehensive feasibility study covering customer needs, competitive landscape, and key technologies. This allows us to assess market opportunities and potential returns. Once a project is deemed viable, our R&D team formally initiates it.
- **Planning.** System engineers break down product requirements into detailed specifications. IC engineers simulate core functions and parameters, while quality engineers prepare a quality assurance plan. After management approval, the project moves to the design stage.
- **Design.** We develop a design manual outlining responsibilities and resource allocation. IC engineers perform design failure mode and effects analysis, create digital and analog circuits, and verify them through simulations. Layout engineers prepare the physical design, quality teams select qualified suppliers, and test engineers create chip verification plans. Upon approval from management, the project proceeds to tape-out.
- **Verification.** Post-fabrication, wafers are packaged by OSAT partners and undergo multiple rounds of functional, reliability, and trial production tests. Following successful results and internal review, the project enters mass production.
- **Mass production.** Following our instructions, our foundry and OSAT partners ramp up production capacity to meet market demand.

INTELLECTUAL PROPERTY

As of Latest Practicable Date, we had a total of 72 patents (including 43 invention patents and 29 utility model patents), 15 registered trademarks, 28 copyright (including 27 software copyrights and one work copyright), 228 registered IC layout-designs and five domain names in the PRC, which were material to our business. See “Appendix VI — Statutory and General Information — Further Information about the Business of Our Company — 2. Intellectual Property Rights.”

We rely primarily on a combination of patents, trademarks, trade secrets, and unfair competition laws and contractual rights, such as confidentiality agreement, to protect our intellectual properties. We have implemented robust measures to protect our intellectual property. Our legal department diligently oversees our intellectual properties to ensure timely applications, renewals, and filings, as well as to navigate any relevant third-party intellectual properties.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any lawsuits or arbitrations, or received any notifications from third parties alleging infringement of their intellectual property or the sale of counterfeit products that could have a significant negative

BUSINESS

impact on our business. Furthermore, we had not encountered any adverse findings from government authorities regarding investigations or audits concerning infringement of third-party intellectual property or the sale of counterfeit products that could have a substantial adverse effect on our business.

Even though we have paid attention to protecting our intellectual property, we may still face certain risks relating to our intellectual property. See “Risk Factors — Risks Relating to Our Business and Industry — Our ability to compete could be materially harmed if we fail to adequately protect, maintain, or enforce our intellectual property rights.”

PRODUCTION

Our Fabless Model

We primarily adopt a fabless business model, under which we do not own or operate semiconductor fabrication or packaging facilities. Instead, we mainly engage reputable foundries for wafer fabrication and leading OSAT providers for IC packaging and testing (collectively, as “**Production Partners**”). To supplement this fabless model and support rapid product iteration, we deploy our self-owned production line located in Suining, Sichuan Province as discussed below for in-house packaging and testing.

This model enables us to focus our resources on IC design, platform development, and market-driven innovation, while leveraging the advanced manufacturing capabilities, process expertise, and scalability of our partners to ensure consistent product quality. The fabless approach also allows us to avoid the substantial capital investments, fixed operating costs, and operational risks associated with running fabrication and packaging facilities, thereby giving us greater agility to respond to technological advances and market changes. According to Frost & Sullivan, this model is in line with the semiconductor industry’s increasing specialization and division of labor, enabling companies like us to dedicate resources to design and R&D while outsourcing manufacturing to best-in-class partners.

As of the Latest Practicable Date, we maintained close collaboration with six foundry partners for wafer fabrication, primarily located in Shanghai and Wuxi in China, as well as in Singapore, and 20 OSAT partners for IC packaging and testing, primarily located in Tianshui, Wuxi, Shenzhen and Suining in China. Our collaboration with these partners is founded on long-standing business relationships and prevailing industry practices, rather than binding contractual commitments to accept all purchase orders. To support production stability and ensure timely delivery, we carry out periodic procurement planning and maintain rolling forecasts. We did not experience any material production capacity constraints from our production partners during the Track Record Period and up to the Latest Practicable Date.

Arrangements with Our Production Partners

Selection of Production Partners

We apply a rigorous and structured selection process when engaging Production Partners to ensure our manufacturing quality and reliability. Candidates are assessed against a comprehensive set of criteria, including:

- *Proven Track Record & Qualifications* — Established reputation and consistent performance in the semiconductor manufacturing industry with all required qualifications;
- *Technological Expertise* — Depth of process know-how, advanced manufacturing capabilities, and ability to support next-generation IC designs;
- *Quality Standards* — Product quality, robustness of quality control systems, and certifications that meet or exceed industry requirements;

BUSINESS

- *Cost Competitiveness* — Competitive pricing structures without compromising quality or delivery standards;
- *Reliability & Delivery* — Ability to meet stringent delivery timelines and maintain stable output under varying demand conditions;
- *Capacity & Scalability* — Adequate current production capacity and flexibility to scale in line with our growth trajectory;
- *Geographical Advantage & Logistics* — Location, supply-chain accessibility, and logistics efficiency for timely shipment and reduced transit risk; and
- *Compliance & Sustainability* — Adherence to applicable laws, export-control regulations, and environmental, social, and governance (“ESG”) practices.

We partner only with foundries and OSAT providers that meet these stringent requirements, which we believe safeguards the quality and reliability of our products while ensuring production stability and resilience.

Collaborations with Production Partners

The salient terms of the typical collaboration agreements with foundry partners are set forth below:

- *Pre-production arrangements:* We provide all required materials to our foundry partners and jointly confirm process technology and product specifications. Trial wafers are verified by us, with written analysis reports submitted before jointly finalizing production specifications.
- *Capacity planning and order placement:* Each year, we communicate with our foundry partners to establish indicative capacity planning for the following 12 months. Internally, we prepare rolling six-month shipment forecasts based on expected demand, and at the end of each month, we issue confirmed production orders for the upcoming month.
- *Production instructions:* Formal production instructions are issued to foundry partners via purchase orders under the cooperation agreement.
- *Production stages:* Wafer production typically progresses through trial production, risk trial, and mass production stages.
- *Delivery timelines:* The typical delivery lead time for wafer fabrication is approximately three to six months, depending on the process complexity and capacity availability.
- *Product acceptance and warranty:* Foundry partners warrant that delivered products are free from material and workmanship defects and meet delivery acceptance standards. Products are generally deemed accepted unless rejected in writing within 30 days of receipt.
- *Pricing mechanism:* The pricing of wafer fabrication is determined through commercial negotiations at the beginning of each year, taking into account our estimated annual production volumes and prevailing market rates within the industry.
- *Payment terms:* Wafer purchases are generally denominated in U.S. dollars and payable in full within 45 days upon delivery.
- *Terms:* Typically three years and may be automatically renewed for another year unless either party gives prior written notice of non-renewal.

BUSINESS

- *Termination:* In general, the agreement may be terminated by mutual consent or by either party if the other commits a material breach and fails to remedy it within 60 days of written notice.
- *Export control compliance:* Both parties shall comply with all applicable laws and regulations, including export and import control requirements, of the PRC, the U.S. and other relevant jurisdictions. No party shall export, re-export or transfer any products or technical information to restricted regions in violation of such laws.

The salient terms of the typical collaboration agreements with OSAT partners are set forth below:

- *Pre-production arrangements:* We provide all required materials to our OSAT partners and jointly confirm technical requirements and processing instructions.
- *Capacity planning and order placement:* We similarly submit rolling six-month packaging and testing demand forecasts on a monthly basis to allow them to prepare required packaging materials in advance. Daily production orders are then placed and closely monitored for progress and delivery status.
- *Delivery timelines:* The delivery timeline is generally around one month from order placement to final delivery.
- *Product acceptance and warranty:* OSAT partners shall process according to the mutually agreed-upon technical requirements and relevant quality standards. We are entitled to inspect each batch of products and return those that do not meet the relevant requirements or standards. OSAT partners are liable for compensating us for the cost of chips that do not meet such requirements or standards.
- *Pricing mechanism:* The pricing of OSAT services is determined through commercial negotiations at the beginning of each year, taking into account our estimated annual production volumes and prevailing market rates within the industry.
- *Payment terms:* We are typically required to make payments within one to two months upon the issuance of invoice.
- *Terms:* Typically one year to three years and may be automatically renewed for another year unless either party gives prior written notice of non-renewal.
- *Termination:* In general, the agreement may be terminated by mutual consent or by either party if the other commits a material breach and fails to remedy it within the notice period typically of 20 days.

Strategic Management of Production Partnerships

We maintain deep, long-standing relationships with a select group of trusted Production Partners that provide wafer fabrication, packaging and testing services. While our cooperation agreements generally feature automatic renewal provisions, continuation ultimately depends on the terms of the agreements and the parties’ mutual commitment, which exposes us to certain partnership-related risks. See “Risk Factors — Risks Relating to Our Business and Industry — We rely on third parties for IC fabrication, testing and packaging.”

To safeguard production stability and underpin our growth, we adopt a multi-pronged approach:

- *Diversified Partner Network* — We engage multiple qualified Production Partners for each production stage to ensure redundancy and flexibility in production allocation.

BUSINESS

- *Partner Pool Expansion* — We are expanding our pool of Production Partners, including enhancing collaboration with both domestic and international foundries and OSAT providers to broaden sourcing channels and mitigate potential supply constraints.
- *Performance Monitoring* — We rigorously track and evaluate partner performance across quality, delivery and capacity metrics to maintain high operational standards.
- *Proactive Collaboration Development* - We actively cultivate new partnerships to stay ahead of industry shifts and secure access to advanced manufacturing capabilities.
- *Contingency Planning* — We maintain contingency arrangements to enable swift production reallocation in the event of partner disruption.

Through these measures, we strengthen supply resilience, maintain manufacturing excellence, and ensure our capacity and quality remain aligned with evolving market demand and our long-term growth trajectory.

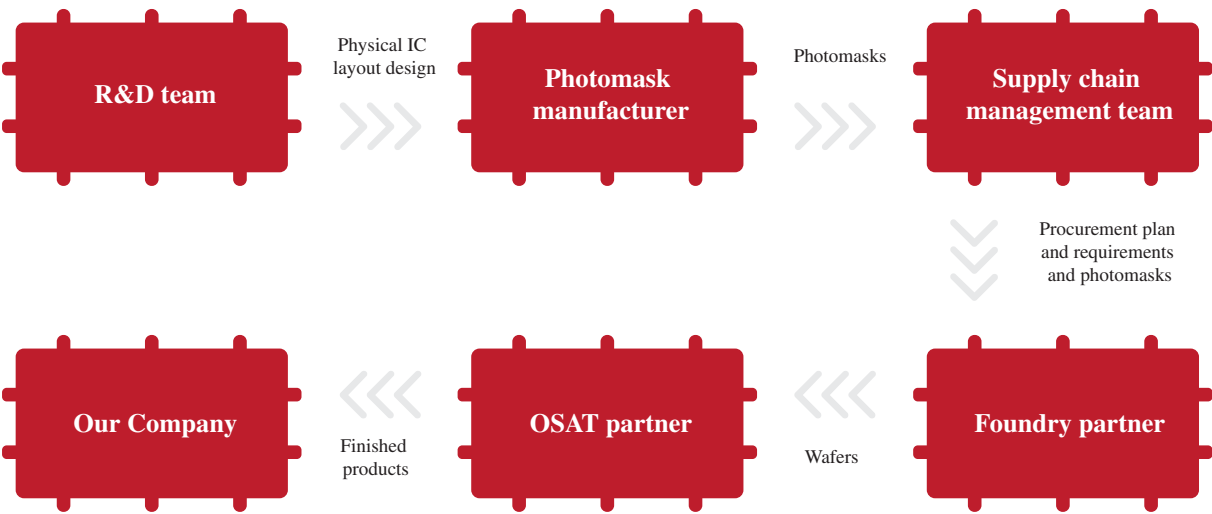
Production Process

During the Track Record Period, we followed a streamlined production workflow in close collaboration with our manufacturing partners. Once our internal R&D team completes the physical layout design of the IC, the design is sent to a photomask manufacturer to produce precision photomasks. Our supply chain management team then places wafer orders with selected foundry partners based on projected sales volumes and project requirements, while delivering the photomasks for wafer fabrication.

After fabrication, the foundry partners deliver the wafers, either directly to us or to our designated OSAT partners, depending on contractual arrangements. The OSAT partners then carry out IC packaging and testing strictly in accordance with our specifications. Upon completion, the finished products are sent to us for inspection and, once approved, are stored in our warehouses ready for shipment to customers.

This integrated process, from in-house design through outsourced wafer fabrication, packaging, and testing, allows us to maintain control over product quality and technical specifications while leveraging the manufacturing expertise of leading industry partners.

The following diagram illustrates our production process:



BUSINESS

Our Self-Owned Packaging and Testing Production Line

While we primarily operate under a fabless production model for large-scale manufacturing, outsourcing wafer fabrication, packaging, and testing to qualified foundry and OSAT partners, we have established our own packaging and testing production line in Suining, Sichuan (the “**Suining Production Line**”). The Suining Production Line is primarily responsible for (i) rapid packaging and testing of newly developed products, enabling faster time-to-market; (ii) performing specific types of packaging tasks that require more customized handling; and (iii) conducting final product testing for chips outsourced to packaging partners that do not possess in-house testing capabilities. Our Suining Production Line covers a gross floor area of approximately 3,000 sq.m. The table below sets forth the production capacity, production volume and utilization rates of Suining Production Line for the years indicated.

	Year ended December 31,								
	2023			2024			2025		
	Production capacity	Production volume	Utilization rate	Production capacity	Production volume	Utilization rate	Production capacity	Production volume	Utilization rate
	millions	millions	%	millions	millions	%	millions	millions	%
Packaging Production Line	120.0	87.1	72.6	120.0	90.5	75.4	120.0	89.9	74.9
Testing Production Line	1,000.0	681.0	68.1	1,200.0	767.0	63.9	1,200.0	791.0	65.9

Notes:

- (1) The production capacity for each period is calculated based on the hourly capacity and working hours, assuming 20 effective production hours per day, 26 days per month, and 11.5 months per year.
- (2) The production volume refers to equivalent wafer output for the relevant period. Equivalent wafer output is calculated based on total moves, average moves per wafer and yield rate.
- (3) The utilization rate during the year or period is calculated by dividing production volume by the production capacity for the same period.

Unlike outsourced facilities that handle the mass production of our commercialized products, the Suining Production Line is primarily dedicated to packaging and verification testing for newly developed products in engineering batches. For example, during the development of a new product, we utilized the Suining Production Line to package 500 chips from an engineering wafer batch and completed telecom parameter testing for each within 12 hours. The results were then promptly fed back to our R&D center to support design optimization. This in-house capability enables timely testing and verification of engineering batches of products, significantly shortening the cycle from R&D to commercialization while giving us direct control over packaging and testing parameters for new products to ensure quality and performance before scaling up.

It also functions as a supplementary and contingency testing channel, enhancing operational resilience and reducing reliance on external OSAT partners for time-sensitive projects. Furthermore, it provides the flexibility to run small-batch or experimental projects without disrupting the production schedules of our high-volume manufacturing partners, ensuring we remain agile, responsive, and well-positioned to capture emerging opportunities.

QUALITY CONTROL

We operate a comprehensive quality assurance system that embeds rigorous oversight across the entire product lifecycle, from material sourcing and production to after-sales service, ensuring that every product we deliver meets exacting standards. Our framework covers supplier qualifications, raw material inspections, in-process controls, finished product testing, personnel management, and customer feedback handling, supported by internationally recognized certifications. We also engage external experts to provide periodic training and guidance to our quality team.

BUSINESS

To ensure that these standards are effectively implemented, we maintained a 13-member quality control team as of December 31, 2025, many of whom were ISO 9001 and IATF 16949-certified internal auditors with extensive industry experience. We also enforce an employee conduct management system with clear reward-and-penalty measures, fostering strict compliance with operational protocols and maintaining consistently high work standards across production and quality control functions.

Our commitment to quality is further underpinned by internationally recognized certifications, including ISO 9001 quality management and ISO 26262 automotive functional safety process certification. The latter affirms our rigorous approach to functional safety management across the full chip lifecycle, encompassing risk identification through failure mode and effects analysis and the adoption of redundant design mechanisms to enhance safety and reliability.

Supply Chain and Warehousing Quality Control

Our quality control framework begins at the source. We operate a supplier admission system that approves only qualified suppliers, who are then subject to regular annual audits with strict timelines for rectifying any identified issues. See “— Our Suppliers — Supplier Selection and Management.” All incoming raw materials undergo IQC inspections, while in-process statistical process control monitoring, yield control, and defective item management are enforced throughout production. In our warehouses for materials and finished goods, we maintain strict temperature and humidity controls, supported by IT systems that manage shelf life and enforce first-in-first-out inventory management.

Production Quality Control

As a fabless company, we work with leading foundries and OSAT partners under quality assurance and yield assurance agreements. Foundry partners fabricate chips precisely to our designs, which then undergo circuit probing tests before being sent for packaging and testing. Packaging processes, including die cutting, wire bonding, and molding, ensure both functional performance and physical durability. Before delivery, final products are subjected to comprehensive functional and performance tests, ensuring alignment with our design specifications and safeguarding the high reliability that customers expect.

Product Returns and Warranty

We maintain open and proactive communication with customers after sales, responding swiftly to any quality concerns. Product warranties are tailored to each product line, and product returns or exchanges are accepted only under limited circumstances. Such cases primarily involve confirmed quality issues identified after delivery, or instances where the products are subsequently found to be incompatible with the customers’ intended application environments or usage scenarios. Such returns or exchanges are generally subject to review and approval on a case-by-case basis, in accordance with our customer service policies and contractual terms. We recorded product return of RMB3.2 million, RMB5.2 million and RMB1.3 million in 2023, 2024 and 2025, respectively.

We have established standardized procedures covering request logging, issue verification, root-cause analysis, corrective actions, and swift replacement or refund processing. For major quality issues that could affect safety or performance, we operate a product recall system to minimize customer impact and safeguard satisfaction.

To continuously improve our products and services, we conduct annual customer satisfaction surveys, using feedback to identify improvement areas and implement targeted corrective measures. This feedback loop not only reinforces our quality management framework but also strengthens long-term customer trust.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaints relating to product quality, nor did we experience any material product recalls or qualified issues arising from product defects.

BUSINESS

INVENTORY MANAGEMENT, WAREHOUSING AND LOGISTICS

Inventory Management

Our inventories primarily comprise (i) raw materials, (ii) outsourced processing materials, (iii) work-in-progress, and (iv) finished products, namely packaged chips. The vast majority of our products are sold on an off-the-shelf basis. To support this sales model while effectively managing inventory levels across thousands of product specifications, we have established a systematic forecast-based inventory planning mechanism, supported by rolling forecasts and close collaboration across our sales department and Production Partners:

- *Wafer inventory planning:* We typically communicate with wafer foundries in the preceding year to forecast our total annual capacity needs for the upcoming year. On a monthly basis, our sales department provides a six-month rolling demand forecast, based on which we place wafer fabrication orders that align with each foundry’s specific process cycle and lead time.
- *Packaging and finished goods management:* For packaged finished products, the sales team provides a six-month rolling demand forecast to contract OSAT providers at the end of each month. Based on actual order details and current inventory levels, we issue specification-specific production orders for the subsequent month to ensure timely availability of finished goods.

We generally engage our Production Partners to manage wafers, work-in-progress inventory, and finished/semi-finished goods on our behalf. We perform monthly inventory counts and reconciliations with these partners to ensure accuracy and control.

To maintain competitiveness, align with evolving market demand and minimize obsolescence risks, we have implemented measures to optimize our inventory levels.

- *Material Receipt.* We implement meticulous material receipt procedures to verify both quality and quantity, ensuring that all incoming materials meet required specifications and are accurately recorded.
- *Material Storage.* Materials are then stored under optimal environmental and safety conditions, with periodic inventory checks and aging analyses to identify and address slow-moving or obsolete items.
- *Proactive Inventory Management.* Our proactive inventory management approach involves continuous monitoring of market trends and customer forecasts, enabling us to pre-stock strategic raw materials in anticipation of potential supply shortages. By closely aligning inventory levels with production schedules, we optimize capacity utilization, reduce holding costs, and safeguard against the risk of excess or obsolete stock.
- *Differentiated Procurement Strategy.* We adopt lifecycle-based wafer procurement strategies tailored to product maturity, customer specificity and sourcing channel.
 - For new in-house wafers, initial engineering batches follow foundry minimums, with small-scale production based on internal demand plans;
 - For mature general-purpose wafers, cyclical monthly stocking is executed based on inventory-to-sales ratios;
 - Customer-specific models are procured on a per-order or confirmed-demand basis;
 - Strategic procurement and ramp-up quantities are subject to internal approvals; and
 - For externally sourced wafers, similar policies apply as for in-house models, while stricter thresholds are imposed on new vendors or newly qualified designs.

BUSINESS

These measures form a comprehensive inventory control framework aimed at supporting sales fulfilment while effectively mitigating the risk of overstocking and impairment.

Warehousing

We operate a warehouse in Sichuan Province (“**Suining Warehouse**”), to support efficient storage and distribution of our products. The table below sets forth details of the Suining Warehouse as of the Latest Practicable Date:

<u>Warehouse</u>	<u>Location</u>	<u>Gross Floor Area</u>	<u>Inventory Type</u>	<u>Storage conditions</u>
Suining Warehouse	Suining, Sichuan Province	617 sq.m.	Semi-finished products and finished products	Temperature: 5° C to 30°C; Relative humidity: 25% to 60%

As of December 31, 2025, our warehouse operations were managed by a seven-member team. Raw materials and products that have passed quality inspection are transferred to our warehouses, where we enforce strict inventory management protocols. A dedicated warehouse management system tracks storage locations, inbound and outbound movements, and ensures accurate and timely stock updates.

To maintain operational discipline, we conduct monthly inventory counts. Safety and compliance are reinforced through a formal safety management policy, which mandates routine daily checks. Our warehouse is equipped with surveillance systems and fire safety installations, including fire extinguishers, hydrants, and fire doors.

Logistics

We engage qualified third-party logistics service providers to deliver finished goods from our warehouses to customer-designated locations. We set stringent transportation standards that these providers must adhere to, covering handling procedures and delivery timelines. Their performance and compliance are reviewed regularly to ensure reliability, efficiency, and product integrity throughout the delivery process. To the best of our knowledge, all such logistics service providers served during the Track Record Period were Independent Third Parties.

The salient terms of the typical logistics service agreements with logistics service providers are set forth below:

- *Services:* The logistics service provider offers us logistics services.
- *Term:* Typically one year to two years and shall be terminated unless prior written notice of renewal is given by either party at least 30 days before the agreement expires.
- *Payment terms:* We are obligated to pay the logistics service provider according to the agreed payment schedule. Typically, logistics service providers are entitled to late payment interest of 1% per day from the due date until the date of full payment.
- *Damage or loss:* If the recipient discovers that a consignment is damaged or lost upon receipt and inspection, they shall notify the delivery person on site. We shall then submit a written claim to the logistics service provider within two business days of receiving the consignment; otherwise, it will be deemed that no damage or loss occurred.

BUSINESS

- *Shipment value protection and compensation:* The logistics service provider offers an optional shipment value protection service. The insurance fee is primarily around 1‰ to 8‰ of the declared value of the consigned goods. Depending on whether the goods are fully insured, the logistics service provider will compensate us for the full or partial value of the goods if they are damaged or lost during delivery. For uninsured consignments, if the logistics service provider is at fault for any damage or loss, compensation will be based on the actual value of the consignment’s damage, up to a maximum compensation of several thousands of RMB.

OUR CUSTOMERS

During the Track Record Period, our customers primarily consisted of distributors and direct sales customers, which were located in the PRC. The end customers of our distributors primarily include consumer electronics manufacturing plants, smart household appliance manufacturers, industrial motor manufacturers and automobile manufacturers. In 2023, 2024 and 2025, revenue contributed by our five largest customers in each year during the Track Record Period amounted to RMB172.2 million, RMB225.0 million and RMB277.7 million, respectively, accounted for 24.1%, 24.7% and 24.8% of our total revenue in the same years, respectively. In 2023, 2024 and 2025, revenue contributed by our largest customer in each year during the Track Record Period amounted to RMB85.5 million, RMB105.0 million and RMB115.6 million, respectively, accounted for 12.0%, 11.5% and 10.3% of our total revenue in the same years, respectively.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest customers in each year during the Track Record Period were Independent Third Parties. To the best of our Directors’ knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest customers in each year as of the Latest Practicable Date.

During the Track Record Period, we did not have any material disputes with, nor did we receive any material complaints from, our customers.

The following table sets forth the details of our five largest customers in each year during the Track Record Period.

Year ended December 31, 2025

Customer	Customer type	Type of product/ services sold	Purchase amount (RMB’000)	Percentage of total revenue (%)	Payment method	Credit term	Year of commencement of business relationship
Customer A ⁽¹⁾	Distributor	MCU, SoC, ASIC solutions and others	115,587	10.3%	Bank transfer	60 days	2019
Customer B ⁽²⁾	Distributor	MCU, SoC, ASIC solutions and others	47,176	4.2%	Note and bank transfer	45 days	2018
Customer C ⁽³⁾	Distributor	MCU, SoC, ASIC solutions and others	39,834	3.6%	Note and bank transfer	30 days	2021
Customer D ⁽⁴⁾	Distributor	MCU and SoC solutions and others	39,136	3.5%	Note and bank transfer	45 days	2022
Customer E ⁽⁵⁾	Distributor	MCU solutions and others	35,934	3.2%	Bank Transfer	30 days	2021
Total			277,667	24.8%			

BUSINESS

Year ended December 31, 2024

Customer	Customer type	Type of product/ services sold	Purchase amount (RMB'000)	Percentage of total revenue (%)	Payment method	Credit term	Year of commencement of business relationship
Customer A ⁽¹⁾	Distributor	MCU, SoC, ASIC solutions and others	105,001	11.5%	Bank transfer	60 days	2019
Customer B ⁽²⁾	Distributor	MCU, SoC, ASIC solutions and others	43,328	4.8%	Note and bank transfer	45 days	2018
Customer C ⁽³⁾	Distributor	MCU, SoC, ASIC solutions and others	31,894	3.5%	Note and bank transfer	30 days	2021
Customer F ⁽⁶⁾	Direct customer	MCU, SoC, ASIC solutions and others	25,675	2.8%	Note and bank transfer	30 days	2021
Customer G ⁽⁷⁾	Distributor	MCU and ASIC solutions and others	19,069	2.1%	Bank transfer	45 days	2022
Total			224,967	24.7%			

Year ended December 31, 2023

Customer	Customer type	Type of product/ services sold	Purchase amount (RMB'000)	Percentage of total revenue (%)	Payment method	Credit term	Year of commencement of business relationship
Customer A ⁽¹⁾	Distributor	MCU, SoC, ASIC solutions and others	85,534	12.0%	Bank transfer	60 days	2019
Customer B ⁽²⁾	Distributor	MCU, SoC, ASIC solutions and others	42,279	5.9%	Note and bank transfer	45 days	2018
Customer H ⁽⁸⁾	Distributor	MCU, SoC, ASIC solutions and others	15,566	2.2%	Note and bank transfer	60 days	2018
Customer I ⁽⁹⁾	Direct customer	MCU and ASIC solutions and others	14,477	2.0%	Note and bank transfer	60 days	2018
Customer J ⁽¹⁰⁾	Distributor	MCU, SoC, ASIC solutions and others	14,294	2.0%	Bank transfer	30 days	2020
Total			172,150	24.1%			

Notes:

- (1) Customer A is a Shenzhen-based semiconductor solution provider.
- (2) Customer B is a Foshan-based high-tech enterprise specializing in the research, development, production and sale of IC chips and electronic components.
- (3) Customer C is a Shenzhen-based company mainly engaged in sales of IC chips and related products.
- (4) Customer D is a Guangzhou-based company mainly engaged in the wholesale of electronic components, and the R&D of communication and automatic control technologies.
- (5) Customer E is a Wenzhou-based company mainly engaged in integrated circuit technology R&D, technical consulting in the electronics technology field, and manufacturing of related products.
- (6) Customer F is a Shenzhen-based company focusing on semiconductor distribution and technical service.
- (7) Customer G includes two Guangzhou-based industrial and automotive electronics semiconductor solutions providers controlled by the same individual.

BUSINESS

- (8) Customer H is a Hangzhou-based company mainly engaged in technical development, technical services, wholesale and retail of electronic products and household appliances,
- (9) Customer I is a Zhongshan-based company specializing in R&D and wholesale for electronic components and electrical accessories, as well as electronic technology development.
- (10) Customer J is a Shenzhen-based solution provider specializing in MCU application development, power supply design and motor drive design.

OUR SUPPLIERS

Supplier Selection and Management

During the Track Record Period, our suppliers mainly comprised (i) wafer foundries, (ii) OSAT providers offering packaging and testing services, and (iii) other vendors supplying accessories and equipment.

We consistently engage reputable suppliers to safeguard the quality and reliability of our products. Supplier selection follows a rigorous, multi-factor assessment process, taking into account their relevant certifications, product specifications or functions, product quality, delivery performance, financial stability, and cost competitiveness. See “— Production — Our Fabless Model — Arrangement with Our Production Partners — Selection of Production Partners.” We evaluate candidates through on-site inspections, documentation reviews, product evaluations, and performance assessments either from prior cooperation or during an initial trial period. Suppliers that meet our standards are added to the qualified supplier list maintained by our supply chain and quality centers.

Qualified suppliers are subject to periodic performance reviews to ensure continued compliance with our requirements. Any material non-compliance or significant quality issues trigger immediate reassessment, which may result in warnings, supply restrictions, or removal from the qualified supplier list.

We typically place purchase orders based on rolling demand forecasts extending up to 12 months, which may be updated from time to time with reference to historical demand trends, market dynamics, and our management team’s industry insights. For foundries and OSAT partners, we typically enter into collaboration agreements that set the overarching terms of collaboration, while issuing separate purchase orders to address specific product requirements under the collaboration agreements. For details of salient terms of collaboration agreements with production partners, see “— Production — Our Fabless Model — Arrangement with Our Production Partners — Collaborations with Production Partners.”

Our Major Suppliers

In 2023, 2024 and 2025, purchases from our five largest suppliers in each year during the Track Record Period amounted to RMB511.3 million, RMB488.5 million and RMB618.9 million, respectively, accounted for 90.1%, 85.6% and 86.5% of our total purchases in the same years, respectively. In 2023, 2024 and 2025, purchases from our largest supplier in each year during the Track Record Period amounted to RMB265.4 million, RMB274.0 million and RMB388.1 million, respectively, accounted for 46.8%, 48.0% and 54.3% of our total purchases in the same years, respectively.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest suppliers in each year during the Track Record Period were Independent Third Parties. To the best of our Directors’ knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers in each year during the Track Record Period.

BUSINESS

The following table sets forth the details of our five largest suppliers in each year during the Track Record Period:

Year ended December 31, 2025

Supplier	Type of product/ services procured	Purchase amount (RMB'000)	Percentage of total purchase (%)	Payment method	Credit term	Year of commencement of business relationship
Supplier A ⁽¹⁾	Wafers	388,084	54.3%	Bank transfer	45 days	2008
Supplier B ⁽²⁾	IC packaging and testing services	129,063	18.1%	Note and bank transfer	60 days	2002
Supplier C ⁽³⁾	Wafers	39,692	5.6%	Bank transfer	30 days	2013
Supplier D ⁽⁴⁾	IC packaging and testing services	33,580	4.7%	Note and bank transfer	60 days	2018
Supplier E ⁽⁵⁾	IC packaging and testing services	28,483	4.0%	Note and bank transfer	60 days	2013
Total		618,902	86.5%			

Year ended December 31, 2024

Supplier	Type of product/ services procured	Purchase amount (RMB'000)	Percentage of total purchase (%)	Payment method	Credit term	Year of commencement of business relationship
Supplier A ⁽¹⁾	Wafers	274,012	48.0%	Bank transfer	45 days	2008
Supplier B ⁽²⁾	IC packaging and testing services	100,669	17.6%	Note and bank transfer	60 days	2002
Supplier C ⁽³⁾	Wafers	58,555	10.3%	Bank transfer	30 days	2013
Supplier D ⁽⁴⁾	IC packaging and testing services	28,847	5.1%	Note and bank transfer	30 days	2018
Supplier E ⁽⁵⁾	IC packaging and testing services	26,445	4.6%	Note and bank transfer	60 days	2013
Total		488,528	85.6%			

Year ended December 31, 2023

Supplier	Type of product/ services procured	Purchase amount (RMB'000)	Percentage of total purchase (%)	Payment method	Credit term	Year of commencement of business relationship
Supplier A ⁽¹⁾	Wafers	265,405	46.8%	Bank transfer	45 days	2008
Supplier C ⁽³⁾	Wafers	118,509	20.9%	Bank transfer	30 days	2013
Supplier B ⁽²⁾	IC packaging and testing services	90,360	15.9%	Note and bank transfer	60 days	2002
Supplier E ⁽⁵⁾	IC packaging and testing services	24,985	4.4%	Note and bank transfer	60 days	2013
Supplier D ⁽⁴⁾	IC packaging and testing services	12,059	2.1%	Note and bank transfer	30 days	2018
Total		511,318	90.1%			

Notes:

- (1) Supplier A is a foundry registered in Hong Kong that primarily offers semiconductor manufacturing services listed on the Stock Exchange and the Shanghai Stock Exchange STAR Market.
- (2) Supplier B is a Tianshui-based IC packaging and testing service provider listed on the Shenzhen Stock Exchange.
- (3) Supplier C is a Singapore subsidiary of a U.S.-based multinational full-service semiconductor design, development, fabrication and innovation company listed on the Nasdaq.

BUSINESS

- (4) Supplier D is a Wuxi-based company mainly engaged in researching, developing, producing, testing and packaging of large-scale integrated circuits and new-type electronic components and devices.
- (5) Supplier E is a Shenzhen-based IC packaging and testing service provider.

Reliance on Supplier A

During the Track Record Period, Supplier A consistently served as our largest supplier, delivering the majority of our foundry-manufactured wafers. Headquartered in Shanghai, Supplier A is a semiconductor foundry listed on both the Stock Exchange and the Shanghai Stock Exchange STAR Market, specializing in wafer fabrication services. We have maintained a stable partnership with Supplier A since 2008.

Our purchases from Supplier A amounted to RMB265.4 million, RMB274.0 million and RMB388.1 million in 2023, 2024 and 2025, respectively, representing 46.8%, 48.0% and 54.3% of our total purchases in the same years. According to Frost & Sullivan, Supplier A ranked sixth globally by wafer manufacturing revenue in 2024, with a market share of approximately 3.3%. It is common industry practice for IC design companies to procure most wafers from a limited number of trusted foundry partners to ensure consistent quality and centralized production management.

We believe our relationship with Supplier A is both stable and mutually beneficial. This assessment is supported by the fact that (i) our collaboration agreements with Supplier A have a three-year term and automatically renew upon expiry unless either party objects, (ii) we have enjoyed a longstanding cooperation of around 17 years, (iii) the partnership has remained free from material disputes, and (iv) the relationship is interdependent, with us relying on Supplier A for a consistent supply of high-quality wafers while contributing recurring orders and volume commitments as part of Supplier A’s diversified customer portfolio. On this basis, our Directors are of the view that it is unlikely that the relationship will materially adversely change or terminate.

Given our reliance on Supplier A, any termination, disruption or adverse change in our cooperation could materially interrupt our operations and business. See “Risk Factors — Risks Relating to Our Business and Industry — We rely on a single major wafer supplier for a substantial portion of our raw materials, and any adverse developments in our relationship with this supplier could materially and adversely affect our business, results of operations and financial condition.”

To strengthen supply security and flexibility, we expanded our procurement network during the Track Record Period to include various additional wafer manufacturers, primarily in the PRC. We are also aware of other potential suppliers capable of producing comparable products with certain variations in pricing and specifications under reasonable commercial conditions.

INTRA-GROUP TRANSACTIONS

During the Track Record Period and up to the Latest Practicable Date, we entered into various intra-group transactions involving the purchase and sale of raw materials, finished products, and services such as IC packaging and testing as well as R&D and technical support among our Company and subsidiaries. Our major intra-group transactions are summarized below:

(i) Transaction I: Our Company’s procurement of wafers through China Micro (HK), Singapore Changi and China Micro (Shanghai)

We primarily rely on imports for sourcing wafers, our core raw materials. In this transaction flow:

- Singapore Changi procures wafers from overseas third-party suppliers and resells them to China Micro (HK) at a price based on the original procurement cost plus a profit margin. China Micro (HK) then resells these wafers to our Company, applying an additional profit margin.

BUSINESS

- China Micro (HK) procures wafers from overseas third-party suppliers and resells them to our Company at a price based on the original procurement cost plus a profit margin.
- Separately, China Micro (Shanghai) procures wafers from domestic third-party suppliers and resells them to our Company at a price based on the original procurement cost plus a profit margin.

All wafers purchased via these channels are basically used in our outsourced manufacturing processes.

For Transaction I, we recorded intra-group transactions of RMB527.8 million, RMB398.4 million and RMB487.2 million in 2023, 2024 and 2025, respectively.

(ii) Transactions II: Our Company’s sales of finished products to China Micro (Sichuan) and Zhongshan Lianfa

Our Company procures wafers and engages third-party foundries and OSAT providers to process them into finished products. These finished products are primarily sold via the channels as below:

- sold to China Micro (Sichuan),
- partially sold to Zhongshan Lianfa.

The remaining finished products are sold directly to the third-party customers.

China Micro (Sichuan) and Zhongshan Lianfa then resell these products to their respective third-party customers after applying a profit margin on procurement cost.

For Transaction II, we recorded intra-group transactions of RMB465.1 million, RMB647.9 million and RMB834.3 million in 2023, 2024 and 2025, respectively.

(iii) Transaction III: IC packaging and testing services provided by Sichuan Xinlianfa to our Company

Sichuan Xinlianfa provides IC packaging and testing services exclusively to our Company through two independent production lines. Service fees are charged on a per-unit basis and benchmarked against prevailing market rates, aligning broadly with charges by third-party service providers.

For Transaction III, we recorded intra-group transactions of RMB29.1 million, RMB26.2 million and RMB28.9 million in 2023, 2024 and 2025, respectively.

(iv) Transactions IV and V: R&D and technical support services provided by China Micro (Beijing), China Micro (Shanghai), China Micro (Chongqing) and Singapore Changi to our Company and/or China Micro (Sichuan)

We adopt a modular R&D collaboration model, with geographically distributed teams led by different leaders across distinct technical domains. Specifically,

- China Micro (Beijing), China Micro (Shanghai), China Micro (Chongqing) and Singapore Changi have respective R&D teams that provide specialized R&D and technical support services to our Company and/or China Micro (Sichuan).
- Revenue from such services is based on a cost-plus model.

For Transaction IV and V, we recorded intra-group transactions of RMB33.6 million, RMB33.5 million and RMB63.8 million in 2023, 2024 and 2025, respectively.

For Transaction I, II, III, IV and V, our Directors further confirm that there had been no material change in the intra-group transactions since the end of Track Record Period and up to the Latest Practicable Date.

BUSINESS

The Organization for Economic Cooperation and Development (the “OECD”), an international organization of international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the “OECD Transfer Pricing Guidelines”), which are generally followed by the relevant tax jurisdictions involved in the related party transactions worldwide. Meanwhile, the tax authorities in mainland China, Hong Kong and Singapore published and implemented the relevant local transfer pricing laws and regulations, respectively. Accordingly, our intra-group transactions should be conducted in accordance with the arm’s-length principle.

We engaged an independent Transfer Pricing Tax Consultant, a qualified professional accounting firm, to assess whether our intra-group transactions were in compliance with the OECD Transfer Pricing Guidelines and relevant local transfer pricing laws and regulations.

The Transfer Pricing Tax Consultant noted that the profit levels of certain subsidiaries derived from the intra-group transactions fall within the interquartile range established by benchmarking analysis. For those subsidiaries whose profit levels fall outside the interquartile range, the Transfer Pricing Tax Consultant considered the deviations to be supported by commercial rationale. Our Group has filed corporate income tax and profits tax returns, including disclosures of related party transactions, with the competent tax authorities in mainland China, Hong Kong, and Singapore in accordance with applicable transfer pricing requirements. Having considered the above, the Transfer Pricing Tax Consultant is of the view that our Group’s transfer pricing arrangements of the major intra-group transactions are generally consistent with the arm’s length principle and comply with the relevant transfer pricing laws and regulations in these jurisdictions.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any penalties, investigations, inquiries or audits by tax authorities in connection with these intra-group transactions. Following consultation with the Transfer Pricing Tax Consultant and based on management’s assessment, our Directors are of the view that during the Track Record Period, the transfer pricing transactions and arrangements were generally consistent with the arm’s length principle.

We have implemented below internal control policies and procedures relating to transfer pricing to ensure compliance with applicable regulations and guidelines, including:

- (i) Regular training: Our finance team and management team regularly participate in transfer pricing training sessions organized by tax authorities or professional firms to stay updated on regulatory requirements and best practices;
- (ii) Ongoing monitoring: We regularly review and monitor our intra-group pricing arrangements and update comparability analyses based on prevailing market conditions;
- (iii) Threshold management: We closely monitor the volume of intra-group transactions to ensure the timely preparation and submission of required documentation when thresholds are reached; and
- (iv) Internal review mechanism: All documentation required for submission to tax authorities is prepared by designated personnel and is subject to internal review and approval prior to submission.

SALES, MARKETING AND DISTRIBUTION

We market and sell our solutions and products through a combination of direct sales and authorized distributors. According to Frost & Sullivan, the use of distributors is consistent with industry practice in the semiconductor sector.

Under our dual-channel sales model, we adopt differentiated customer engagement strategies. Leading industry players and well-known customers are primarily served through our direct sales channel, enabling us to maintain close relationships, deliver tailored support, and gain valuable

BUSINESS

industry insights to inform product development and optimization. In contrast, we engaged distributors to cover a broader base of small- to medium-sized customers, leveraging their established networks and service capabilities to scale our market presence and efficiently meet the diverse needs of this segment.

The table below sets forth a breakdown of our revenue from provision of solutions and products by sales channel for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Distribution	400,708	56.4	520,780	57.2	782,272	69.8
Direct sales	309,145	43.6	389,872	42.8	338,521	30.2
Total	709,853	100.0	910,652	100.0	1,120,793	100.0

Our Distribution Channels

Overview

During the Track Record Period, we primarily marketed and sold our solutions and products through professional third-party distributors. Leveraging their expertise in logistics, marketing, and IC product sales, our distributors expand our market reach, connect us with downstream sales resources, and provide timely insights into market demand. This enables us to broaden our sales channels, strengthen market penetration, and maintain efficient access to a large and diverse customer base across industries, while streamlining our administrative efforts and enhancing financial flexibility.

We have a seller-buyer relationship with our distributors whereby the ownership of the product is transferred to our distributors upon product delivery. To the best of our knowledge, one distributor during the Track Record Period was controlled by our former employee. Revenue generated from this distributor represented 0.3%, 0.5% and 0.4% of our revenue in 2023, 2024 and 2025, respectively. Except for this, during the Track Record Period and up to the Latest Practicable Date, all of our distributors were Independent Third Parties. During the Track Record Period, we did not provide any material advance or financial assistance to our distributors. There were no other relationship or arrangement (family, business, financing, guarantee or otherwise) between our distributors and our Group, our Directors, Shareholders and senior management and their respective associates.

The following table sets forth the movement in the number of our distributors during the years indicated.

	Year ended December 31,		
	2023	2024	2025
Number of distributors at the beginning of the period	70	78	81
Number of distributors newly engaged	21	8	7
Number of distributors terminated	13	5	—
Number of distributors at the end of the period	78	81	88

We discontinued our partnership with 13 and five distributors in 2023 and 2024, respectively, primarily due to such distributors’ sub-optimal performance, and/or alternation of their business plans. During the Track Record Period and up to the Latest Practicable Date, we did not have any material unresolved disputes or lawsuits with these departing distributors.

BUSINESS

Distributor Management

We adopt a rigorous process in selecting distributors, evaluating them across multiple dimensions: (i) general background, including qualifications, scope of operations, business scale, industry experience, distribution network, customer service standards, and sales and technical support capabilities; (ii) product synergy, assessing whether their other authorized products may conflict with ours or create synergies that enhance market appeal; (iii) solution integration, evaluating their ability to offer customers solutions that combine our products with others; and (iv) systematic management, ensuring they possess robust infrastructure such as customer relationship management systems and advanced sales data analytics. In accordance with our distributor management policies, sub-distribution is strictly prohibited. In deciding whether to continue our cooperation with a distributor, we take into account factors such as their historical sales performance, payment record, contractual compliance, and overall sales and marketing capabilities.

We believe our sales correspond to the actual customer demands and that our products are at a low risk of channel stuffing in our sales and distribution network. This assessment is based on the following factors: (i) we adopt a relatively stringent return policy for our distributors. We generally do not allow product returns from distributors; (ii) we maintain an arm’s-length seller-buyer relationship with our distributors. We typically do not impose minimum purchase requirements, sell-through targets or mandatory stocking levels. Distributors manage their own inventory levels based on their operational forecasts; and (iii) we hold regular meetings with our distributors to understand the latest sales progress and promotional efforts of our products, which allows us to closely monitor market performance, proactively identify potential issues, and provide timely support when necessary. During the Track Record Period, to the best knowledge of our Directors based on such ongoing communication, we did not identify any irregular build-up of distributor inventory, nor were we aware of any material amount of unsold inventory held by our distributors that would indicate channel stuffing risk. Furthermore, we have implemented internal control measures to identify potential channel stuffing. Our sales team maintains regular communication with distributors to understand their sales progress and market performance, which helps us identify any potential indications of inventory build-up. Where such behaviour is detected, our teams will reduce or suspend further deliveries to the relevant distributors.

Our distributors are generally granted non-exclusive rights to sell our product under framework agreements and sales agency agreements. While terms may vary based on individual negotiations, our agreements largely follow a standard template, typically including:

- *Term*: Usually up to three years, with automatic renewal upon expiry.
- *Purchase*: Amounts specified in purchase orders; however, exceptions may apply depending on the specific negotiation circumstances with certain distributors. During the Track Record Period and up to the Latest Practicable Date, we did not impose any minimum purchase requirement on our distributors.
- *Demand forecasts*: Demand forecasts are determined by mutual agreement between both parties on an annual basis.
- *Pricing*: Optimal selling prices set with reference to our internal pricing and prevailing market conditions.
- *Payment and credit term*: Distributors shall pay a certain amount of deposit or provide collateral to us within five working days from the date of signing the agreement, the specific amount of which shall be determined based on the credit limit and credit period; and we generally grant a credit period to our distributors of approximately 10 to 90 days.
- *Delivery of products*: We are responsible for delivering products to the locations specified in the orders to the distributors or designated receivers.

BUSINESS

- *Transfer of risks:* Risks are transferred to the distributors once products have been delivered by us to the agreed-upon location or recipient.
- *Product Return or Exchange:* Limited to quality-related issues, or where products are subject to infringement or misuse claims; this policy is consistent with industry norms according to Frost & Sullivan.
- *Termination:* We may terminate the agreement in the event of material breach.

To avoid cannibalization between our direct and distributor-led sales channels, as well as among distributors, we require our distributors to report to us before establishing business relationships with new end customers. If a distributor submits a request to cover an end customer already covered by the other distributor, we will not grant approval to such overlapping coverage. We also require our distributors to report the status of approved business opportunities regularly. This allows us to track the sales activities of our distributors, thereby mitigating risks associated with cannibalization.

To the best of our knowledge, there were no incidents of channel conflict or cannibalization between our direct sales and distributor sales during the Track Record Period. When multiple distributors approach the same customer, we adhere to the “first report” principle, which means that the distributor who initially report the contact with the customer to us will proceed with the transaction, unless the customer requests otherwise. However, a customer should only be assigned to one distributor at a time.

Our Direct Sales

We also sell our products directly to customers. Our sales and marketing department consisted of 35 members as of December 31, 2025. Under our direct sales model, we directly acquire new customers primarily through (i) customer referrals, (ii) attending activities, exhibitions and conferences, and (iii) direct marketing efforts.

We generally enter into framework agreements with our major customers, with actual price and volume specified in individual purchase orders. We adopt the same standard framework agreement template for both direct and distribution sales channels, with the terms of these agreements vary depending on the specific product or project and the result of our negotiation with each customer. These agreements generally contain the following terms:

- *Term:* Generally three years, automatically renewable for an additional three-year term upon expiry.
- *Pricing:* The selling price of our products will be separately agreed in the order placed by the customer.
- *Transfer of risks:* Risks are transferred to the customers when the products are accepted by them.
- *Payment and credit term:* Payment is due when customers confirm acceptance of our products. We generally grant a credit period to our direct sales customers of approximately 10 to 90 days.
- *Delivery of products:* We are generally responsible for delivering products to the locations and at the times as specified in the orders placed by our customers.
- *Product Return or Exchange:* Product return or exchange is limited to quality-related issues, or where products are subject to infringement or misuse claims.
- *Confidentiality:* These framework agreements usually have strict confidentiality provisions that restrict us from disclosing confidential information of our major customers.

BUSINESS

- *Termination:* A framework agreement may be terminated by mutual consent, or unilaterally in certain circumstances, such as an unremedied material breach, force majeure, or the bankruptcy of a party.

PRICING

The pricing of our solutions and products is influenced by a number of factors, including technological complexity, market conditions, and underlying cost structures. We primarily adhere to the following principles:

- (i) the cost-oriented principle: We adopt a cost-plus approach where pricing is based on a thorough assessment of development, production, and operational costs, including mainly R&D expenses, procurement of wafers and other materials, packaging and testing, labor and overhead;
- (ii) the market-oriented principle: We take into account prevailing market dynamics such as supply-demand balance, product maturity, demand trends in specific application scenarios, and customer segmentation;
- (iii) the competition-oriented principle: We benchmark our pricing against comparable products in the market and may adopt a premium pricing strategy for differentiated products or a follow-the-leader strategy in highly commoditized segments; and
- (iv) the strategic orientation principle: In certain cases, we adopt strategic pricing based on long-term corporate objectives. These include accelerating market penetration in emerging segments, strengthening our positioning as a technology leader, and promoting synergy within our product ecosystem.

In practice, our pricing decisions are made on a product-specific and customer-specific basis, balancing short-term commercial objectives with long-term strategic positioning.

COMPETITION

The global IC industry is marked by intense competition and high concentration among a few dominant players. In contrast, the PRC IC market is highly fragmented, with a large number of participants competing across diverse product segments, application scenarios, and tiers of customer demand. As a result, market participants must continuously innovate and differentiate to maintain their competitive positions. The IC design industry is also characterized by high barriers to entry. These include technological expertise in chip architecture and system integration, extensive R&D and engineering resources, accumulated intellectual property and proprietary tools, and long development and product qualification cycles. Once adopted, IC products tend to exhibit high customer stickiness due to the significant cost and time required for requalification. In addition, the ability to coordinate across the supply chain, including foundries, OSAT providers, and key material suppliers, is critical to maintaining delivery stability and cost control.

We face competition from both domestic and international IC design companies in various aspects, including product performance and quality, technological innovation, time-to-market, breadth of solution offerings, and ability to meet evolving customer expectations. In addition, factors such as brand reputation, customer relationships, pricing strategy, cost structure, and service capabilities also play a critical role in market differentiation. Industry competition is further intensified by the rapid evolution of downstream technologies and customer application requirements.

Against this backdrop, we distinguish ourselves through our emphasis on product stability and reliability, competitive pricing, proactive marketing and sales capabilities, and growing brand influence. According to Frost & Sullivan, we ranked third in China’s MCU market in 2024 in terms of revenue, with a market share of 1.2%, and first in the same market in terms of shipments, with a market share of 12.6%. These results reflect our ability to gain share through design-wins, customer

BUSINESS

recognition, and a diversified product portfolio. We believe our competitive advantages position us well to respond to the industry’s rapid innovation cycles and to evolving downstream demand. Our competitive strengths are highlighted in the paragraph headed “— Our Competitive Strengths” in this section.

DATA PRIVACY AND PROTECTION

In the course of our operations, we collect, store and process business and transaction data. As all our transactions are with enterprises, we do not collect or process personal data. The confidentiality, integrity and availability of this data are critical to our business. To mitigate security risks, we adopt a comprehensive protection framework incorporating advanced encryption, secure storage protocols and stringent transmission controls to safeguard sensitive information.

Access to confidential data is strictly controlled on a need-to-know basis, with permission granted according to employees’ roles and duties. Clear protocols govern the use, storage and sharing of corporate information, ensuring only authorized personnel can handle it for legitimate business purposes.

We also maintain a robust backup and disaster recovery system. Data is stored in multiple secure locations, both locally and remotely, with regular restoration tests to ensure reliability. Our remote disaster recovery protocol ensures that, in the event of technical failures, natural disasters or other emergencies, data can be restored quickly and business continuity maintained.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material data breach or loss, nor were we subject to any material fines or administrative penalties imposed by PRC regulatory authorities for violations of data protection laws.

AWARDS AND RECOGNITION

Our leading market position and brand recognition are reflected in the numerous awards we have received. The following table sets forth a selection of the notable awards and recognition we received in recent years:

<u>Year of Award</u>	<u>Awards and Recognition</u>	<u>Issuing Authority/Institution</u>
2025	“Green Channel” Enterprises of Nanshan District (南山區“綠色通道”企業)	Shenzhen Nanshan District Government (深圳市南山區政府)
2025	HHGrace Outstanding Contribution Award 2024 (華虹宏力2024年度傑出貢獻獎)	HHGrace (華虹宏力)
2024	Excellent Ecological Chain Supplier Award of the Xiaomi 2023 Global Core Supplier Conference (2023小米全球核心供應商大會之生態鏈優秀供應商)	Xiaomi (小米)
2023	Leading Enterprise Award (領軍企業獎)	Shenzhen Semiconductor Industry Association (深圳市半導體行業協會)

BUSINESS

<u>Year of Award</u>	<u>Awards and Recognition</u>	<u>Issuing Authority/Institution</u>
2022 & 2025	National Specialized, Sophisticated, Differential, and Innovative SMEs (國家專精特新“小巨人”)	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
2022	Cutting-Edge Chip Award (前沿芯片獎)	China RISC-V (中國RISC-V產業聯盟)

EMPLOYEES

As of December 31, 2025, we had a total of 459 full-time employees. Among them, 450 of our employees were based in the PRC and nine of them were based in Singapore. Our employees based in Singapore primarily consist of management and R&D personnel. The management staff oversee daily operations, and R&D personnel primarily collaborate with our R&D team located in the PRC on research and development activities. Our Singapore subsidiary does not engage in any external sales of products or solutions. The table sets forth a breakdown of our employees by function as of December 31, 2025.

<u>Function</u>	<u>Number of employees</u>	<u>Percentage of Total Number</u> (%)
R&D	241	52.5
Production	90	19.6
Administrative	51	11.1
Supply chain	42	9.2
Sales and marketing	35	7.6
Total	459	100.0

Our success relies on our ability to attract, retain, and motivate qualified personnel. We employ various methods, such as campus recruitment, online recruitment, internal referrals, and collaborations with hunting firms or agents, to meet our diverse talent requirements. Our employees typically sign standard labor contracts with us. All key employees have also signed confidentiality agreements and are bound by non-compete agreements during their employment and for a period of up to two years afterward.

To maintain and enhance the knowledge and skill levels of our workforce, we provide our employees with internal trainings, including orientation programs for new employees and on-the-job training, improvement training and management training for existing employees. We also arrange post-training assessments to ensure the effectiveness of our internal training sessions.

Remuneration packages for our employees mainly comprise base salary and performance-based bonus. Performance targets of our employees are set primarily based on their position and department, and performance of our employees are reviewed periodically. Results of such reviews are later used in bonus awards and promotion appraisals.

During the Track Record Period, we made full contributions to mandatory social insurance and housing provident fund for our employees in accordance with relevant PRC laws and regulations. We believe we have maintained good relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any strikes or labor disputes with our employees which have had or are likely to have a material effect on our business. As of the Latest Practicable Date, our employees were represented by a labor union.

BUSINESS

LICENSES, PERMITS AND APPROVALS

We are not required to obtain any material license or permits in conducting our business operations in China. During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisors, we obtained other licenses and permits required for our business operations in the PRC, such as business licenses of our PRC subsidiaries, and such business licenses remained in full effect.

INSURANCE

We maintain insurance policies that we consider to be in line with market practice and adequate for our business. We currently do not maintain additional insurance policies such as business interruption insurance, key man life insurance, or insurance coverage for damages to our information technology systems, or properties. During the Track Record Period, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies.

Our Directors consider that our existing insurance coverage is in line with industry norm and is sufficient for our present operations. However, the risks related to our business and operations may not be fully covered by insurance. See “Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may not completely cover the risks related to our business and operations.”

PROPERTIES

Owned Properties

As of the Latest Practicable Date, we obtained land use right certificates for one parcel of land in Chengdu, Sichuan Province, with a total site area of approximately 10,731 sq.m., and owned six properties with an aggregate GFA of approximately 13,766 sq.m. These land parcel and properties are primarily used as our R&D facilities and office premises to support our business operations.

As of December 31, 2025, we had no owned property interest that forms part of our non-property activities that have a carrying amount of 15% or more of total assets pursuant to Rule 5.01(2)(b) of the Listing Rules.

Our PRC Legal Advisor has confirmed that, as of the Latest Practicable Date, we had obtained the relevant real estate title certificates for the above land parcel and properties.

Leased Properties

As of the Latest Practicable Date, we had seven leased properties which have an aggregate GFA of approximately 10,753.97 sq.m. Such leased properties are primarily used as our offices and production facilities. Our lease agreements in respect of the abovementioned leased properties generally have lease terms ranging from one to five years.

Pursuant to applicable PRC laws and regulations, property lease contracts are required to be registered with the local branch of the Ministry of Housing and Urban Development of the PRC. As of the Latest Practicable Date, we had not completed the registration of the lease agreements for four of the above leased properties due to the lack of cooperation from our lessors in registering the relevant lease agreements. The authorities may order us to rectify such non-compliance within a prescribed period after receiving notice, and may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. Based on our current situation, the maximum aggregate penalty for the unregistered lease agreements would be RMB40,000. If any fine is imposed, we may not be able to recover such losses from the lessors. Our PRC Legal Advisor has advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC laws.

BUSINESS

Furthermore, as of the Latest Practicable Date, the lessors of two of our leased properties failed to provide us with valid title certificates. As a result, there are risks that we may not be able to continue to occupy and use such properties. See “Risk Factors — Risks Relating to Our Operations — Certain of our leased properties are not registered or lack valid property ownership certificates, which may expose us to administrative penalties or property use disruptions.”

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material difficulties in renewing lease agreements or locating new premises for our facilities. We do not foresee any major challenges or impediments in renewing the relevant leases upon their expiration.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to environmental protection, promoting corporate social responsibility, and adhering to best corporate governance practices for sustainable development. To effectively manage environmental, social, governance and climate-related matters, which we refer to as ESG matters, upon [REDACTED], we will establish an ESG governance framework, comprising of our Board.

Our Board will take overall responsibility for our ESG strategy and reporting. Our Board will be directly involved in setting up our overall ESG governance management policies, strategies, priorities, and targets, reviewing our ESG policies on an annual basis to ensure its effectiveness, and fostering a culture of acting in accordance with our core ESG values.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations. Solid waste, primarily consisting of lamination waste, is generated during the IC packaging and testing processes at our Suining Production Line. During the Track Record Period, we engaged qualified solid waste disposal service providers to handle and recycle the lamination waste, thereby reducing the volume of solid waste and minimizing environmental pollution. Our expenses for solid waste disposal amounted to RMB43,161, RMB44,258 and RMB45,700 in 2023, 2024 and 2025, respectively. We also do not anticipate incurring material capital expenditures or compliance costs related to climate in the foreseeable future.

Identification, Assessment and Mitigation of our ESG risks

Although we only have a packaging and testing production line, which does not involve material pollutant emission, and currently do not have, nor do we anticipate incurring, any material liabilities relating to health, workplace safety, or environmental matters that would have a material adverse effect on our business or operating results, we have nonetheless conducted regular internal assessments and reporting throughout our years of operation to proactively identify and evaluate a range of ESG-related risks, opportunities, and potential impacts. The following table outlines the material ESG issues, their potential risks and opportunities, and the mitigating actions we have adopted or plan to adopt:

Material ESG issues	Potential risks, opportunities and impacts	Mitigating actions (adopted/to be adopted)
Impact of climate change	Regulators may demand greater disclosure on emissions and tighten environmental regulations. These transitional risks necessitate a shift towards a sustainable business model and may result in impacts such as increased operational costs due to changes in operational practices.	● Monitoring the changes in ESG-related regulatory requirements and market trend

BUSINESS

Material ESG issues	Potential risks, opportunities and impacts	Mitigating actions (adopted/to be adopted)
Resources and energy management	Ineffective management of resources and energy can potentially result in excessive energy consumption, leading to increased operational costs.	- Promoting energy conservation and environmentally friendly procurement practices - Reviewing and accounting for greenhouse gas emissions and resource consumptions - Performing overall waste management in the offices
Human capital development	Insufficient resources dedicated to the development of human capital, such as a lack of training and promotion opportunities, may pose a risk of higher turnover rates and a less competent workforce for our Group in the medium and long term. However, by focusing on robust human capital development and offering competitive remuneration packages, we can enhance employee retention and foster greater dedication.	Providing employees with competitive social benefits and career development opportunities

ESG Related Metric and Targets

We are committed to minimizing indirect environmental impacts arising from our activities. To this end, we employ ESG KPIs to gauge our ESG endeavors, ensuring adherence to our sustainability objectives and implementing corrective measures as needed.

Given the characteristics of our business operations, the Board identifies electricity and water consumption as critical KPIs for assessing our ESG performance. To align with our commitment to environmental stewardship, we have established specific ESG-related targets. These measures underline our dedication to sustainability and responsible corporate conduct, reflecting our effort to balance operational efficiency with environmental preservation. Taking 2025 as the baseline year, we target to reduce the average electricity and water consumptions by 3% to 5% over the next three years.

Environmental Protection

We recognize the potential environmental impacts of our operations, although our activities do not cause significant environmental pollution. We have evaluated our environmental performance, focusing on greenhouse gas emissions and resource consumption, which quantitatively reflects our Group’s effective management of environmental and social-related risks.

Greenhouse Gas Emissions

Our operations do not directly produce greenhouse gas emissions. However, we are proactive in reducing indirect emissions. We use video conferencing or virtual meetings to avoid unnecessary business travel. When travel is essential, we opt for direct, non-stop flights to reduce emissions from multiple flights. We also promote environmental awareness among our staff, encouraging them to embrace a low-carbon lifestyle by using public transport and carpooling.

BUSINESS

Resource Consumption

Our operations are primarily office-based, with electricity and water being the main resources consumed. We are committed to minimizing our resource usage through various initiatives:

- *Electricity Consumption:* We require our employees to turn off electrical equipment when not in use, particularly during breaks and public holidays. In addition, we use energy-efficient LED bulbs and require staff on duty to turn off the lights every day, thereby promoting efficient energy management. For air conditioning systems, we have adopted multiple energy-saving measures, including setting minimum temperature standards, using the fresh air mode in winter, and turning off air conditioners 30 minutes before the end of the workday.
- *Water Usage:* We are committed to fostering a culture of water conservation within the Group, with a particular focus on reducing overall water consumption. We promote awareness of water conservation, energy efficiency and environmental protection among employees by posting signs in offices that encourage water-saving, energy-saving and paperless practices.

The following sets out the total electricity and water consumption of our headquarters in Shenzhen during the Track Record Period:

	Year ended December 31,		
	2023	2024	2025
Total electricity consumption (kWh)	519,781	396,583	214,591
Intensity of electricity consumption (kWh/ thousand RMB revenue)	0.73	0.44	0.19
Total water consumption (ton)	555	560	540
Intensity of water consumption (ton/thousand RMB revenue)	0.0008	0.0006	0.0005

We will set targets for each material KPIs at the beginning of each financial year in accordance with the disclosure requirements of Appendix 27 to the Listing Rules and other relevant rules and regulations upon the [REDACTED]. Relevant targets on material KPIs will be reviewed on an annual basis to ensure that they remain appropriate to the needs of our Group. In setting targets for the KPIs, we had taken into account their respective historical levels during the Track Record Period and considered our future business expansion in a thorough and prudent manner with a view of balancing business growth and environmental protection to achieve sustainable development.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other penalties due to non-compliance with environment protection regulations.

Employment Matters

Our Company is deeply committed to fostering a diverse and inclusive workplace, emphasizing equal opportunities across gender and age. By implementing policies that ensure bias-free recruitment, gender pay equity, and age-inclusive practices, we strive to create an environment where all employees, regardless of their gender or age, have equal access to opportunities for growth, development, and advancement. We champion robust anti-discrimination measures, including a zero-tolerance policy against any form of harassment. Our dedication to diversity extends to regular training programs and transparent reporting, ensuring that our commitment to gender and age diversity is not just stated but actively practiced and continuously improved.

BUSINESS

The following table sets out the total workforce by gender of our Group as of December 31, 2025:

	<u>Number of employees</u>	<u>Percentage</u>
Female	172	37.5
Male	287	62.5
Total	<u>459</u>	<u>100.0</u>

The following table sets out the total workforce by age group of our Group as of December 31, 2025:

	<u>Number of employees</u>	<u>Percentage</u>
Aged 30 or below	186	40.5
Aged 31 to 40	168	36.6
Aged 41 to 50	80	17.4
Aged 51 or above	25	5.5
Total	<u>459</u>	<u>100.0</u>

Our Group diligently adheres to the relevant laws and regulations, including, but not limited to, the Labor Law of the PRC and the Labor Contract Law of the PRC. In our effort to attract and retain top talent, we offer employees attractive benefits and a competitive remuneration package that considers both external market and internal salary benchmarks. Our compensation structure undergoes an annual review against these benchmarks to ensure we continue to provide competitive remuneration to our employees.

Occupational Safety

As we adopt fabless model and are not engaged in product productions, we are not subject to any material health or occupational safety risks. However, to prioritize the occupational safety of our employees and maintain the smooth operation, we have implemented rigorous contingency plans to address emergencies such as power outages, water leakage, fires, earthquakes, and toxic substance pollution or leaks. Furthermore, we provide comprehensive occupational safety education and training to our employees to enhance their awareness and promote a safe working environment. Regular health assessments are also conducted to monitor the overall well-being of our employees.

Moreover, we have established an internal system to record and manage work-related accidents. We have designated responsible personnel to handle work accidents and injuries, as well as maintain records of health and work safety compliance. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health and safety regulations.

Social Responsibility

We believe that the most effective approach to corporate social responsibility is integrating social responsibility into our business model. Since our establishment, we have consistently upheld our commitment to corporate social responsibility by extending the benefits of our ecosystem to the wider community. For instance, we remain committed to developing low-power chips to reduce the energy consumption of electronic products. At the same time, we also actively hire individuals with disabilities and give back to society through charitable donations. In addition, we have established systematic training programs to support the continuous professional development of our employees, helping them enhance their skills and advance their careers within our Group.

BUSINESS

Board Diversity

We have implemented a board diversity policy that outlines our objective and approach to achieving and maintaining diversity within our Board. The purpose of this policy is to enhance the effectiveness of our Board. As part of our commitment to promoting gender diversity at the Board level, we appointed Ms. Sun Xiaoling and Ms. Chu Junhong as our non-executive Director in August 2025 and September 2025, respectively. See “Directors and Senior Management.”

In order to ensure compliance with applicable laws and regulations, our human resource department periodically reviews and adjusts our human resources policies, in consultation with our legal department, to accommodate any significant changes in relevant laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we complied with all PRC laws and regulations with respect to health and occupational safety matters in all material respects.

Moving forward, our Board will assume responsibility for establishing, adopting, and reviewing our ESG policies. It will also evaluate, determine, and address our ESG-related risks on an annual basis. We are committed to implementing any necessary improvements to mitigate these risks. In addition, we plan to regularly review our key ESG performance. Our management team will actively participate in defining our ESG strategies and targets, as well as monitoring the implementation of our ESG policies. Should the need arise, we may engage independent professional third parties to assist us in making necessary improvements on ESG issues.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may, from time to time, be subject to legal proceedings, disputes and claims that arise in the ordinary course of business. As of the Latest Practicable Date, we were not a party to any ongoing material litigation, arbitration or administrative proceedings, and we were not aware of any claims or proceedings contemplated by government authorities or third parties which would materially and adversely affect our business. Our Directors are not involved in any actual or threatened material claims or litigation.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we have complied, in all material respects, with all relevant laws and regulations in the PRC and other relevant jurisdictions, and there were no non-compliance incidents that are systemic or have a material adverse effect on our business, financial condition or results of operations.

Other Non-Compliance Incidents

Fire Safety Filings

As of the Latest Practicable Date, our Suining Production Line had not completed the requisite fire safety filing with the local housing and urban-rural development authorities, which was caused by our staff’s unfamiliarity with, and/or misunderstanding of, the regulatory requirements for fire safety filings.

As advised by our PRC Legal Advisers, the maximum risk exposure for such non-compliance incident includes a penalty in an amount of up to RMB5,000 and/or being ordered by relevant authorities to suspend the operations at the affected premise if we fail to pass the random inspection of the competent authorities. See “Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to PRC fire safety laws and regulations, and any failure to comply could expose us to liabilities, penalties or operational disruptions.”

BUSINESS

Our Directors believe that such non-compliance is not expected to have a material adverse effect on our business, financial condition or results of operations, on the basis that: (i) we currently plan to relocate the Suining Production Line, with renovation and relocation to the new premises scheduled for completion by the end of 2026; (ii) we have set up a fire safety filing management system to standardize fire safety filing procedures within our Group, thereby enhancing our fire safety governance; (iii) we will regularly organize fire safety awareness campaigns and training sessions for our employees, as well as fire drills for our Suining Production Line; (iv) as of the Latest Practicable Date, we had not received any notifications, investigations, or administrative penalties from relevant authorities for non-compliance concerning fire safety filings in accordance with the relevant PRC laws and regulations; (v) the maximum fine of RMB5,000 would be low, even if administrative penalties were imposed due to the failure of completing fire safety filing; and (vi) the Suining Production Line is primarily dedicated to packaging and verification testing for newly developed products in engineering batches, complementing to our fabless model. Even if the Suining Production Line were ordered to suspend its operations by the relevant authorities, the effect on our financial condition or results of operations would be immaterial, as the Suining Production Line accounted for less than 5% of our Group’s revenue during each year of the Track Record Period. We aim to enhance our internal control measures and procedures with respect to the foregoing to manage associated risks and prevent re-occurrence of such non-compliance incident. Set forth below are the key efforts we have made:

- *Employee trainings:* We provide regular trainings on fire safety for our staff, which cover key aspects of our daily operations. We also organize fire drills on a regular basis to increase fire safety awareness among our employees.
- *Management of licenses and certificates:* We have devised our license and certificate management policies, which govern the timely applications for the required fire safety filings. The license and certificate management policies explicitly require that every new property only be put into operation after the necessary licenses and certificates have been obtained.
- *Designated personnel:* According to our license and certificate management policies, we designate dedicated personnel to manage licenses and certificates required for our business operation, who are responsible for monitoring the status and renewal of such licenses and certificates in a timely manner.

INTERNAL CONTROL AND RISK MANAGEMENT

Overview

We are exposed to various risks in our operations, including those related to our business, industry, and market. For detailed information, see “Risk Factors.” We have implemented internal guidelines, policies, and procedures to monitor and mitigate the impact of risks that are relevant to our business.

Our Board and senior management are responsible for identifying and analyzing risks associated with our operations. They develop measures to mitigate these risks and assess and report on their effectiveness. To assist the Board in providing an independent assessment of our financial reporting process, internal control, and risk management system, we have established an audit committee. The primary responsibilities of the audit committee include overseeing the audit process, evaluating the effectiveness of our financial reporting, internal controls, and risk management systems, and fulfilling other duties and responsibilities assigned by the Board. For the professional qualifications and experiences of the members of our audit committee, see “Directors and Senior Management — Board of Directors.”

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any significant hedging activity.

BUSINESS

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, treasury management policies, and financial statements preparation policies. We have various procedures and IT systems in place to implement our accounting policies, and our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Information System Risk Management

The maintenance, storage, and protection of our data and related information are crucial to our success. To ensure the security and integrity of our data, we have implemented internal procedures designed to prevent any unauthorized access, leakage, or loss. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of our data. See “— Data Privacy and Protection” for more information about our information security procedures and policies.

Internal Control Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our legal, finance and other departments work closely together to: (i) perform risk assessments and give advice on risk management strategies, (ii) improve business process efficiency and monitor internal control effectiveness; and (iii) promote risk awareness throughout our Group.

Corporate Governance Measures

Our Board has established our internal control and risk management department to from time to time review the implementation of our internal control and risk management measures. We have established an audit committee with written terms of reference in compliance with the requirements under the Listing Rules. The audit committee consists of three members, being Dr. Sun Xiaoling, Dr. Song Xiaoke and Dr. Chu Junhong, and is chaired by Dr. Sun Xiaoling, who holds the appropriate accounting or related financial management expertise. For details of the duties and obligations of the audit committee, see “Directors and Senior Management — Board Committees — Audit Committee.”

Ongoing Measures to Monitor the Implementation of Risk Management Policies

Our audit committee, internal control and risk management department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

IMPACT OF COVID-19

The Directors are of the view that the COVID-19 pandemic did not have any material adverse impact on our business operations or financial performance during the Track Record Period. Throughout the pandemic, our production activities, including those at our Suining Production Line, remained uninterrupted. Our logistics and delivery operations were not materially affected, and our key suppliers, particularly foundries and OSAT partners, did not experience any significant disruptions in their provision of materials or services to us.

BUSINESS

Although certain employees were required to work remotely for limited periods (up to 15 days), our Group maintained normal operations without major disruption, as our business is inherently adaptable to remote work arrangements. In addition, we observed an increase in demand for certain product lines linked to pandemic-related applications, such as disinfection-related devices. Accordingly, the pandemic did not have any material adverse impact on our overall business operations or financial results.

CONNECTED TRANSACTIONS

Upon [REDACTED], certain transactions between us and our connected persons will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

RELEVANT CONNECTED PERSON

Foshan Shunde Tuoxinwei Electrical Co., Ltd. (佛山市順德區拓芯微電器有限公司) (“**Foshan Tuoxinwei**”) is wholly owned by Mr. Xie Chenlong (謝陳龍), the cousin of Mr. Yang. Mr. Yang is one of our Controlling Shareholders and our executive Director. Accordingly, Foshan Tuoxinwei is an associate of Mr. Yang and will become connected person upon completion of the [REDACTED] pursuant to Chapter 14A of the Hong Kong Listing Rules.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

We have entered into the following continuing connected transaction which will be exempt from the annual review, reporting, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Sales of Chip Products Framework Agreement

Principal Terms

Our Company [has] entered into a framework agreement with Foshan Tuoxinwei on [•] (the “**Sales of Chip Products Framework Agreement**”), pursuant to which our Group agreed to provide chip products (such as MCU) to Foshan Tuoxinwei as Foshan Tuoxinwei may require from time to time.

The initial term of the Sales of Chip Products Framework Agreement is three years commencing from [REDACTED], subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules and applicable laws and regulations.

Reasons for the Transaction

Our Group has been providing chip products to Foshan Tuoxinwei during the Track Record Period in the ordinary and usual course of our business. Our Group and Foshan Tuoxinwei has therefore established a long-term and stable business relationship. We are not and will not be bound to collaborate with Foshan Tuoxinwei, and we will only manufacture and provide the required products to Foshan Tuoxinwei if we consider it is in the interests of our Company and Shareholders as a whole. Such collaboration with Foshan Tuoxinwei not only brings our Group additional sales but also the opportunities to expand our reach and further promote our offerings, we therefore consider the provision of Sales of Chip Products Framework Agreement to be consistent with the business and commercial objectives of our Company.

Pricing Policies

The fee to be charged on Foshan Tuoxinwei for the chip products to be procured from our Group pursuant to Sales of Chip Products Framework Agreement shall be determined by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to market prices of similar products, taking into account various factors including but not limited to the costs of the chip products (including production costs, material costs and research and development costs) and with reference to prices generally offered by our Group to Independent Third Parties.

Historical transaction amounts

For the years ended December 31, 2023, 2024 and 2025, the historical transaction amounts with respect to the provision of providing chip products were approximately Nil, RMB0.29 million and RMB0.10 million, respectively.

CONNECTED TRANSACTIONS

Annual Caps

We expect the maximum aggregate amount payable by Foshan Tuoxinwei to our Group under the Sales of Chip Products Framework Agreement for the years ending December 31, 2026, 2027 and 2028 are approximately RMB0.49 million, RMB0.64 million and RMB0.50 million.

The proposed annual caps are determined based on:

- (i) the historical amounts of the transactions between the Group and Foshan Tuoxinwei during the Track Record Period in respect of the provision of chip products;
- (ii) the expected demand of Foshan Tuoxinwei on such chip products; and
- (iii) other factors including but not limited to the expected market price of such chip products and the expected market trend.

Listing Rule Implications

The transactions contemplated under the Sales of Chip Products Framework Agreement have been conducted in the ordinary and usual course of business and on normal commercial terms or better. As all of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1%, Sales of Chip Products Framework Agreement will be fully exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

THE CONTROLLING SHAREHOLDERS GROUP

Pursuant to the Acting-in-Concert Agreement, Mr. Yang, Mr. Zhou Yan and Mr. Zhou Fei agreed that they have acted and will continue to act in concert for all material affairs and the arrival of all commercial decisions of our Group since July 2, 2017 to August 4, 2027. In particular, each of Mr. Yang, Mr. Zhou Yan and Mr. Zhou Fei agreed that (i) they shall act in concert when voting at Shareholders’ meetings of our Company and meetings of our Board; and (ii) Mr. Zhou Yan and Mr. Zhou Fei shall follow Mr. Yang’s vote to arrive at a unanimous consent in case there is any disagreement. As of the Latest Practicable Date, Mr. Yang, Mr. Zhou Yan and Mr. Zhou Fei are directly interested in the total issued share capital of our Company as to approximately 55.77% in aggregate (with Mr. Yang, Mr. Zhou Yan, and Mr. Zhou Fei having approximately 31.47%, 20.93%, and 3.37%, respectively).

As such, by virtue of the Acting-in-Concert Agreement, Mr. Yang, Mr. Zhou Yan, and Mr. Zhou Fei constitute our Controlling Shareholders Group. As of the Latest Practicable Date, our Controlling Shareholders Group in aggregate was interested in 223,292,700 Shares of our Company, representing approximately 55.77% of the voting power of our Company.

Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the Controlling Shareholders Group will be entitled to exercise approximately [REDACTED]% voting rights in our Company. Therefore, the Controlling Shareholders Group will continue to be our Controlling Shareholders Group for the purpose of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS GROUP

Our Directors consider that we are capable of carrying on our business independently of our Controlling Shareholders Group and their close associates after the [REDACTED], taking into consideration of the factors below.

Management Independence

Our Board comprises six Directors, including three executive Directors and three independent non-executive Directors. We believe that our Board as a whole, together with our senior management, is able to perform the managerial role in our Group independently from our Controlling Shareholders Group for the following considerations:

- (a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she acts for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) our daily management and operation decisions are made by all our executive Directors and senior management, all of whom have substantial experience in the industry in which we are engaged and will be able to make business decisions that are in the best interest of our Group. For details of the industry experience of our senior management, see “Directors and Senior Management” in this document;
- (c) we have appointed three independent non-executive Directors, comprising more than one-third of the total members of our Board, who have sufficient knowledge, experience and competence with a view to bringing independent judgment to the decision-making process of our Board;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders Group which would support our independent management. For further details, please refer to the paragraph headed “Corporate Governance Measures” in this section.

In light of the above, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that our Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole.

Operational Independence

We have full rights to make all decisions on, and to carry out, our own business operations independently. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate independently from our Controlling Shareholders Group and their close associates. We hold all the requisite licenses, intellectual property rights and qualifications that are material to carry on our principal business. We also have independent access to suppliers and customers and have sufficient capital, facilities and employees to operate our business independently from our Controlling Shareholders Group and their close associates.

Based on the above, our Directors believe that we will be able to operate independently from our Controlling Shareholders Group and their close associates.

Financial Independence

We have an independent financial system. We make financial decisions according to our own business needs and neither our Controlling Shareholders Group nor their close associates intervene with our use of funds. We have established an independent finance department with a team of financial staff and an independent audit, accounting and financial management system.

In addition, we have been and are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders Group or their close associates. As of the Latest Practicable Date, none of the member of our Controlling Shareholders Group or their respective close associates provided any loans, borrowings or guarantees to our Group.

Based on the above, our Directors believe that we are capable of carrying on our business independently of and do not place undue reliance on our Controlling Shareholders Group and their close associates after the [REDACTED].

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders Group:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders Group or any of their associates has a material interest, our Controlling Shareholders Group or their associate will not vote on the relevant resolutions and shall not be counted in the quorum for the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders Group or any of their associates, our Company will comply with the applicable Listing Rules;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

- (c) our Board consists of a balanced composition of executive Directors and independent non-executive Directors, with independent non-executive Directors representing more than one-third of our Board to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to perform their duties. They will review whether there is any conflict of interests between our Group and our Controlling Shareholders Group and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company’s expenses; and
- (e) we have appointed Guoyuan Capital (Hong Kong) Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors believe that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders Group and to protect our Shareholders’ interests as a whole after the [REDACTED].

INTEREST IN COMPETING BUSINESS OF OUR CONTROLLING SHAREHOLDERS GROUP AND THE DIRECTORS

None of the members of our Controlling Shareholders Group or our Directors was, as of the Latest Practicable Date, interested in or engaged in any business, other than our Company, which, competes or is likely to compete, either directly or indirectly, with our Group’s businesses and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors, namely:

Name	Age	Position(s)	Date of appointment as Director	Date of founding/joining our Group	Role and responsibilities	Relationship with other Directors and senior management
Mr. Yang Yong (楊勇)	54	Executive Director, chairman of the Board and chief executive officer of our Group	June 2001	June 2001	Responsible for the overall management, strategic planning and decision-making for key business and leading the overall technology development of our Group	None
Mr. Zhou Yan (周彥)	56	Executive Director	June 2001	June 2001	Responsible for the management and supervision of operations of our Group	None
Mr. Liu Zeyu (柳澤宇)	51	Executive Director, deputy general manager, and sales director	March 2022	January 2018	Responsible for business management, supply chain and quality control	None
Dr. Song Xiaoke (宋曉科)	39	Independent non-executive Director	December 2022	December 2022	Providing independent advice and judgment to our Board	None
Dr. Sun Xiaoling (孫曉嶺)	55	Independent non-executive Director	August 2025	August 2025	Providing independent advice and judgment to our Board	None
Dr. Chu Junhong (楚軍紅)	57	Independent non-executive Director	September 2025	September 2025	Providing independent advice and judgment to our Board	None

Note: The appointment of Dr. Chu Junhong as an independent non-executive Director will take effect from the [REDACTED].

The following sets forth the biographies of our Directors:

EXECUTIVE DIRECTORS

Mr. Yang Yong (楊勇), aged 54, is the founder of our Group, an executive Director, the chairman of the Board, chief executive officer and the chief engineer. He was appointed as a Director of our Company in June 2001 and was re-designated as our executive Director in September 2025. Mr. Yang is primarily responsible for the overall management, strategic planning and decision-making for key business and leading the overall technology development of our Group.

Mr. Yang has more than 24 years of experience in chip design and manufacturing industry. During a certain period of time prior to the establishment of the Group, Mr. Yang served as a director at Shenzhen Putte Integrated Circuits Co., Ltd.* (深圳市普特集成電路有限公司). Mr. Yang also holds directorships and senior management positions in a number of our Company’s subsidiaries including China Micro (Sichuan), China Micro (Shenzhen), China Micro (HK) and Singapore Changi. Mr. Yang works as director at SIPLUS LIMITED since March 2019.

Mr. Yang obtained his bachelor’s degree in Measurement and Testing from Liaoning Petrochemical University (遼寧石油化工大學) (formerly known as Fushun Petrochemical Institute* (撫順石油學院)) in the PRC in July 1992. He further obtained his master’s degree in Electronic and Communication Engineering (電子與通信工程) from Southeast University (東南大學) in the PRC in October 2006.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhou Yan (周彥), aged 56, is an executive Director of our Company. He was appointed as Director in June 2001 and was re-designated as our executive Director in September 2025. Mr. Zhou is primarily responsible for management and supervision of operations of our Group.

Mr. Zhou has more than 24 years of experience in chip design and manufacturing industry. During a certain period of time prior to joining of the Group, Mr. Zhou served as the general manager at Shenzhen Putte Integrated Circuits Co., Ltd.* (深圳市普特集成電路有限公司). He served as the general manager at Chongqing Zhongke Xinyida Electronics Co., Ltd. (重慶中科芯億達電子有限公司) from November 2009 to December 2019. Mr. Zhou also holds directorships and senior management positions in our Company’s subsidiaries China Micro (Beijing) and China Micro (Shanghai).

Mr. Zhou obtained his bachelor’s degree in Measurement and Testing from Liaoning Petrochemical University (遼寧石油化工大學) (formerly known as Fushun Petrochemical Institute* (撫順石油學院)) in the PRC in July 1992.

Mr. Liu Zeyu (柳澤宇), aged 51, is an executive Director, deputy general manager and sales director of our Company. He was appointed as Director in March 2022 and was re-designated as our executive Director in September 2025. Mr. Liu is primarily responsible for business management, supply chain and quality control.

Mr. Liu worked as a senior employee of product management department at Global Foundries Inc. from May 2004 to June 2016. He served as the executive president of product operations at Singapore Eastern Robotics Pte. Ltd. in Singapore from July 2016 to February 2017. He also served as the executive deputy general manager at Singapore Changi Technology Pte. Ltd. from March 2017 to February 2018. After joining our Company, Mr. Liu served as the sales director since January 2018 and as the deputy general manager since December 2020.

Mr. Liu obtained his bachelor’s degree in Production Process Automation (生產過程自動化) from the East China University of Science and Technology (華東理工大學) in the PRC in July 1996, and further obtained his master’s degree in engineering from the National University of Singapore in Singapore in July 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Song Xiaoke (宋曉科), aged 39, was appointed as our independent Director in December 2022 and re-designated as independent non-executive Director in September 2025. Dr. Song is primarily responsible for providing independent opinion and judgement to our Board.

From June 2018 to September 2019, Dr. Song served as a senior development research specialist at Shenzhen High-Tech Investment Group Co., Ltd.* (深圳市高新投集團有限公司). From September 2019 to November 2020, he worked as senior investment manager at Shenzhen High-Tech Talent Equity Investment Fund Management Co., Ltd.* (深圳市高新投人才股權投資基金管理有限公司). Dr. Song has been serving as a founding partner of Shenzhen Yongpan Entrepreneurship Consulting Co., Ltd.* (深圳市永攀創業諮詢有限公司) since November 2020.

Dr. Song obtained his doctorate degree in physics from Tsinghua University (清華大學) in the PRC in July 2014.

Dr. Sun Xiaoling (孫曉嶺), aged 55, was appointed as our independent Director in August 2025 and re-designated as our independent non-executive Director in September 2025. She is primarily responsible for providing independent opinion and judgement to our Board.

Dr. Sun has been an associate professor at the School of Management, Shenzhen Polytechnic University (深圳職業技術大學) since August 2004, and during the period from 2014 to 2015, she was sent by Shenzhen Polytechnic University to be a visiting scholar at the College of Business, California State University, Sacramento.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Sun obtained her bachelor’s degree in economics from Zhengzhou University of Aeronautics (鄭州航空工業管理學院) in the PRC in July 1992. Subsequently, Dr. Sun obtained her master’s degree in business administration and doctoral degree in enterprise management both from the Southwestern University of Finance and Economics (西南財經大學) in the PRC in January 2000 and December 2005, respectively.

Dr. Sun has been a certified public accountant recognized by the Ministry of Finance of the People’s Republic of China (中華人民共和國財政部) since December 1999. Dr. SUN also has been an associate professor recognized by the Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) (formerly known as Department of Personnel of Guangdong Province (廣東省人事廳)) since April 2007.

Dr. Chu Junhong (楚軍紅), aged 57, was appointed as our independent non-executive Director in September 2025 taking effect from the [REDACTED] and is primarily responsible for providing independent opinion and judgement to our Board.

Dr. Chu worked as an instructor, an assistant professor, an associate professor and a visiting associate professor (on part-time basis) at Business School, National University of Singapore from July 2006 to August 2006, from August 2006 to June 2012, from July 2012 to August 2023 and from August 2023 to July 2024, respectively. Dr. Chu has been a professor of marketing at Business School, the University of Hong Kong since August 2022.

Dr. Chu obtained her bachelor’s degree in international economics and Ph.D. in law from Peking University (北京大學) in the PRC in July 1991 and July 1996, respectively. Subsequently, Dr. Chu obtained her master’s degree in business administration and her Ph.D. from the University of Chicago in the U.S. in August 2006 and December 2006, respectively.

General

Save as disclosed in this section and the paragraph headed “Further Information about Our Directors and Substantial Shareholders” in Appendix VI to this document, each of our Directors confirms that:

- (1) he/she has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in September 2025, and understand his/her obligations as a director of a [REDACTED] issuer under the Listing Rules;
- (2) he/she does not have any existing or proposed service contract with our Group other than contracts expiring or determinable by the relevant member of our Group within one year without payment of compensation (other than statutory compensation);
- (3) he/she has no interest in the Shares within the meaning of Part XV of the SFO;
- (4) he/she has not been a director of any other publicly listed company during the three years prior to the Latest Practicable Date and as of the Latest Practicable Date;
- (5) other than being a Director and/or member of our Company’s senior management, he/she does not have any relationship with any other Directors, senior management or substantial shareholders of our Company; and
- (6) he/she has not completed his/her respective education programs as disclosed in this section by way of attendance of long distance learning or online courses.

Each of our independent non-executive Directors has confirmed:

- (1) his/her independence after taking into consideration each of the factors referred to under Rules 3.13(1) to 3.13(8) of the Listing Rules;

DIRECTORS AND SENIOR MANAGEMENT

- (2) that he/she does not have any past or present financial or other interest in the business of our Company or our subsidiaries, or any connection with any core connected person of our Company; and
- (3) that there are no other factors which may affect his/her independence at the time of his/her appointment as our independent non-executive Director.

Save as disclosed herein, to the best knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The table below sets forth certain information in respect of the senior management of our Company:

Name	Age	Position(s)	Date of appointment as senior management	Date of founding/joining our Group	Role and responsibilities	Relationship with Directors and other senior management
Mr. Yang Yong (楊勇)	54	Executive Director, chairman of the Board and chief executive officer of our Group	August 2025	June 2001	Responsible for the overall management, strategic planning and decision-making for key business and leading the overall technology development of our Group	None
Mr. Liu Zeyu (柳澤宇)	51	Executive Director, deputy general manager, and sales director	December 2020	January 2018	Responsible for business management, supply chain and quality control	None
Mr. Wu Xinyuan (吳新元)	55	Secretary of the Board and joint company secretary	January 2019	January 2019	Responsible for the information disclosure, public relations affairs, and corporate governance of our Company	None
Mr. Li Zhenhua (李振華)	48	Financial director and deputy general manager	December 2020	April 2018	Responsible for managing the automotive business division and overseeing the financial management	None
Mr. Chen Xiao (陳曉)	41	Deputy general manager	August 2025	July 2006	Responsible for leading and managing the R&D of MCU and digital IP	None
Mr. Chen Wu (陳武)	42	Deputy general manager	August 2025	September 2022	Responsible for the management of marketing, the planning of mature products and the development and management of product application solutions	None
Mr. Long Wei (龍衛)	39	Deputy general manager	August 2025	September 2024	Responsible for the management of sales and packaging & testing	None

The following sets forth the biographies of our senior management:

Mr. Yang Yong (楊勇) and **Mr. Liu Zeyu (柳澤宇)**, see “— Board of Directors — Executive Directors” in this section for details.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu Xinyuan (吳新元), aged 55, is the secretary of the Board and is primarily responsible for the information disclosure, public relations affairs, and corporate governance of the Company.

Mr. Wu served in the People’s Liberation Army (PLA) from 1990 to March 2018, attaining the rank of Senior Colonel (大校) before being demobilized and transferred to civilian work. After joining our Company, Mr. Wu served as secretary to the Board since January 2019 and financial director from January 2019 to August 2025.

Mr. Wu also holds directorships and senior management positions in our Company’s subsidiaries China Micro (Chongqing).

Mr. Wu obtained his bachelor’s degree in synoptic dynamics from College of Meteorology and Oceanography, National University of Defense Technology (中國人民解放軍國防科技大學) (formerly known as People’s Liberation Army Air Force Meteorological College* (中國人民解放軍空軍氣象學院)) in the PRC in July 1994. He further obtained his master’s degree in military law from the Xi’an Campus, College of Political Science, National Defense University (中國人民解放軍國防大學政治學院西安校區) (formerly known as the PLA Xi’an Institute of Politics (中國人民解放軍西安政治學院)) in the PRC in June 2005.

Mr. Li Zhenhua (李振華), aged 48, is the financial director and a deputy general manager of our Company primarily responsible for managing the automotive business division and overseeing the financial management.

After joining our Company, Mr. Li served as the general manager of China Micro (Beijing) since April 2018, as the product manager since November 2019 and as the deputy general manager of our Company since December 2020.

Mr. Li obtained his bachelor’s degree in information engineering from Xidian University (西安電子科技大學) in the PRC in July 2000, and further obtained his master’s degree in business administration from the Central University of Finance and Economics (中央財經大學) in the PRC in June 2014.

Mr. Chen Xiao (陳曉), aged 41, is a deputy general manager of our Company primarily responsible for leading and managing the R&D of MCU and digital IP.

After joining our Company, Mr. Chen Xiao served as an application engineer and design engineer from July 2006 to June 2011 and was progressively promoted to director of design department, deputy head of R&D, and vice president of R&D during the period from July 2011 to August 2025. He has been serving as a deputy general manager of our Company since August 2025. Mr. Chen also holds directorship position in our Company’s subsidiary China Micro Zixin.

Mr. Chen Xiao obtained his bachelor’s degree in electronic and information engineering from Wuhan University (武漢大學) in the PRC in June 2006.

Mr. Chen Wu (陳武), aged 42, is a deputy general manager of our Company and primarily responsible for the management of marketing, the planning of mature products and the development and management of product application solutions.

Mr. Chen Wu consecutively served as an engineer and a director of technology department II at our Company from July 2006 to February 2018. Mr. Chen has served as the general manager of consumer electronics business division of our Company mainly responsible for products marketing since September 2022 and as a deputy general manager of our Company since August 2025. Mr. Chen Wu also holds directorship and senior management position in our Company’s subsidiary Zhongshan Lianfa.

Mr. Chen Wu obtained his bachelor’s degree in Electronic Science and Technology from Hunan University (湖南大學) in the PRC in June 2006.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Long Wei (龍衛), aged 39, is the deputy general manager of our Company primarily responsible for the management of sales and packaging & testing.

During the period from March 2013 to August 2024, Mr. Chen served as the chief marketing officer (市場營銷總監) at Shenzhen Goodix Technology Co., Ltd (深圳市匯頂科技股份有限公司), an A-Share company listed on the Shanghai Stock Exchange (stock code: 603160). After joining our Company, Mr. Long served as the assistant of the general manager from September 2024 to August 2025 and as a deputy general manager of our Company since August 2025.

Mr. Long obtained his bachelor’s degree in Electronic Information Engineering from Hunan City University (湖南城市學院) in the PRC in June 2010, and further obtained his master’s degree in Industrial R&D of Electronic Packaging Technology Integration (電子構裝技術整合產業研發) from National Kaohsiung University (國立高雄大學) in Taiwan in June 2012.

General

Save as disclosed in this section and the paragraph headed “Further Information about Our Directors and Substantial Shareholders” in Appendix VI to this document, each of our senior management members confirms that:

- (1) he/she does not hold and has not held any other positions in our Group and any other members of our Group as of the Latest Practicable Date;
- (2) other than being a Director and/or member of our Company’s senior management, he/she does not have any relationship with any Directors, other members of senior management or substantial shareholders of our Company as of the Latest Practicable Date;
- (3) he/she does not hold and has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date and as of the Latest Practicable Date; and
- (4) he/she has not completed his/her respective education programs as disclosed in this section by way of attendance of long distance learning or online courses.

JOINT COMPANY SECRETARIES

Mr. Wu Xinyuan (吳新元) has been appointed as our joint company secretary in August 2025, taking effect upon the [REDACTED]. For his biographical details, see “— Senior Management” in this section.

Ms. Wong Hoi Ting (黃凱婷) has been appointed as our joint company secretary in secretary in August 2025, taking effect upon the [REDACTED]. She has over 10 years of experience in company secretarial and corporate governance field. Ms. Wong currently serves as an assistant manager of the Listing Services Department of TMF Hong Kong Limited, a global corporate services provider, and is responsible for providing corporate secretarial and compliance services to listed companies. Ms. Wong obtained her bachelor’s degree in social sciences from Lingnan University (嶺南大學) in Hong Kong in October 2009 and further obtained her master’s degree of science in professional accounting and corporate governance from the City University of Hong Kong in Hong Kong in July 2014. Ms. Wong is an associate member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) in Hong Kong and The Chartered Governance Institute in the United Kingdom.

COMPLIANCE ADVISER

We have appointed Guoyuan Capital (Hong Kong) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances: (1) before the publication of any announcements, circulars or financial reports; (2) where a transaction, which might be a notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules is contemplated, including

DIRECTORS AND SENIOR MANAGEMENT

share issues and share repurchases; (3) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and (4) where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, Guoyuan Capital (Hong Kong) Limited will, in a timely manner, inform us of any amendment or supplement to the Listing Rules and new or amended laws and regulations in Hong Kong applicable to us.

The terms of the appointment shall commence on the [REDACTED] and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the [REDACTED].

BOARD COMMITTEES

We have established the following committees on our Board: an audit committee, a remuneration and appraisal committee, a nomination committee and a strategy and sustainable development committee. The committees operate in accordance with the terms of reference established by our Board.

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”). The Audit Committee consists of Dr. Sun Xiaoling (孫曉嶺), Dr. Song Xiaoke (宋曉科) and Dr. Chu Junhong (楚軍紅), with Dr. Sun Xiaoling (孫曉嶺) being the chairperson of the committee. Dr. Sun Xiaoling (孫曉嶺) holds the appropriate accounting or related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the Audit Committee are to assist our Board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management systems, overseeing the audit process, and performing other duties and responsibilities as assigned by our Board, which includes amongst other things: (1) proposing to our Board the appointment and replacement of external audit firms; (2) supervising the implementation of our internal audit system; (3) liaising between our internal audit department and external auditors; (4) reviewing our financial information and related disclosures; and (5) other duties conferred by our Board.

Remuneration and Appraisal Committee

We have established a remuneration and appraisal committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of part 2 of the Corporate Governance Code. The Remuneration and Appraisal Committee consists of Dr. Sun Xiaoling (孫曉嶺), Dr. Song Xiaoke (宋曉科) and Mr. Yang Yong (楊勇), with Dr. Sun Xiaoling being the chairperson of the committee.

The primary duties of the Remuneration and Appraisal Committee are to develop remuneration and appraisal policies of our Directors, evaluate the performance, make recommendations on the remuneration packages of our Directors and senior management and evaluate and make recommendations on employee benefits, which include amongst other things: (1) establishing, reviewing and making recommendations to our Board on our policy and structure concerning remuneration and appraisal of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and appraisal; (2) determining the terms of the specific remuneration package of each Director and members of senior management; (3) reviewing and approving performance-based remuneration by

DIRECTORS AND SENIOR MANAGEMENT

reference to corporate goals and objectives resolved by our Directors from time to time; (4) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules; and (5) other duties conferred by our Board.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with paragraph B.3 of part 2 of the Corporate Governance Code. The Nomination Committee consists of Dr. Song Xiaoke (宋曉科), Dr. Sun Xiaoling (孫曉嶺) and Mr. Yang Yong (楊勇), with Dr. Song Xiaoke being the chairperson of the committee.

The primary duties of the Nomination Committee are to make recommendations to our Board in relation to the appointment and removal of Directors which includes, amongst other things: (1) reviewing the structure, size and composition of our Board on a regular basis, assisting our Board in maintaining a board skills matrix, and making recommendations to our Board regarding any proposed changes; (2) identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (3) assessing the independence of independent non-executive Directors; (4) making recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors; (5) supporting our Company’s regular evaluation of our Board’s performance; and (6) other duties conferred by our Board.

Strategy and Sustainable Development Committee

We have established a Strategy and Sustainable Development Committee with written terms of reference. The primary duties of the Strategy and Sustainable Development Committee are to make recommendations to the Board on the Group’s long-term development strategies, major decisions, sustainable development and ESG affairs. The Strategy and Sustainable Development Committee comprises Mr. Yang Yong (楊勇), Dr. Sun Xiaoling (孫曉嶺) and Dr. Song Xiaoke (宋曉科), with Mr. Yang Yong (楊勇) serving as the chairperson.

CORPORATE GOVERNANCE

We aim to implement a high standard of corporate governance, which we believe is crucial to safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 of the Listing Rules after the [REDACTED], save that Mr. Yang will serve as both our chairman and chief executive officer as discussed below.

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies [REDACTED] on the Hong Kong Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Yang currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. The Board considers that the balance of power and authority for 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 and consider splitting the roles of chairman of the Board and the chief executive officer of our Company if and when it is appropriate taking into account the circumstances of our Group as a whole.

Board Diversity

We seek to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. We have adopted a board diversity policy (the “**Board Diversity Policy**”) to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable

DIRECTORS AND SENIOR MANAGEMENT

candidates to serve as a Director, the Nomination Committee will consider a range of diversity perspectives with reference to our Company’s business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry, regional experience and length of service. Furthermore, the Nomination Committee is responsible for reviewing the diversity of our Board, reviewing the Board Diversity Policy from time to time, developing and reviewing measurable objectives for implementing the Board Diversity Policy, and monitoring the progress on achieving these measurable objectives in order to ensure that the Board Diversity Policy remains effective.

Our Directors have a balanced mixed of knowledge and skills, including but not limited to overall management and strategic development, accounting and corporate governance in addition to relevant industry experience. They obtained degrees in various majors including Measurement and Testing, Production Process Automation, Engineering, Physics, and Economics. Furthermore, our Board has a relatively wide range of ages, ranging from 38 years old to 56 years old, and consists of four male members and two female members. Our Company has reviewed the membership, structure and composition of our Board, and is of the opinion that the structure of our Board is reasonable, and the experience and skills of the Directors in various aspects and fields can enable our Company to maintain a high standard of operation.

Our Company will, among others, (i) disclose the biographical details of each Director and (ii) report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report. In particular, our Company will take opportunities to increase the proportion of female members of our Board when selecting and recommending suitable candidates for Board appointments to help enhance gender diversity in accordance with stakeholder expectations and recommended best practices. Our Company also intends to promote gender diversity when recruiting staff at the mid to senior level so that our Company will have a pipeline of female senior management and potential successors to our Board. We believe that such merit-based selection process with reference to our Board Diversity Policy and the nature of our business will be in the best interests of our Group and our Shareholders as a whole.

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he/she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

COMPENSATION OF DIRECTORS

We offer our Directors remuneration the form of fees, salaries, allowances, benefits in kind, performance related bonuses, retirement benefit scheme contribution, and share-based compensation. Our Directors’ remuneration is determined with reference to the relevant Director’s experience and qualifications, level of responsibility, performance and the time devoted to our business, and the prevailing market conditions. Our independent non-executive Directors receive emolument based on their responsibilities.

The aggregate amounts of remuneration (including fees, salaries, allowances and other benefits, discretionary bonuses, and retirement scheme contribution) which were paid or payable to our Directors for the three financial years ended December 31, 2023, 2024, and 2025 were RMB8.3 million, RMB9.2 million and RMB7.7 million, respectively.

It is estimated that the aggregate amount of remuneration (including salaries, wages, other benefits, defined benefit contribution plan, and share-based compensation) payable to our Directors for the financial year ending December 31, 2026 would be approximately RMB4.0 million under arrangements in force as of the date of this document.

For the three financial years ended December 31, 2023, 2024 and 2025, there were 4, 4 and 4 Directors among the five highest paid individuals, respectively. The aggregate amounts of remuneration (including salaries, allowance, other benefits, discretionary bonuses, and retirement

DIRECTORS AND SENIOR MANAGEMENT

scheme contributions) which were paid or payable by our Group to our five highest paid individuals (excluding Directors) for the three financial years ended December 31, 2023, 2024 and 2025 were RMB1.6 million, RMB1.9 million and RMB1.9 million, respectively.

During the Track Record Period, (i) no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining our Group, (ii) no compensation was paid to, or receivable by, our Directors, past Directors, or the five highest paid individuals for the loss of office as a director of any member of our Group or any other office in connection with the management of the affairs of any member of our Group, and (iii) none of our Directors waived or agreed to waive any emoluments.

Except as disclosed above, no other payment has been paid, or is payable, by our Group to our Directors or the five highest paid individuals of our Group during the Track Record Period.

For additional information on remuneration of Directors during the Track Record Period as well as information on the five highest paid individuals, see notes 14 to the Accountants’ Report.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] without taking into account any H Shares which may be issued pursuant to the exercise of the [REDACTED], the following persons will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at Shareholders’ meetings of our Company:

Name of Shareholder	Nature of interest	Description of Shares	Number of Shares	Approximate percentage of shareholding in the relevant type of Shares as of the Latest Practicable Date ⁽²⁾	Approximate percentage of shareholding in the total share capital of our Company immediately after the [REDACTED] ⁽³⁾
Mr. Yang	Beneficial Owner	A Shares	126,000,000	31.47%	[REDACTED]%
	Interest of a party to an agreement ⁽¹⁾	A Shares	97,292,700	24.30%	[REDACTED]%
Mr. Zhou Yan	Beneficial Owner	A Shares	83,792,700	20.93%	[REDACTED]%
	Interest of a party to an agreement ⁽¹⁾	A Shares	139,500,000	34.84%	[REDACTED]%
Mr. Zhou Fei	Beneficial Owner	A Shares	13,500,000	3.37%	[REDACTED]%
	Interest of a party to an agreement ⁽¹⁾	A Shares	209,792,700	52.40%	[REDACTED]%

Notes:

- (1) Mr. Yang, Mr. Zhou Yan and Mr. Zhou Fei are parties to the Act-in-Concert Agreement, according to which Mr. Yang, Mr. Zhou Yan and Mr. Zhou Fei confirmed and agreed that they have acted and will continue to act in concert and collectively for all material management affairs and the arrival and/or execution of all commercial decisions, including but not limited to financial and operational matters, of our Group since date of the Act-in-Concert Agreement, and they have casted and will continue to cast unanimous vote collectively for or against all resolutions in all Board and Shareholders’ meetings and discussions of the Group. Therefore, Mr. Yang, Mr. Zhou Yan and Mr. Zhou Fei are deemed to be jointly interested in the aggregate number of Shares held by each other.
- (2) The calculation is based on the total number of 400,365,000 A Shares in issue of the Latest Practicable Date.
- (3) The calculation is based on the total number of 400,365,000 A Shares and [REDACTED] H Shares in issue immediately following the completion of the [REDACTED], without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED].

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), without taking into account the [REDACTED] that may be taken up under the [REDACTED], have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at Shareholders’ meetings of our Company.

SHARE CAPITAL

This section presents certain information regarding our share capital prior to and upon the completion of the [REDACTED].

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the registered share capital of our Company was RMB400,365,000 comprising 400,365,000 A Shares (including 1,506,639 A Shares as treasury Shares) with a nominal value of RMB1.00 each, which are all listed on the Shanghai Stock Exchange STAR Market.

UPON COMPLETION OF THE [REDACTED]

Immediately upon completion of the [REDACTED], assuming the [REDACTED] is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the total issued share capital (%)
A Shares	400,365,000 ⁽¹⁾	[REDACTED]%
H Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]%
Total	[REDACTED]	[100]%

Note:

(1) These A Shares include 1,506,639 A Shares which are held by our Company as treasury Shares.

Immediately upon completion of the [REDACTED], assuming the [REDACTED] is fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the total issued share capital (%)
A Shares	400,365,000 ⁽¹⁾	[REDACTED]%
H Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]%
Total	[REDACTED]	[100]%

Note:

(1) These A Shares include 1,506,639 A Shares which are held by our Company as treasury Shares.

OUR SHARE

Our H Shares in issue upon completion of the [REDACTED], and our A Shares, are ordinary Shares in our share capital and are considered as one class of Shares. Shanghai-Hong Kong Stock Connect has established a stock connect mechanism between mainland China and Hong Kong. Our A Shares can be subscribed for and traded by mainland Chinese investors, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As our A Shares are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shanghai-Hong Kong Stock Connect. Our H Shares can be [REDACTED] for or [REDACTED] by

SHARE CAPITAL

Hong Kong and other overseas investors and qualified domestic institutional investors. If our H Shares are eligible securities under the Southbound Trading Link, they can also be subscribed for and traded by mainland Chinese investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

RANKING

Our H Shares and our A Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of our A Shares are to be paid by us in Renminbi. In addition to cash, dividends may also be distributed in the form of Shares. Holders of our H Shares will receive share dividends in the form of H Shares, and holders of our A Shares will receive share dividends in the form of A Shares.

NO CONVERSION OF OUR A SHARES INTO H SHARES FOR [REDACTED] AND [REDACTED] ON THE HONG KONG STOCK EXCHANGE

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the [REDACTED] of our A Shares and our H Shares may be different after the [REDACTED]. The Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請“全流通”業務指引》) announced by the CSRC are not applicable to companies dual [REDACTED] in the PRC and on the Hong Kong Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may convert A shares held by them into H shares for [REDACTED] and [REDACTED] on the Hong Kong Stock Exchange.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

We have obtained approval from our holders of A Shares to issue H Shares and seek the [REDACTED] of H Shares on the Hong Kong Stock Exchange. Such approval was obtained at the Shareholders’ meeting of our Company held on August 7, 2025 upon, among other things, the following major terms:

(1) Size of the [REDACTED]

The proposed number of H Shares to be [REDACTED] initially shall not exceed [REDACTED] of the total number of issued Shares as enlarged by the H Shares to be issued pursuant to the [REDACTED] and before the exercise of the [REDACTED]. The number of H Shares to be issued pursuant to the exercise of the [REDACTED] shall not exceed [REDACTED] of the total number of H Shares to be [REDACTED] initially pursuant to the [REDACTED].

(2) Method of [REDACTED]

The method of [REDACTED] shall be by way of a [REDACTED] for [REDACTED] in Hong Kong and an international [REDACTED] to institutional and professional investors.

(3) Target [REDACTED]

The H Shares shall be [REDACTED] to overseas professional organizations, institutions, individual [REDACTED], the public and other eligible [REDACTED].

(4) [REDACTED] basis

The [REDACTED] of the H Shares will be determined after due consideration of, among others, the interests of existing Shareholders, the acceptance of [REDACTED] and the risks related to the [REDACTED] and in accordance with international practices through the

SHARE CAPITAL

demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(5) Validity period

The approval is valid for 24 months from the date of passing of the resolutions at the Shareholders’ meeting of our Company held on August 7, 2025.

There is no other approved [REDACTED] plan for any other shares except for the [REDACTED].

CIRCUMSTANCES UNDER WHICH SHAREHOLDERS’ MEETING IS REQUIRED

For details of circumstances under which our Shareholders’ meeting is required, please refer to the sections headed “Appendix IV — Summary of Principal Legal and Regulatory Provisions and Appendix V — Summary of Articles of Association”.

FINANCIAL INFORMATION

The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in the Accountants’ Report in Appendix I, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed “Risk Factors” and “Business.”

For the purposes of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to the years ended December 31, 2023, 2024 and 2025, respectively.

OVERVIEW

We are a leading intelligent control solutions provider in China, specializing in the design and delivery of integrated circuit chips, with microcontroller units (MCUs) at the core of our offerings. During the Track Record Period, we generated revenue primarily from the provision of MCU, SoC, and ASIC solutions, as well as the sale of other related products.

Our revenue increased by 27.8% from RMB713.6 million in 2023 to RMB911.7 million in 2024, and further grew by 23.1% to RMB1,122.2 million in 2025. In terms of profitability, we shifted from a net loss of RMB21.9 million in 2023 to net profit of RMB136.8 million in 2024 and RMB284.2 million in 2025.

BASIS OF PRESENTATION

Our Company is a joint stock company with limited liability incorporated in the PRC on June 22, 2001. See “History, Development and Corporate Structure” for more details. The historical financial information has been prepared in accordance with the accounting policies set out in Note 4 to the Accountants’ Report in Appendix I in this document, which conform with IFRS Accounting Standards, including all applicable individual IFRS Accounting Standards, IAS and the related interpretations issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Listing Rules and by the Companies Ordinance. For the purpose of preparing and presenting the historical financial information, all relevant standards, amendments and interpretations to the IFRS Accounting Standards that are effective during the Track Record Period have been adopted by our Group consistently throughout the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The growth and future success of our business depend on many factors. While each of these factors presents significant opportunities for our business, they also pose challenges that we must successfully address in order to sustain our growth and improve our results of operations.

General Factors

Our business and results of operations are affected by a number of general factors, including:

- overall economic growth and conditions in China and globally;
- development and prosperity of the global and PRC semiconductor industry, in particular the IC industry;

FINANCIAL INFORMATION

- conditions of the downstream markets of the IC industry and the resulting fluctuations in customer demand;
- technological advancement and competitive landscape in the industry in which we operate;
- geopolitical relations; and
- regulatory oversight and government policies.

Company-Specific Factors

Ability to continue to innovate and enrich our solution and product offerings

During the Track Record Period, we generated revenue primarily from the provision of MCU, SoC and ASIC solutions, as well as the sale of other related products. Our future growth depends in large part on our ability to continuously innovate, upgrade and diversify our solution and product offerings in response to evolving customer requirements and dynamic market trends.

To secure incremental customer orders, strengthen customer stickiness, and increase overall revenue, we must remain responsive to rapidly changing performance specifications, functionality needs, and system integration standards. Due to the fast-paced nature of the semiconductor industry, our products must undergo ongoing technological upgrades and iterative enhancements. Failure to do so may result in loss of design wins, reduced procurement volume from customers, and ultimately, revenue contraction.

In addition, product adaptability and interoperability are key to expanding addressable markets. Our products are expected to be compatible with a wide range of downstream platforms and system architectures. Enhanced adaptability enables us to broaden our application coverage across diverse verticals such as consumer electronics, industrial control, automotive electronics, and smart household appliances, thereby increasing sales potential and revenue streams.

Furthermore, the degree of technological sophistication in our products also influences pricing power and gross profit margins. Higher-end, differentiated solutions with broader applicability typically command better pricing terms. As such, our ability to consistently enrich our product mix and launch competitive offerings is critical to sustaining both top-line growth and profitability.

Ability to expand our customer base

As of December 31, 2025, we had served an accumulated total of over 1,000 customers in various downstream sectors, including consumer electronics, smart household appliances, industrial control and automotive electronics. Our business growth and financial performance are closely tied to our ability to attract new customers and penetrate additional downstream industries.

The semiconductor industry is characterized by long customer development cycles and high qualification thresholds. In particular, for sectors such as industrial control and automotive electronics, customer acquisition often involves prolonged engagement processes, including design collaboration, product validation and technical support. Our ability to expand our customer base depends not only on the competitiveness and adaptability of our products, but also on our reputation for reliability, customer support and delivery capability.

As we continue to diversify our solutions and enhance their adaptability and compatibility across different platforms and use cases, we are better positioned to reach a broader customer base. Failure to effectively expand our customer base may limit our revenue growth potential and reduce the return on R&D and product development efforts. We therefore place strategic focus on both deepening relationships with existing key customers and acquiring new customers across a wider range of verticals and geographies.

FINANCIAL INFORMATION

Ability to enhance our technological capabilities

As a technology-driven semiconductor company, our ability to maintain and enhance competitiveness hinges not only on the breadth and quality of our product offerings but also on our continued investment in R&D. R&D spending represents a critical input that directly supports our product innovation, process optimization and solution diversification efforts, which in turn affect our revenue growth and profitability.

During the Track Record Period, we maintained a high level of R&D expenditure as a percentage of revenue to support continuous product upgrades, development of next-generation technologies and platform-level innovations. Our research and development expenses amounted to RMB120.5 million, RMB127.5 million and RMB124.2 million in 2023, 2024 and 2025, respectively, representing 16.9%, 14.0% and 11.1% of our total revenue for the corresponding years. These investments enable us to secure design wins, strengthen our technological differentiation, and improve the adaptability and compatibility of our products to meet the evolving needs of customers and the industry.

However, the return on R&D is subject to time lags and inherent uncertainty. In particular, the effectiveness of R&D investments depends on the successful commercialization of new products and solutions, the timing of market adoption, and our ability to scale production and sales. Delays or shortfalls in these areas may result in lower-than-expected return on R&D and put pressure on our financial results. We therefore strive to optimize R&D allocation by prioritizing high-potential projects, strengthening project management and aligning product development with long-term commercial strategy and market demand.

Ability to maintain a stable supply chain

Our supply chain management capabilities have a direct and significant impact on our results of operations. As a semiconductor company operating under a fabless model, we depend on third-party foundries for wafer fabrication and OSAT partners for packaging and testing. Establishing long-term, stable partnerships with these key production partners is essential to ensuring production continuity and supporting our business growth.

In particular, timely capacity reservation and accurate production scheduling are critical during periods of tight supply or surging industry demand. Our ability to forecast wafer and packaging demand and communicate effectively with production partners helps us reduce the risk of production delays, bottlenecks and unfulfilled orders. Close coordination with foundries and OSAT providers also enables us to optimize production lead time, reduce backend cycle times, and improve time-to-market, which is crucial in a competitive and fast-evolving industry like semiconductors.

In addition, the cost and stability of wafer procurement have a material impact on our gross profit and overall profitability. The cost of wafers increased from RMB385.3 million in 2023 to RMB417.8 million in 2024, and further to RMB448.4 million in 2025. The increase in wafer procurement cost was primarily driven by (i) elevated market prices amid the global chip shortage and intensified geopolitical tensions between China and the United States from 2021 to 2022 and (ii) the increase in sales volume over the periods. The high-cost inventories were mainly delivered in 2023, during a period of softening downstream demand and declining product prices, which led to the year-on-year decrease in our gross profit margin.

In addition, efficient procurement and inventory management of critical materials and services allow us to balance cost control and operational stability. By minimizing lead times and avoiding overstocking, we can lower inventory holding costs while ensuring sufficient supply to support ongoing production and delivery commitments.

FINANCIAL INFORMATION

Ability to manage and control inventory

Our financial performance is affected by our ability to manage inventory levels and reduce the risk of slow-moving or obsolete items. We recorded provision of impairment for inventories of RMB55.3 million, RMB11.6 million and RMB15.8 million in 2023, 2024 and 2025, respectively.

The fluctuations in these amounts primarily reflected changes in inventory aging and our periodic assessment of market demand and product obsolescence risk. The relatively higher provision in 2023 was mainly driven by two factors. First, we had strategically procured a large volume of wafer and other raw materials based on projected customer demand and market condition in 2022. However, as actual orders fell short of expectations, these inventories remained unused, resulting in increased inventory aging. Second, a general downturn in the semiconductor market in 2023 led to lower market prices for certain products, particularly high-cost items purchased during periods of elevated wafer prices. Both factors contributed to a high inventory impairment charge in 2023.

In contrast, the lower provision in 2024 reflected improved inventory turnover and enhanced demand forecasting capabilities. We also accelerated our inventory clearance efforts, which led to the transfer of previously recognized inventory write-downs into cost of sales. As a result, the balance of inventory provision decreased in 2024, which helped mitigate further impairment risks. However, we also recorded provision of impairment for inventories of RMB15.8 million in 2025, primarily due to an increase in aged and slow-moving inventories, as well as refinements in our inventory impairment assessment methodology. We continue to strengthen our procurement and planning processes to ensure better alignment between inventory levels and actual market demand. Furthermore, we have implemented measures to optimize our inventory levels. See “Business — Inventory Management, Warehousing and Logistics — Inventory Management.”

Ability to maintain and improve operational efficiency

Our ability to maintain and enhance operational efficiency directly affects our profitability and overall financial performance. As our business grows in scale and complexity, the effectiveness of our management and operational execution becomes increasingly critical.

Our key operating expenses primarily include administrative and selling and distribution expenses. In 2023, 2024 and 2025, our administrative and other expenses amounted to RMB47.1 million, RMB50.7 million and RMB68.4 million, respectively, representing 6.6%, 5.6% and 6.1% of our total revenue during the corresponding years. During the same years, our selling and distribution expenses were RMB19.5 million, RMB18.8 million and RMB23.8 million, accounting for 2.7%, 2.1% and 2.1% of our total revenue during the corresponding years, respectively. The selling and distribution expense ratios showed a general downward trend, reflecting our improved cost control and operational discipline.

We continuously review and streamline our internal processes to optimize resource allocation, improve cross-functional coordination, and strengthen budgetary management. Enhancing operational efficiency not only helps us better manage costs, but also enables us to respond more swiftly to market demand, support customer expansion, and scale our business in a sustainable and agile manner.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies and accounting judgments and estimates that we believe are significant to the preparation of our consolidated financial statements. In addition, the preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates and the exercise of management’s judgment in applying our accounting policies. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations.

FINANCIAL INFORMATION

Our management will continually evaluate such estimates, assumptions and judgments based on experience and other factors, including the expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Details of our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 4 and 5 to the Accountants’ Report in Appendix I in this document.

DESCRIPTION OF KEY ITEMS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth key items of our consolidated statements of profit or loss and other comprehensive income for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue	713,570	911,655	1,122,150
Cost of sales	(644,340)	(650,989)	(753,282)
Gross profit	69,230	260,666	368,868
Other income and other gains	83,182	76,215	154,857
Selling and distribution expenses	(19,548)	(18,843)	(23,806)
Research and development expenses	(120,469)	(127,543)	(124,178)
Administrative and other expenses	(47,129)	(50,687)	(68,445)
Reversal/(provision) of impairment losses on financial assets, net	1,868	(1,518)	(207)
Finance costs	(672)	(658)	(2,059)
(Loss)/profit before tax	(33,538)	137,632	305,030
Income tax credit/(expense)	11,589	(798)	(20,848)
(Loss)/profit for the year	(21,949)	136,834	284,182
Other comprehensive income/(expense)			
Item that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	381	353	(447)
Total comprehensive (expense)/income for the year	(21,568)	137,187	283,735

FINANCIAL INFORMATION

Revenue

Revenue by Business Line

During the Track Record Period, we derived revenue primarily from provision of solutions and products, including (i) MCU solutions; (ii) SoC solutions; (iii) ASIC solutions; and (iv) other related products.

The following table sets forth a breakdown of our revenue by business line for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Solutions and products						
MCU solutions	571,164	80.1	697,843	76.6	846,387	75.4
SoC solutions	91,190	12.8	185,085	20.3	241,030	21.5
ASIC solutions	32,280	4.5	24,048	2.6	31,489	2.8
Other related products ⁽¹⁾	15,219	2.1	3,676	0.4	1,887	0.2
Sub-total	709,853	99.5	910,652	99.9	1,120,793	99.9
Other products ⁽²⁾	1,223	0.2	1,003	0.1	1,357	0.1
Other services ⁽³⁾	2,494	0.3	—	—	—	—
Total	713,570	100.0	911,655	100.0	1,122,150	100.0

Notes:

- (1) Other related products primarily comprise development tools.
- (2) Other products primarily comprise the sales of scrap materials.
- (3) Other services primarily comprise technical support services.

During the Track Record Period, we derived a substantial majority of our revenue from the sales of MCU solutions, which consistently accounted for over 70.0% of our total revenue. Revenue contributions from SoC solutions showed an upward trend, while those from ASIC solutions and other related products remained relatively limited.

Revenue from Provision of Solutions and Products

Revenue Breakdown by Application Scenario

During the Track Record Period, our solutions and products have been widely used in various application scenarios, including consumer electronics, smart household appliances, industrial control, and automotive electronics.

The table below sets forth a breakdown of our revenue from provision of solutions and products by application scenario during the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Consumer electronics	310,706	43.8	359,457	39.5	466,682	41.6
Smart household appliances	298,535	42.0	337,972	37.1	353,838	31.6
Industrial control	78,156	11.0	184,905	20.3	246,829	22.0
Automotive electronics	22,456	3.2	28,318	3.1	53,444	4.8
Total	709,853	100.0	910,652	100.0	1,120,793	100.0

FINANCIAL INFORMATION

Consumer electronics and smart household appliances together contributed the majority of our revenue from provision of solutions and products in each year during the Track Record Period, while revenue from industrial control and automotive electronics sectors increased in absolute terms. The overall distribution of revenue across application sectors remained relatively stable over the Track Record Period.

Revenue Breakdown by Sales Channel

The table below sets forth a breakdown of our revenue from provision of solutions and products by sales channel for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Distribution	400,708	56.4	520,780	57.2	782,272	69.8
Direct sales	309,145	43.6	389,872	42.8	338,521	30.2
Total	709,853	100.0	910,652	100.0	1,120,793	100.0

During the Track Record Period, a substantial portion of our revenue from provision of solutions and products was generated through distribution channels, which consistently contributed the majority of our total revenue in each year. Revenue from direct sales accounted for the remaining portion.

In 2025, the revenue contribution from our distributors increased significantly, primarily due to stronger demand in the consumer electronics sector, where many of our distributor-sold products are applied. In response to this trend and to enhance operational efficiency, we reallocated certain small-sized direct sales customers to our distributor channel. In addition, we expanded our distributor incentive program during the period, encouraging broader participation and more proactive promotion efforts. These factors collectively contributed to the growing significance of distributor-led sales in 2025.

Cost of Sales

Cost of Sales by Nature

Our cost of sales primarily consists of (i) cost of wafers; (ii) cost of packaging and testing; (iii) others; and (iv) provision/(reversal) of impairment for inventories. The following table sets forth a breakdown of our cost of sales by nature for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Cost of wafers	385,253	59.8	417,800	64.2	448,436	59.5
Cost of packaging and testing	203,646	31.6	221,530	34.0	289,021	38.4
Others ⁽¹⁾	179	0.0	63	0.0	—	—
Provision of impairment for inventories, net	55,262	8.6	11,596	1.8	15,825	2.1
Total	644,340	100.0	650,989	100.0	753,282	100.0

Note:

(1) Others mainly comprise transportation costs.

Our cost of sales primarily comprised the cost of wafers and packaging and testing services, which together accounted for over 90.0% of our total cost of sales during the Track Record Period. In particular, wafer procurement remained our largest cost item, consistently representing over 50.0% of total cost of sales.

FINANCIAL INFORMATION

Cost of Sales by Business Line

The following table sets forth a breakdown of our cost of sales by business line for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Solutions and Products						
MCU solutions	474,249	73.6	497,535	76.4	564,773	75.0
SoC solutions	69,237	10.7	120,355	18.5	149,691	19.9
ASIC solutions	30,182	4.7	18,475	2.8	22,661	3.0
Other related products ⁽¹⁾	15,231	2.4	2,965	0.5	332	0.0
Sub-total	588,899	91.4	639,330	98.2	737,457	97.9
Provision of impairment for inventories, net	55,262	8.6	11,596	1.8	15,825	2.1
Others						
Other products ⁽²⁾	179	0.0	63	0.0	—	—
Other services ⁽³⁾	—	—	—	—	—	—
Total	644,340	100.0	650,989	100.0	753,282	100.0

Notes:

- (1) Other related products primarily comprise development tools.
- (2) Other products primarily comprise the sales of scrap materials.
- (3) Other services primarily comprise technological support services.

The trend of cost distribution by business line largely mirrored that of our revenue mix, with fluctuations primarily driven by changes in product sales composition and pricing.

Cost of Sales of Provision of Solutions and Products by Application Scenario

The table below sets forth a breakdown of our cost of sales of provision of solutions and products by application scenario (excluding (provision)/reversal of impairment for inventories) for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Consumer electronics	297,125	50.5	295,786	46.3	337,485	45.8
Smart household appliances	217,495	36.9	215,648	33.7	220,630	29.9
Industrial control	60,552	10.3	114,295	17.9	150,391	20.4
Automotive electronics	13,727	2.3	13,601	2.1	28,951	3.9
Total	588,899	100.0	639,330	100.0	737,457	100.0

In line with the revenue breakdown by application scenario, cost from consumer electronics and smart household appliances constituted a substantial portion of our cost of sales of provision of solutions and products (excluding (provision)/reversal of impairment for inventories). Cost contributions from industrial control applications increased in 2024 and 2025, consistent with their rising share of total revenue.

FINANCIAL INFORMATION

Cost of Sales of Provision of Solutions and Products by Sales Channel

The following table sets forth a breakdown of our cost of sales of provision of solutions and products by sales channel (excluding (provision)/reversal of impairment for inventories) for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Distribution	349,105	59.3	359,236	56.2	522,777	70.9
Direct sales	239,794	40.7	280,094	43.8	214,680	29.1
Total	588,899	100.0	639,330	100.0	737,457	100.0

Our cost of sales of provision of solutions and products by sales channel (excluding (provision)/reversal of impairment for inventories) remained broadly aligned with the revenue composition by channel.

Gross Profit and Gross Profit Margin

In 2023, 2024 and 2025, our gross profit was RMB69.2 million, RMB260.7 million and RMB368.9 million, respectively. In 2023, 2024 and 2025, our gross profit margin was 9.7%, 28.6% and 32.9%, respectively.

Gross Profit and Gross Profit Margin by Business Line

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

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Solutions and products						
MCU solutions	96,915	17.0	200,308	28.7	281,614	33.3
SoC solutions	21,953	24.1	64,730	35.0	91,339	37.9
ASIC solutions	2,098	6.5	5,573	23.2	8,828	28.0
Other related products ⁽¹⁾	(12)	0.0	711	19.3	1,555	82.4
Sub-total	120,954	17.0	271,322	29.8	383,336	34.2
Others						
Other products ⁽²⁾	1,044	85.4	940	93.7	1,357	100.0
Other services ⁽³⁾	2,494	100.0	—	—	—	—
Sub-total	3,538	95.2	940	93.7	1,357	100.0
Provision of impairment for inventories, net	(55,262)		(11,596)		(15,825)	
Total	69,230	9.7	260,666	28.6	368,868	32.9

Notes:

- (1) Other related products primarily comprise development tools.
- (2) Other products primarily comprise the sales of scrap materials.
- (3) Other services primarily comprise technical support services.

Throughout the Track Record Period, MCU solutions remained our primary gross profit contributor, while gross profit from SoC solutions experienced steady growth, supported by the ramp-up of higher-margin products.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin Breakdown of Provision of Solutions and Products

- By Application Scenario

The following table sets forth our gross profit and gross profit margin of provision of solutions and products by application scenario for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Consumer electronics	13,581	4.4	63,671	17.7	129,197	27.7
Smart household appliances	81,040	27.1	122,324	36.2	133,208	37.6
Industrial control	17,604	22.5	70,610	38.2	96,438	39.1
Automotive electronics	8,729	38.9	14,717	52.0	24,493	45.8
Sub-total	120,954	17.0	271,322	29.8	383,336	34.2
Provision of impairment for inventories, net	(55,262)		(11,596)		(15,825)	
Total	65,692	9.3	259,726	28.5	367,511	32.8

Our gross profit and gross profit margin of provision of solutions and products by application scenario generally improved during the Track Record Period, primarily reflecting changes in customer mix, pricing strategies, and cost structures. In 2023, gross profit and margin were relatively low across all major application scenarios, particularly in consumer electronics and smart household appliances. This was primarily due to our implementation of price reduction strategies aimed at accelerating the clearance of slow-moving and overstocked inventories amid weak downstream demand and overall industry slowdown. These markdowns directly compressed product margins, resulting in relatively lower overall gross profit and gross profit margin for the year. In 2024, supported by a rebound in downstream demand, profitability recovered notably across all segments, primarily as a result of the launch of new products featuring improved performance and reduced die size, which enhanced production efficiency and lowered unit manufacturing costs. Meanwhile, a general decline in the price of raw materials further contributed to margin expansion. In 2025, overall gross profit margin of provision of solutions and products further improved to 32.8%, reflecting continued improvement in cost efficiency and product mix optimization.

- By Sales Channel

The following table sets forth a breakdown of our gross profit and gross profit margin of provision of solutions and products by sales channel for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Distribution	51,603	12.9	161,544	31.0	259,495	33.2
Direct sales	69,351	22.4	109,778	28.2	123,841	36.6
Sub-total	120,954	17.0	271,322	29.8	383,336	34.3
Provision of impairment for inventories, net	(55,262)		(11,596)		(15,825)	
Total	65,692	9.3	259,726	28.5	367,511	32.8

FINANCIAL INFORMATION

In 2023, gross profit margins for both direct and distribution channels were relatively low, primarily due to inventory clearance through discounted sales in order to expedite inventory consumption. In 2024, gross profit margin for distribution sales improved notably, driven by our strategic channel allocation. We adjusted our channel strategy to discontinue low-margin product offerings in the distribution channel, thereby improving the overall margin profile of this channel. In contrast, we retained relatively lower-margin products in the direct sales channel in 2024, which is primarily composed of large or well-known customers with stronger bargaining power, exerting greater pricing pressure and resulting in relatively lower gross margins. In 2025, the gross profit margin for both channels further improved, with the margin for direct sales channel increasing notably, reflecting continued product mix optimization and better pricing discipline.

Other Income and Other Gains

Our other income and other gains primarily consists of (i) fair value gain/(loss) on financial assets at FVTPL; (ii) government grants; (iii) interest income from financial assets measured at amortized cost, representing interest income from time deposits; (iv) interest income from financial assets at FVTPL, representing interest income from certificate of deposits; (v) individual tax and VAT tax refund; (vi) gain on disposal of financial assets at FVTPL, representing gains on disposal of structured deposits; (vii) gain on lease modifications; and (viii) loss on disposal of property, plant and equipment, net.

The following table sets forth a breakdown of our other income and other gains for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fair value gain/(loss) on financial assets at FVTPL	7,075	(13,148)	82,079
Government grants	14,297	26,922	8,309
Interest income from financial assets measured at amortized cost	17,187	12,683	1,279
Interest income from financial assets at FVTPL	14,280	23,570	25,105
Gain on lease modifications	166	34	401
Individual tax and VAT tax refund	9,554	10,526	19,679
Gain on disposal of financial assets at FVTPL	20,633	13,939	17,848
Loss on disposal of property, plant and equipment, net	(1)	(148)	(1)
Others	(9)	1,837	158
Total other income and other gains	83,182	76,215	154,857

Selling and Distribution Expenses

Our selling and distribution expenses primarily comprise (i) employee compensation expenses in relation to sales and marketing personnel; (ii) depreciation and amortizations; (iii) selling services fees primarily represent outsourced after-sale services paid to third-party service providers; (iv) rental expenses; (v) promotion expenses; and (vi) others.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our selling and distribution expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee compensation expenses	14,438	73.9	14,132	75.0	15,048	63.2
Depreciation and amortizations	416	2.1	273	1.5	215	0.9
Selling services fees	688	3.5	1,323	7.0	5,184	21.8
Rental expenses	1,026	5.3	1,253	6.7	1,528	6.4
Promotion expenses	614	3.1	496	2.6	305	1.3
Others ⁽¹⁾	2,366	12.1	1,366	7.2	1,526	6.4
Total	19,548	100.0	18,843	100.0	23,806	100.0

Note:

(1) Others mainly comprise traveling, office, entertainment, technical services and utilities expenses.

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee compensation expenses in relation to R&D personnel; (ii) depreciation and amortization; (iii) rental expenses; (iv) IP expenses; (v) raw materials and equipment expenses; (vi) technology development expenses; (vii) testing expenses; and (viii) others.

The following table sets forth a breakdown of our research and development expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee compensation expenses	90,065	74.8	97,254	76.2	97,381	78.4
Depreciation and amortization	6,136	5.1	9,009	7.1	7,923	6.4
Rental expenses	4,873	4.0	6,105	4.8	6,348	5.1
IP expenses	3,353	2.8	4,242	3.3	3,021	2.4
Raw materials and equipment expenses	6,938	5.7	3,642	2.9	2,351	1.9
Technology development expenses	1,295	1.1	2,000	1.6	2,305	1.9
Testing expenses	3,499	2.9	1,945	1.5	2,271	2.1
Others ⁽¹⁾	4,310	3.6	3,346	2.6	2,578	1.8
Total	120,469	100.0	127,543	100.0	124,178	100.0

Note:

(1) Others mainly comprise traveling, utilities and office expenses.

Administrative and Other Expenses

Our administrative and other expenses primarily consist of (i) employee compensation expenses for our administrative personnel; (ii) rental expenses; (iii) other tax expenses; (iv) professional service expenses; (v) depreciation and amortization; (vi) office expenses; (vii) exchange differences, (viii) donations, (ix) [REDACTED] expenses, and (x) others.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our administrative and other expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee compensation expenses	23,939	50.8	25,594	50.5	36,193	52.9
Rental expenses	4,163	8.8	5,548	10.9	4,133	6.0
Other tax expenses	2,269	4.8	3,287	6.5	5,932	8.7
Professional service expenses	3,182	6.8	2,727	5.4	2,534	3.7
Depreciation and amortizations	1,765	3.7	2,118	4.2	2,946	4.3
Office expenses	1,271	2.7	1,436	2.8	1,981	2.9
Exchange differences	4,098	8.7	5,907	11.7	2,149	3.1
Donations	—	—	—	—	3,917	5.7
[REDACTED] expenses	—	—	—	—	[REDACTED]	[REDACTED]
Others ⁽¹⁾	6,442	13.7	4,070	8.0	7,958	11.6
Total	47,129	100.0	50,687	100.0	68,445	100.0

Note:

- (1) Others mainly comprise traveling, entertainment and office supplies expenses.

Reversal/(Provision) of Impairment Losses on Financial Assets, Net

Our net reversal or provision of impairment losses on financial assets represents the amount of allowance recognized (or reversed) for expected credit loss allowance of trade and bills receivables, and deposits and other receivables.

We recorded net provision of impairment losses on financial assets of RMB1.5 million in 2024 and RMB 0.2 million in 2025, while recording a net reversal of impairment losses on financial assets of RMB1.9 million in 2023. These fluctuations were primarily attributable to changes in the aging profile of trade receivables, which affected the level of allowance for expected credit losses.

Finance Costs

Our finance costs primarily comprise interest expense on (i) lease liabilities; and (ii) bank borrowings. The following table sets forth a breakdown of our finance costs for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest expenses on lease liabilities	672	512	277
Interest expenses on bank borrowings	—	146	1,782
	672	658	2,059

Income Tax Credit/(Expense)

We are subject to income tax on an entity basis on assessable profits arising in or derived from the tax jurisdictions in which members of our Group are domiciled and operated.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of our Group entities is calculated based on the statutory tax rate of 25% during the Track Record Period. Our Company is qualified as a “High and New Technology Enterprise” since 2020 at a preferential tax rate of 15%, subject to review by the relevant tax authority in the PRC for every three years. Our other subsidiaries are also entitled for certain preferential tax rates in accordance with relevant rules or regulations. See Note 11 to the Accountants’ Report set out in Appendix I to this document for more details.

FINANCIAL INFORMATION

For subsidiaries incorporated in Hong Kong, profits tax was calculated under the two-tiered profits tax regime during the Track Record Period, whereby the first HK\$2.0 million of assessable profits was taxed at 8.25%, and the remaining assessable profits were taxed at 16.5%. For subsidiaries incorporated in other jurisdictions, income tax was calculated in accordance with the applicable local tax rates.

We recorded income tax credit of RMB11.6 million in 2023, and recorded income tax expense of RMB0.8 million and RMB20.8 million in 2024 and 2025, respectively.

As of the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with relevant tax authorities.

(Loss)/Profit for the Year

As a result of the foregoing, we recorded a loss for the year of RMB21.9 million in 2023 and profit for the year of RMB136.8 million and RMB284.2 million in 2024 and 2025, respectively.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Revenue

Our revenue increased by 23.1% from RMB911.7 million in 2024 to RMB1,122.2 million in 2025. This increase was primarily driven by: (i) an increase of RMB148.6 million in revenue from the provision of MCU solutions; and (ii) an increase of RMB55.9 million in revenue from the provision of SoC solutions.

- *Provision of MCU Solutions.* Our revenue increased by 21.3% from RMB697.8 million in 2024 to RMB846.4 million in 2025. This growth was mainly attributable to a significant increase in sales volume, which rose from 1,908.2 million units in 2024 to 3,374.0 million units in 2025, offsetting the impact of a decrease in average selling price from RMB0.37 in 2024 to RMB0.25 in 2025. The increase in sales volume was driven by the expansion of our MCU product portfolio, the broadening of application scenarios, as well as enhanced product promotion efforts. The decrease in average selling price was primarily due to changes in product mix. In 2025, we recorded a significant increase in shipments of lower-priced MCU products, which are typically used in cost-sensitive applications and are sold at lower unit prices. The higher proportion of these products in our overall sales mix, despite their large shipment volume, reduced the overall average selling price of our MCU products.
- *Provision of SoC Solutions.* Our revenue increased by 30.2% from RMB185.1 million in 2024 to RMB241.0 million in 2025. This increase was primarily due to the rise in sales volume from 176.1 million units in 2024 to 228.9 million units in 2025, supported by the ongoing diversification of our SoC product offerings and growing market demand across multiple downstream applications.

In addition, our revenue from ASIC solutions increased by 30.9% from RMB24.0 million in 2024 to RMB31.5 million in 2025. This increase was primarily attributable to an increase in sales volume, from 311.0 million units in 2024 to 420.2 million units in 2025. The increase in sales volume was mainly driven by certain ASIC products that were in the R&D, tape-out and small-batch trial production stages in 2024 and entered mass production with larger-scale deliveries in 2025 following successful customer validation.

Cost of Sales

Our cost of sales increased by 15.7% from RMB651.0 million in 2024 to RMB753.3 million in 2025, primarily attributable to (i) an increase of RMB67.5 million in packaging and testing costs; (ii) an increase of RMB30.6 million in wafer costs, generally in line with the increased sales volume of

FINANCIAL INFORMATION

our solutions and products in 2025; and (iii) net provision of impairment for inventories of RMB15.8 million in 2025, compared with net provision of impairment for inventories of RMB11.6 million in 2024, reflecting our enhanced risk management and strengthened inventory control.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 41.5% from RMB260.7 million in 2024 to RMB368.9 million in 2025. Our gross profit margin increased from 28.6% in 2024 to 32.9% in 2025.

Specifically, our gross profit of MCU solutions increased by 40.6% from RMB200.3 million in 2024 to RMB281.6 million in 2025, with our gross profit margin increasing from 28.7% in 2024 to 33.3% in 2025. Our gross profit of SoC solutions increased by 41.1% from RMB64.7 million in 2024 to RMB91.3 million in 2025, with our gross profit margin increasing from 35.0% in 2024 to 37.9% in 2025. Our gross profit of ASIC solutions increased by 58.4% from RMB5.6 million in 2024 to RMB8.8 million in 2025, with our gross profit margin increasing from 23.2% in 2024 to 28.0% in 2025.

The improvement of gross profit margin across our major product categories was primarily driven by cost efficiency improvements and the ramp-up of new products with more efficient designs. During the year, we increased the sales of new products with enhanced performance and lower unit production costs. In addition, ongoing optimization in chip design and manufacturing efficiency contributed to lower wafer consumption per unit, thereby reducing overall production costs. These factors collectively supported the improvement in our gross profit margin in 2025.

Other Income and Other Gains

Our other income and other gains increased significantly from RMB76.2 million in 2024 to RMB154.9 million in 2025, primarily due to a gain of RMB82.1 million in fair value on financial assets at FVTPL as compared to a loss of RMB13.1 million in fair value on financial assets at FVTPL, which was mainly due to the appreciation in value of certain equity investments held by us, partially offset by a decrease of RMB18.6 million in government grants, as such grants are generally non-recurring in nature.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 26.5% from RMB18.8 million in 2024 to RMB23.8 million in 2025, primarily attributable to an increase of RMB3.9 million in selling services fees, which was mainly due to the expansion of our sales scale and the upgrading of our product mix, which required greater technical after-sales support.

Research and Development Expenses

Our research and development expenses remained relatively stable at RMB127.5 million and RMB124.2 million in 2024 and 2025, respectively.

Administrative and Other Expenses

Our administrative and other expenses increased by 34.9% from RMB50.7 million in 2024 to RMB68.4 million in 2025, primarily attributable to (i) an increase of RMB10.6 million in employee compensation expenses, which was mainly due to the expansion of our administrative team and adjustments to staff remuneration in line with business expansion; and (ii) an increase of RMB3.9 million in donations, including donations made during the year to support educational initiatives and disaster relief efforts.

Reversal/(Provision) of Impairment Losses on Financial Assets, Net

Our net provision of impairment losses on financial assets decreased from RMB1.5 million in 2024 to RMB0.2 million in 2025, mainly attributable to the write-off of certain long-aged receivables which were determined to be uncollectible and had been fully provided for in prior years, thereby reducing the impairment losses recognized in 2025.

FINANCIAL INFORMATION

Finance Costs

Our finance costs increased from RMB0.7 million in 2024 to RMB2.1 million in 2025, primarily attributable to an increase of RMB1.6 million in interest expenses on bank borrowings.

Income Tax Credit/(Expense)

We recorded income tax expense of RMB0.8 million and RMB20.8 million in 2024 and 2025, respectively.

Our effective income tax rates, being the income tax credit or expense as a percentage of our total profit before income tax, were 0.6% and 6.8% in 2024 and 2025, respectively.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB136.8 million in 2024 to RMB284.2 million in 2025.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue increased by 27.8% from RMB713.6 million in 2023 to RMB911.7 million in 2024. This increase was primarily driven by an increase of RMB126.6 million in revenue from the provision of MCU solutions.

- *Provision of MCU Solutions.* Our revenue increased by 22.2% from RMB571.2 million in 2023 to RMB697.8 million in 2024. This growth was primarily attributable to an increase in sales volume, which rose from 1,417.6 million units in 2023 to 1,908.2 million units in 2024, offsetting the impact of a decrease in average selling price from RMB0.4 in 2023 to RMB0.37 in 2024. The increase in sales volume was driven by the growing demand for integrated circuits (ICs), supported by the rapid development of downstream industries such as consumer electronics and smart household appliances.
- *Provision of SoC Solutions.* Our revenue increased by 103.0% from RMB91.2 million in 2023 to RMB185.1 million in 2024, primarily attributable to an increase in sales volume from 69.8 million units in 2023 to 176.1 million units in 2024, which offset the impact of a decrease in average selling price from RMB1.31 in 2023 to RMB1.05 in 2024, reflecting rising market demand across consumer electronics and other application scenarios and our expanding market share and enhanced customer recognition, following years of product promotion and optimization.

However, the overall revenue growth was slightly offset by the decrease in revenue from provision of ASIC solutions. Our revenue from ASIC solutions decreased by 25.5% from RMB32.3 million in 2023 to RMB24.0 million in 2024. The decline was primarily due to a decrease in average selling price, from RMB0.11 in 2023 to RMB0.08 in 2024, despite an increase in sales volume from 295.4 million units to 311.0 million units. The lower selling price reflected the launch of new products incorporating enhanced process technologies, which allowed for more cost-efficient production and enabled us to adopt a more competitive pricing strategy.

Cost of Sales

Our cost of sales remained relatively stable at RMB644.3 million in 2023 and RMB651.0 million in 2024.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 276.5% from RMB69.2 million in 2023 to RMB260.7 million in 2024. Notwithstanding a decrease in average selling price, our gross profit margin increased from 9.7% in 2023 to 28.6% in 2024, primarily attributable to a broad-based

FINANCIAL INFORMATION

improvement in the gross profit margins across all of our solutions and products. Specifically, our gross profit of MCU solutions increased by 106.7% from RMB96.9 million in 2023 to RMB200.3 million in 2024, with our gross profit margin increasing from 17.0% in 2023 to 28.7% in 2024. Our gross profit of SoC solutions increased by 194.9% from RMB22.0 million in 2023 to RMB64.7 million in 2024, with our gross profit margin increasing from 24.1% in 2023 to 35.0% in 2024. Our gross profit of ASIC solutions increased by 165.6% from RMB2.1 million in 2023 to RMB5.6 million in 2024, with our gross profit margin increasing from 6.5% in 2023 to 23.2% in 2024.

The recovery of our gross profit margin in 2024 was primarily driven by improvements in product integration and design efficiency, which significantly reduced unit production costs. In line with Moore’s Law, continuous advancements in semiconductor process technologies have enabled a higher density of transistors on a single chip, thereby reducing the wafer area required for each chip. As a result, more chips could be fabricated from a single wafer, effectively lowering the wafer cost per unit and driving down overall production costs. In addition, the large-scale capacity expansion of upstream wafer manufacturers and declining silicon material prices further contributed to the reduction in wafer procurement costs. Although average selling prices continued to decline due to ongoing market competition, the decrease in cost outpaced the price drop, supported by a moderate recovery in downstream demand. Consequently, despite lower pricing, our gross profit margin improved year over year.

The provision of impairment for inventories decreased from RMB55.3 million in 2023 to RMB11.6 million in 2024, primarily due to improved inventory turnover as a result of our inventory clearance efforts.

Other Income and Other Gains

Our other income and other gains decreased by 8.4% from RMB83.2 million in 2023 to RMB76.2 million in 2024, primarily due to a decrease of RMB20.2 million in fair value (loss)/gain on financial assets at FVTPL, which was mainly due to a decrease in the trading price of the stocks we held, partially offset by an increase of RMB12.6 million in government grants, as our Chengdu subsidiary received an incentive of RMB20.0 million for achieving a significant expansion in its integrated circuit design business scale.

Selling and Distribution Expenses

Despite an increase in revenue in 2024, our selling and distribution expenses declined from RMB19.5 million in 2023 to RMB18.8 million in 2024, primarily due to a reduction in non-recurring promotional and administrative spending. In 2023, we incurred higher conference and office expenses for hosting a distributor summit and purchasing office software. In contrast, in 2024, we scaled back the hosting of the distributor summit and other conferences, leading to a corresponding decrease in such expenses.

Research and Development Expenses

Our research and development expenses remained relatively stable at RMB120.5 million and to RMB127.5 million in 2023 and 2024, respectively.

Administrative and Other Expenses

Our administrative and other expenses remained relatively stable at RMB47.1 million in 2023 and RMB50.7 million in 2024.

FINANCIAL INFORMATION

Reversal/(Provision) of Impairment Losses on Financial Assets, Net

We recorded a net reversal of impairment losses on financial assets of RMB1.9 million in 2023, mainly due to an improvement in the aging structure of trade receivables. In contrast, we recorded a net provision of impairment losses on financial assets of RMB1.5 million in 2024, primarily due to a higher proportion of longer-aged receivables, which led to an increased allowance for expected credit losses.

Finance Costs

Our finance costs remained stable at RMB0.7 million and RMB0.7 million in 2023 and 2024, respectively.

Income Tax Credit/(Expense)

We recorded income tax credit of RMB11.6 million in 2023 and income tax expense of RMB0.8 million in 2024.

Our effective income tax rate, being the income tax credit or expense as a percentage of our total profit before income tax, was 0.6% in 2024.

(Loss)/Profit for the Year

As a result of the foregoing, we recorded a loss for the year of RMB21.9 million in 2023, while recording a profit for the year of RMB136.8 million in 2024.

DISCUSSION OF CERTAIN KEY ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth statements of our financial position as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current Assets			
Property, plant and equipment	218,128	203,037	279,602
Intangible assets	3,254	1,803	2,725
Financial assets at fair value through profit or loss (“FVTPL”)	5,000	5,000	5,000
Prepayments	2,205	2,149	3,187
Deferred tax assets	21,221	18,337	11,472
Total non-current assets	249,808	230,326	301,986
Current Assets			
Financial assets at FVTPL	427,013	889,828	1,066,416
Inventories	469,223	376,080	342,355
Trade and bills receivables	202,935	219,395	252,437
Prepayments, deposits and other receivables	96,555	66,322	78,831
Financial assets measured at amortised cost	91,283	—	—
Tax recoverable	355	2,691	1,299
Time deposits	696,653	1,308,780	1,284,126
Restricted bank balances	—	77	33,196
Cash and cash equivalents	917,255	215,805	318,710
Total current assets	2,901,272	3,078,978	3,377,370

FINANCIAL INFORMATION

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current Liabilities			
Trade payables	104,885	122,659	180,812
Other payables and accruals	36,814	55,480	83,462
Contract liabilities	3,266	7,644	5,637
Lease liabilities	7,865	6,919	3,103
Bank borrowings	—	99,396	199,823
Income tax payable	212	440	2,319
Total current liabilities	153,042	292,538	475,156
Net Current Assets	2,748,230	2,786,440	2,902,214
Total Assets Less Current Liabilities	2,998,038	3,016,766	3,204,200
Non-current Liabilities			
Lease liabilities	8,141	5,146	868
Deferred income	374	3,013	2,964
Deferred tax liabilities	17,884	15,237	22,978
Total non-current liabilities	26,399	23,396	26,810
Net assets	2,971,639	2,993,370	3,177,390
Total equity	2,971,639	2,993,370	3,177,390

Property, Plant and Equipment

Our property, plant and equipment consist of (i) leasehold land; (ii) buildings; (iii) leasehold improvements; (iv) motor vehicles; (v) furniture, fixtures and office equipment; (vi) machinery and production equipment; (vii) other properties leased for own use; and (viii) construction-in-progress.

The table below sets forth a breakdown of the net carrying amount of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Leasehold land	26,800	26,017	25,235
Buildings	111,502	105,214	194,301
Leasehold improvements	3,968	3,964	3,273
Motor vehicles	923	620	335
Furniture, fixtures and office equipment	4,601	3,741	4,028
Machinery and production equipment	55,807	51,812	48,761
Other properties leased for own use	14,527	10,734	3,669
Construction-in-progress	—	935	—
Total	218,128	203,037	279,602

FINANCIAL INFORMATION

Our property, plant and equipment decreased from RMB218.1 million as of December 31, 2023 to RMB203.0 million as of December 31, 2024, primarily attributable to (i) a decrease of RMB6.3 million in buildings, resulting from the depreciation of such buildings; (ii) a decrease of RMB4.0 million in machinery and production equipment, resulting from the depreciation of such machinery and production equipment; and (iii) a decrease of RMB3.8 million in other properties leased for own use, due to the termination of the lease on premises in 2024.

Our property, plant and equipment increased by 37.9% from RMB203.0 million as of December 31, 2024 to RMB279.6 million as of December 31, 2025, primarily attributable to an increase of RMB89.1 million in buildings, mainly arising from the acquisition of office premises and the completion of renovation works, whose costs were capitalized and transferred to property, plant and equipment upon completion.

See Note 15 to the Accountants’ Report set out in Appendix I to this document for more details.

Intangible Assets

Our intangible assets represent (i) computer software; (ii) license rights; and (iii) patents. The following table sets forth the net carrying amount of our intangible assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Computer software	1,765	1,243	2,410
License rights	1,054	185	—
Patents	435	375	315
Total	3,254	1,803	2,725

Our intangible assets decreased from RMB3.3 million as of December 31, 2023 to RMB1.8 million as of December 31, 2024, primarily due to the amortization of our intangible assets. Our intangible assets increased by 51.1% from RMB1.8 million as of December 31, 2024 to RMB2.7 million as of December 31, 2025, primarily due to procurement of software.

See Note 16 to the Accountants’ Report set out in Appendix I to this document for more details.

Inventories

Our inventories comprise (i) raw materials; (ii) outsourced processing materials; (iii) work-in-progress; (iv) finished goods; and (v) goods in transit. Raw materials primarily consist of materials for packaging and testing. Outsourced processing materials refer to wafers under production or to be produced, which are stored in our production partners. Work-in-progress refers to partially completed goods still undergoing the production process stored in our warehouse.

FINANCIAL INFORMATION

Finished goods include products ready for transit at our production plants. Goods in transit refer to inventory stored in the customers’ warehouse under the VMI (“**Vendor Managed Inventory**”) model. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	9,044	2,425	2,423
Outsourced processing materials	381,970	288,183	231,926
Work-in-progress	1,082	5,552	15,538
Finished goods	77,127	75,613	89,351
Goods in transit	—	4,307	3,117
Total	469,223	376,080	342,355

Our inventories decreased from RMB469.2 million as of December 31, 2023 to RMB376.1 million as of December 31, 2024, and further to RMB342.4 million as of December 31, 2025. This continued decline was primarily attributable to: (i) a decrease in average procurement costs driven by falling wafer prices, (ii) the ongoing consumption of previously accumulated inventories, and (iii) the adoption of a more prudent procurement policy while experiencing stronger-than-expected product sales.

The following table sets forth the aging analysis of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within one year	304,463	236,866	271,968
One to two years	112,138	49,702	8,104
Over two years	52,623	89,512	62,283
Total	469,223	376,080	342,355

The following table sets forth the number of our inventory turnover days for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Inventory turnover days ⁽¹⁾	284	237	174

Note:

- (1) Calculated as the average of the opening and closing inventory balances for the period, divided by the cost of sales for the relevant period, multiplied by 365 days for each year.

Our inventory turnover days decreased from 284 days in 2023 to 237 days in 2024, and further to 174 days in 2025, primarily due to increased product sales volume and optimized inventory management measures. Our relatively long inventory turnover days were primarily due to our fabless model, under which wafer fabrication and chip packaging and testing are handled by our suppliers, typically involving a production cycle of over six months. To mitigate capacity constraints and potential supply disruptions, we generally plan our procurement in advance, resulting in a relatively high inventory level and, consequently, longer turnover days.

FINANCIAL INFORMATION

As of January 31, 2026, approximately RMB111.1 million, or 32.5% of our inventories as of December 31, 2025 had been subsequently consumed or sold. We have assessed our inventories and made adequate impairment provisions, and we are not aware of any material impairment issues. Our approach considers subsequent utilization, and we apply a strict definition of slow-moving inventory. In estimating net realizable value, we prudently take into account existing contracts, recent sales prices, processing costs and relevant taxes. We also provide for products identified as obsolete or slated for disposal. Based on this methodology and the actual utilization of inventories after each reporting date, we believe the level of provisions we recorded is sufficient.

Trade and Bills Receivables

Our trade and bills receivables primarily represent outstanding amounts due from our customers for products sold in the ordinary course of our business.

During the Track Record Period, we generally granted our customers credit periods within 90 days from the date of billing. The following table sets forth a breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	157,709	159,812	229,627
Bills receivables measured at amortized cost	28,717	36,540	23,500
Bills receivables measured at FVOCI	24,074	29,225	5,313
	210,500	225,577	258,440
Less: Impairment loss allowance	(7,565)	(6,182)	(6,003)
Total	202,935	219,395	252,437

Our trade and bills receivables increased from RMB202.9 million as of December 31, 2023 to RMB219.4 million as of December 31, 2024, and further to RMB252.4 million as of December 31, 2025, generally in line with our growth in revenue.

Our Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As our Group's historical credit loss experience does not indicate significantly different loss patterns for different customer bases, the loss allowance based on past due status is not further distinguished between our Group's different customer bases.

We recorded allowance for impairment losses on trade and bills receivables of RMB7.6 million, RMB6.2 million and RMB6.0 million as of December 31, 2023, 2024 and 2025, respectively. The gradual decline in allowance was primarily due to (i) improvements in the aging profile of our trade and bills receivables over time, and (ii) collection of certain long-aged trade and bills receivables as a result of our enhanced receivable collection efforts. As we strengthened our receivables management and collections in subsequent periods, the balance of long-aged receivables decreased, resulting in a lower level of expected credit loss provision. Our Directors consider sufficient provision for impairment of trade receivables had been made.

FINANCIAL INFORMATION

The following table sets forth an aging analysis of trade and bills receivables (other than bills receivables measured at FVOCI), net of impairment losses, as of the dates indicated, based on the invoice dates:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Zero to three months	174,417	180,034	235,203
Four to six months	1,732	4,554	4,368
Seven to twelve months	2,712	5,582	7,553
Total	178,861	190,170	247,124

Our trade and bills receivables (other than bills receivables measured at FVOCI) aged seven to twelve months increased from RMB2.7 million as of December 31, 2023 to RMB5.6 million as of December 31, 2024, and further to RMB7.6 million as of December 31, 2025, which was primarily due to delayed settlement by a customer, which led to certain receivables remaining outstanding for longer periods. In order to support sales growth and deepen customer relationships, we extended more flexible payment terms to a broader customer base. We seek to maintain strict control over our trade and bills receivables and overdue balances are reviewed monthly by senior management. There was no material recoverability issue for our trade and bills receivables as of the end of each year during the Track Record Period.

The following table sets forth the number of our trade and bills receivables turnover days for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Trade and bills receivables turnover days ⁽¹⁾	94	85	77

Note:

- (1) Calculated as the average of the opening and closing balances of trade and bills receivables for the year, net of loss allowance, divided by revenue for the relevant year, multiplied by 365 days for each year.

Our trade and bills receivables turnover days decreased from 94 days in 2023 to 85 days in 2024, and further to 77 days in 2025, primarily due to our enhanced collection efforts.

As of January 31, 2026, RMB130.0 million, or 56.6% of our trade and bills receivables as of December 31, 2025 had been subsequently settled.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consist of cash held at banks and other financial institutions, readily accessible on demand to support our operational and liquidity needs. As of December 31, 2023, 2024 and 2025, our cash and cash equivalents amounted to RMB917.3 million, RMB215.8 million and RMB318.7 million, respectively.

Time Deposits

Our time deposits were deposited to banks for a pre-set date of maturity. As of December 31, 2023, 2024 and 2025, our time deposits amounted to RMB696.7 million, RMB1,308.8 million and RMB1,284.1 million, respectively.

FINANCIAL INFORMATION

Financial Assets Measured at Amortized Cost

Financial assets measured at amortized cost represent a non-transferable and non-cancellable fixed income investment issued by a financial institution with a principal amount of RMB90.0 million carried at a fixed interest rate of 3.4% per annum. As of December 31, 2023, our financial assets measured at amortized cost amounted to RMB91.3 million.

Financial Assets at FVTPL

Our current financial assets at FVTPL comprise (i) listed equity investments; and (ii) structured deposits. The carrying amount of our current financial assets at FVTPL increased from RMB427.0 million as of December 31, 2023 to RMB889.8 million as of December 31, 2024, primarily due to an increase of RMB477.5 million in structured deposits due to an increased balance of structured deposits. The carrying amount of our current financial assets at FVTPL increased from RMB889.8 million as of December 31, 2024 to RMB1,066.4 million as of December 31, 2025, primarily due to (i) an increase of RMB96.8 million in structured deposits; and (ii) an increase of RMB79.8 million in listed equity investments, which was mainly attributable to fair value gains recognized during the year.

We have adopted a formal investment policy that sets out the parameters, responsibilities, and internal control mechanisms governing our use of surplus funds. Under this policy, we are required to prioritize capital preservation, safety, and liquidity, and may only invest in low-risk, highly liquid products such as structured deposits, large-denomination certificates of deposit, term deposits, and other fixed-income instruments offered by licensed financial institutions. Each investment transaction must be reviewed and approved by our Chief Financial Officer, President, and Chairman before execution. The Board has delegated authority to management to conduct such investments within the approved limits and timeframes. Our internal control framework ensures a clear segregation of duties among decision-making, execution, and oversight functions. The finance department monitors investment exposure and performance on an ongoing basis, while the audit committee and independent non-executive Directors are empowered to carry out supervision and periodic inspections.

We will comply with relevant requirements under Chapter 14 of the Listing Rules and disclose the details of our investments or other notifiable transactions to the extent necessary and as appropriate after the [REDACTED].

Trade Payables

The following table sets forth an aging analysis of our trade payables, based on the recognition date, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within one year	104,728	120,847	180,802
After one year but within two years	157	1,812	10
Total	104,885	122,659	180,812

Our trade payables were RMB104.9 million, RMB122.7 million and RMB180.8 million as of December 31, 2023, 2024 and 2025, respectively, in line with the expansion of our business scale and procurement activities.

FINANCIAL INFORMATION

The following table sets forth the number of our trade payables turnover days for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Trade payables turnover days ⁽¹⁾	56	64	74

Note:

- (1) Calculated as the average of the opening and closing balances of trade payables for the year divided by the cost of sales for the relevant year, multiplied by 365 days for each year.

In 2023, 2024 and 2025, our trade payables turnover days were 56 days, 64 days and 74 days, respectively. The increase in trade payables turnover days was primarily attributable to the expansion of our procurement scale in line with business growth, which resulted in higher outstanding balances with our suppliers. In addition, the increase reflected normal timing differences in settlement in the ordinary course of business as procurement volumes increased.

As of January 31, 2026, approximately RMB88.5 million, or 48.9% of our trade payables as of December 31, 2025, had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily include (i) deposits received; (ii) accrued salaries; (iii) other accrued expenses; and (iv) other tax payables.

The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deposits received	2,871	8,950	28,283
Accrued salaries	25,660	36,434	41,101
Other accrued expenses	1,514	1,275	1,456
Other tax payables	6,769	8,821	12,622
Total	36,814	55,480	83,462

Our other payables and accruals increased by 50.7% from RMB36.8 million as of December 31, 2023 to RMB55.5 million as of December 31, 2024, primarily attributable to (i) an increase of RMB10.7 million in accrued salaries, mainly as a result of higher bonus accruals; and (ii) an increase of RMB6.1 million in deposits received, as we collected security deposits from distributors.

Our other payables and accruals increased by 50.5% from RMB55.5 million as of December 31, 2024 to RMB83.5 million as of December 31, 2025, primarily due to an increase of RMB19.3 million in deposits received from distributors, which reflected the implementation of a new distributor management policy in 2024. Under this policy, we required our distributors to provide performance deposits as a condition for obtaining credit limits, with a view to strengthening distributor management and mitigating credit risk.

Contract Liabilities

Our contract liabilities primarily represent the advances received from customers to deliver our products. Our contract liabilities increased by 134.0% from RMB3.3 million as of December 31, 2023 to RMB7.6 million as of December 31, 2024, primarily attributable to an increase in advances

FINANCIAL INFORMATION

received from our customers, which was generally in line with the growth of our revenue. Our contract liabilities decreased by 26.2% from RMB7.6 million as of December 31, 2024 to RMB5.6 million as of December 31, 2025, primarily due to a reduction in advances received from customers as a result of changes in their procurement arrangements.

As of January 31, 2026, RMB0.8 million, or approximately 14.3% of our contract liabilities as of December 31, 2025, had been subsequently recognized as revenue. This amount represented approximately 0.8% of our revenue in January 2026.

NET CURRENT ASSETS

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	January 31,
	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)
Current Assets				
Financial assets at FVTPL	427,013	889,828	1,066,416	994,745
Inventories	469,223	376,080	342,355	339,838
Trade and bills receivables	202,935	219,395	252,437	210,063
Prepayments, deposits and other receivables	96,555	66,322	78,831	83,317
Financial assets measured at amortised cost	91,283	—	—	—
Tax recoverable	355	2,691	1,299	10,902
Time deposits	696,653	1,308,780	1,284,126	1,231,904
Restricted bank balances	—	77	33,196	346
Cash and cash equivalents	917,255	215,805	318,710	389,744
Total current assets	2,901,272	3,078,978	3,377,370	3,260,859
Current Liabilities				
Trade payables	104,885	122,659	180,812	155,882
Other payables and accruals	36,814	55,480	83,462	79,281
Contract liabilities	3,266	7,644	5,637	8,581
Lease liabilities	7,865	6,919	3,103	3,333
Bank borrowings	—	99,396	199,823	—
Income tax payable	212	440	2,319	4,484
Total current liabilities	153,042	292,538	475,156	251,561
Net Current Assets	2,748,230	2,786,440	2,902,214	3,009,298

Our net current assets remained relatively stable at RMB2,748.2 million, RMB2,786.4 million, RMB2,902.2 million and RMB3,009.3 million as of December 31, 2023, 2024 and 2025 and January 31, 2026, respectively.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table sets forth certain selected information from our consolidated statements of cash flows for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash (used in)/from operations	(3,865)	294,344	303,317
Income tax refunded/(paid)	12,646	(2,669)	(2,971)
Net cash from operating activities	8,781	291,675	300,346
Net cash from/(used in) investing activities	50,977	(968,694)	(177,919)
Net cash used in financing activities	(205,192)	(24,784)	(19,075)
Net (decrease)/increase in cash and cash equivalents	(145,434)	(701,803)	103,352
Cash and cash equivalents at the beginning of the year	1,062,308	917,255	215,805
Exchange differences on translating cash flows of foreign operations	381	353	(447)
Cash and cash equivalents at the end of the year	917,255	215,805	318,710

Net Cash from Operating Activities

In 2025, our net cash from operating activities was RMB300.3 million, primarily due to profit before tax of RMB305.0 million, as adjusted by (i) non-cash or non-operating items, which mainly include (a) fair value gain on financial assets at FVTPL of RMB82.1 million, (b) depreciation of property, plant and equipment of RMB43.0 million, (c) interest income from financial assets at FVTPL of RMB25.1 million, and (d) gain on disposal of financial assets at FVTPL of RMB17.8 million; and (ii) changes in working capital, which primarily consisted of (a) an increase in trade payables of RMB58.2 million, (b) an increase in trade and bills receivables of RMB33.6 million, and (c) an increase in other payables and accruals of RMB28.0 million.

In 2024, our net cash from operating activities was RMB291.7 million, primarily due to profit before tax of RMB137.6 million, as adjusted by (i) non-cash or non-operating items, which mainly include (a) depreciation of property, plant and equipment of RMB43.3 million, and (b) interest income from financial assets at FVTPL of RMB23.6 million, (c) gain on disposal of financial assets at FVTPL of RMB13.9 million, and (d) fair value loss on financial assets at FVTPL of RMB13.1 million; and (ii) changes in working capital, which primarily consisted of (a) decrease in inventories of RMB81.5 million, (b) a decrease in prepayments, deposits and other receivables of RMB28.4 million, and (c) an increase in other payables and accruals of RMB18.7 million.

In 2023, our net cash from operating activities was RMB8.8 million, primarily due to loss before tax of RMB33.5 million, as adjusted by (i) non-cash or non-operating items, which mainly include (a) net provision of impairment for inventories of RMB55.3 million, (b) depreciation of property, plant and equipment of RMB43.4 million and (c) gains on disposal of financial assets at FVTPL of RMB20.6 million; and (ii) changes in working capital, which primarily consisted of (a) an increase in trade and bills receivables of RMB34.1 million, (b) a decrease in prepayments, deposits and other receivables of RMB15.2 million, and (c) a decrease in other payables and accruals of RMB12.8 million.

FINANCIAL INFORMATION

Net Cash from/(Used in) Investing Activities

In 2025, our net cash used in investing activities was RMB177.9 million, primarily attributable to (i) the purchase of financial assets at FVTPL of RMB3,478.0 million; and (ii) purchase of property, plant and equipment of RMB117.2 million, partially offset by proceeds from the disposal of financial assets at FVTPL of RMB3,401.3 million.

In 2024, our net cash used in investing activities was RMB968.7 million, primarily attributable to (i) the purchase of financial assets at FVTPL of RMB1,965.0 million; and (ii) increase in time deposits of RMB612.1 million, partially offset by proceeds from the disposal of financial assets at FVTPL of RMB1,503.0 million.

In 2023, our net cash from investing activities was RMB51.0 million, primarily attributable to proceeds from the disposal of financial assets at FVTPL of RMB2,645.1 million, partially offset by (i) the purchase of financial assets at FVTPL of RMB1,910.2 million; and (ii) increase in time deposits of RMB585.0 million.

Net Cash Used in Financing Activities

In 2025, our net cash used in financing activities was RMB19.1 million, primarily attributable to (i) repayments of bank borrowings of 99.3 million; (ii) payment of dividends of RMB99.7 million; and (iii) payments of deferred issue costs of RMB10.8 million, partially offset by proceeds from bank borrowings of RMB198.7 million.

In 2024, our net cash used in financing activities was RMB24.8 million, primarily attributable to (i) payment of dividends of RMB99.9 million; (ii) repurchase of shares of RMB15.6 million; and (iii) repayments of principal portion of lease liabilities of RMB8.1 million, partially offset by proceeds from bank borrowings of RMB99.3 million.

In 2023, our net cash used in financing activities was RMB205.2 million, primarily attributable to (i) payment of dividends of RMB180.2 million; (ii) repurchase of shares of RMB14.9 million; and (iii) repayments of principal portion of lease liabilities of RMB9.5 million.

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including cash and cash equivalents, financial assets at FVTPL, cash flow from operating activities and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and requirements for the next 12 months from the date of this document.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

During the Track Record Period, our indebtedness primarily consisted of (i) bank borrowings; and (ii) lease liabilities.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of January 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)
Current				
Bank borrowings	—	99,396	199,823	—
Lease liabilities	7,865	6,919	3,103	3,333
	7,865	106,315	202,926	3,333
Non-current				
Lease liabilities	8,141	5,146	868	2,964
	8,141	5,146	868	2,964
Total	16,006	111,461	203,794	6,297

Bank Borrowings

The following table sets forth a breakdown of our bank borrowings as of the dates indicated:

	As of December 31,			As of January 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)
Current				
Interest-bearing bank borrowings	—	99,396	199,823	—
Total	—	99,396	199,823	—

As of December 31, 2023, 2024 and 2025, we had borrowings of nil, RMB99.4 million and RMB199.8 million, respectively, primarily comprising bills discounted with recourse. The discounted bills carried at fixed interest rate of 1.5% and 1.33% per annum at December 31, 2024 and 2025, respectively. All of our borrowings were denominated in Renminbi. As of January 31, 2026, we did not have any bank borrowings.

Our Directors confirm that we did not experience any defaults in respect of bank or other borrowings, nor did we breach any covenants during the Track Record Period and up to the Latest Practicable Date.

Additionally, our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we encountered no material difficulties in obtaining credit facilities, nor did we experience any withdrawal of facilities or requests for early repayment. As of January 31, 2026, being the most recent practicable date for determining our indebtedness, we had unutilized bank facilities amounting to RMB500.0 million. Our Directors further confirm that there has been no material change in our indebtedness since the Latest Practicable Date and up to the date of this Document.

Lease Liabilities

Our lease liabilities primarily represent the amounts to be paid for the leases of our office building.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our lease liabilities as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	January 31,
	RMB'000	RMB'000	RMB'000	2026
				(Unaudited)
Current	7,865	6,919	3,103	3,333
Non-current	8,141	5,146	868	2,964
Total	16,006	12,065	3,971	6,297

Our lease liabilities decreased from RMB16.0 million as of December, 2023 to RMB12.1 million as of December 31, 2024, and further declined to RMB4.0 million as of December 31, 2025, primarily due to rental payments made during the relevant years. Our lease liabilities increased to RMB6.3 million as of January 31, 2026, primarily due to the recognition of lease liabilities arising from new lease agreements entered into during the period.

Contingent Liabilities

We did not have any material contingent liabilities as of December 31, 2023, 2024 and 2025 and January 31, 2026, respectively. As of January 31, 2026, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, liabilities under acceptance or other similar indebtedness, hire-purchase commitments, guarantees, or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

During the Track Record Period, our capital expenditures primarily consisted of (i) purchase of property, plant and equipment; and (ii) purchase of intangible assets.

The following table sets forth a breakdown of our capital expenditures for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Purchase of property, plant and equipment	42,890	23,792	117,224
Purchase of intangible assets	562	—	1,958
Total	43,452	23,792	119,182

We intend to fund our planned capital expenditures through a combination of the [REDACTED] from the [REDACTED] as well as cash generated from operating activities. See “Future Plans and [REDACTED].”

Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, financial condition and results of operations, economic conditions in China and changes in the regulatory environment in China. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

FINANCIAL INFORMATION

Capital Commitments

The following table sets forth a breakdown of our capital commitments as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Property, plant and equipment	6,279	5,001	13,804
Intangible assets	—	776	—
Total	6,279	5,777	13,804

MATERIAL RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

During the Track Record Period, we engaged in two related party transactions, which involved the provision of packaging and testing services for wafers and purchase and sales of goods. All of the balances with related parties were trade in nature. See Note 37 to the Accountants’ Report in Appendix I to this Document for more details. Our Directors believe that our transactions with related parties during the Track Record Period were conducted in the ordinary and usual course of business and on an arm’s length basis, and they did not distinct our results of operations or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the years indicated:

	As of and for the year ended December 31,		
	2023	2024	2025
Gross profit margin ⁽¹⁾	9.7%	28.6%	32.9%
Current ratio ⁽²⁾	19.0x	10.5x	7.1x
Quick ratio ⁽³⁾	15.9x	9.2x	6.4x

Notes:

- (1) Gross profit margin equals gross profit divided by total revenue for the year.
- (2) Current ratio is calculated based on total current assets divided by total current liabilities as of the dates indicated.
- (3) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities as of the dates indicated.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of risks, including interest rate risk, credit risk, liquidity risk, equity price risk and foreign currency risk. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. Generally, we introduce conservative strategies on its risk management. We have not used any derivatives and other

FINANCIAL INFORMATION

instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes. For details of the risks to which we are exposed, see Note 40 to the Accountants’ Report set out in Appendix I in this Document.

DIVIDENDS AND DIVIDEND POLICY

During the Track Record Period, we declared dividends of RMB180.2 million, RMB99.9 million and RMB99.7 million in 2023, 2024 and 2025, respectively. The dividend declared in 2023 and 2024 had been settled as of the Latest Practicable Date. The proposed dividends of approximately RMB119.7 million for the year ended December 31, 2025 to our existing Shareholders were approved by the Board and are subject to approval by the Shareholders at the annual general meeting currently scheduled for April 9, 2026. Subject to such approval, our Company expects to settle the dividends out of its internal cash resources prior to the [REDACTED].

According to applicable PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies — Cash Dividend Distribution of Listed Companies (2025 Revision) (《上市公司監管指引第3號 — 上市公司現金分紅(2025)年修訂》), and our Articles of Association, subject to the fulfillment of the conditions for cash dividends, the annual cash dividends of our Company shall account for no less than 10% of the profits realized by our Company in that year (calculated in accordance with PRC GAAP) which are available for distribution and attributable to the shareholders. Future profit distributions may be carried out in the form of cash dividends or stock dividends, or a combination of cash dividends and stock dividends. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders’ meetings. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders’ interests and any other conditions that our Board may deem relevant.

DISTRIBUTABLE RESERVE

As of December 31, 2025, our reserves were RMB2,777.0 million, which represents our distributable reserve as of the same date.

[REDACTED] EXPENSES

The estimated total [REDACTED] expenses (based on the mid-point of our [REDACTED] for the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately RMB[REDACTED] million (HK\$[REDACTED] million), including (i) [REDACTED], SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy for all [REDACTED] of approximately HK\$[REDACTED] million; and (ii) non-[REDACTED] related expenses of approximately HK\$[REDACTED] million, which consist of (a) fees and expenses of legal advisors and reporting accountant of approximately HK\$[REDACTED] million; and (b) sponsor fee and other fees and expenses of approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the [REDACTED] of the [REDACTED] based on the same assumptions.

During the Track Record Period, we incurred [REDACTED] expenses of RMB[REDACTED] million, of which RMB[REDACTED] million was recognized as administrative expenses in the consolidated statements of profit or loss and other comprehensive income and RMB[REDACTED] million will be deducted from equity upon the [REDACTED]. Subsequent to the Track Record Period, we expect to incur [REDACTED] expenses of approximately RMB[REDACTED] million (HK\$[REDACTED] million) as administrative expenses and approximately RMB[REDACTED] million (HK\$[REDACTED] million) as a deduction in equity directly upon the [REDACTED].

The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

FINANCIAL INFORMATION

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

For the calculation of the unaudited [REDACTED] adjusted net tangible assets per Share, see “Appendix II — Unaudited [REDACTED] Financial Information.”

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material changes to our business model and the general economic and regulatory environment in which we operate, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the end date of our latest consolidated financial statements as set out in the Accountants’ Report in Appendix I to this Document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the [REDACTED] of the Shares on the Stock Exchange.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

See “Business — Our Business Strategies” for a detailed description of our future plans.

USE OF [REDACTED]

We estimate the [REDACTED] of the [REDACTED] which we will receive, assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-end of the [REDACTED] stated in this document), will be approximately HK\$[REDACTED] million, after deduction of [REDACTED] and estimated expenses payable by us in connection with the [REDACTED] and assuming the [REDACTED] is not exercised.

In line with our business strategies, we intend to use the [REDACTED] of the [REDACTED] for the following purposes:

- approximately [REDACTED]% (or HK\$[REDACTED] million) will be used to enhance our R&D capabilities and strengthen our technology development platforms. These efforts aim to diversify our product portfolio, improve product performance, and expand into additional downstream application markets to better meet evolving customer needs. In particular:
 - (i) approximately [REDACTED]% (or HK\$[REDACTED] million) will be used to enhance our R&D capabilities in automotive electronics and expand our dedicated packaging and testing capacity for automotive-related products. We plan to support the R&D of automotive-grade products and upgrade our in-house packaging and testing production line to meet stringent safety and performance requirements for automotive applications. The [REDACTED] will be used to cover R&D personnel expenses and support the construction and enhancement of dedicated packaging and testing infrastructure, including equipment procurement and plant renovation costs.
 - (ii) approximately [REDACTED]% (or HK\$[REDACTED] million) will be allocated to advancing our R&D in industrial control technologies and expanding our packaging and testing capacity specifically for industrial control applications. We plan to develop tailored products for industrial customers while enhancing production flexibility and quality assurance through upgrades to our in-house packaging and testing production line. These investments are expected to reduce reliance on external suppliers, improve integration across design and manufacturing stages, and drive overall operational efficiency. The [REDACTED] will be used to support R&D staffing, related technical activities, and the construction of dedicated production lines;
 - (iii) approximately [REDACTED]% (or HK\$[REDACTED] million) will be used to advance our R&D in AI and robotics applications. We are proactively positioning ourselves in the AI application space by accelerating technology development and expanding our technical reserves, which will serve as a foundation for future product applications across a broad range of downstream markets. The [REDACTED] will be used for R&D personnel expenses and R&D related expenditures, such as fees and expenses for equipment procurement, software licenses, IP usage, testing and certification, and wafer trial production;
 - (iv) approximately [REDACTED]% (or HK\$[REDACTED] million) will be used to enhance our platform-level R&D capabilities. We plan to develop a structured and reusable technology framework to convert core technologies into scalable and continuously evolving “technology assets.” This platform-based approach is expected to reduce redundant R&D efforts, accelerate product development cycles, and improve our agility in responding to market dynamics. The [REDACTED] will be used to fund related R&D efforts, including personnel expenses, procurement of development tools, and associated infrastructure; and

FUTURE PLANS AND [REDACTED]

- (v) approximately [REDACTED]% (or HK\$[REDACTED] million) will be used to enhance our R&D capabilities in consumer electronics and smart household appliances, which are among our core application markets. Continued investment in these areas will support sustained technological leadership through ongoing innovation and iterative product upgrades. The [REDACTED] will be applied to R&D staff costs and R&D related expenses, including fees and expenses for purchases of equipment and software, IP usage, testing and certification, and wafer trial production.

See “Business — Our Business Strategies — Strengthen R&D investment and drive breakthroughs across multiple technological frontiers” for more details;

- approximately [REDACTED]% (or HK\$[REDACTED] million) will be used for strategic investments and acquisitions. We plan to actively explore potential investment and acquisition opportunities on a global scale, with the aim of acquiring high-caliber talent, expanding our product portfolio, and broadening our market reach. Our prospective acquisition targets primarily include companies in the semiconductor industry that offer strong strategic fit with our business, particularly those with differentiated technologies in areas such as automotive electronics, industrial automation, and AI/robotics. We also seek targets that can help broaden our product offerings, accelerate penetration into downstream markets, and are led by management teams with deep industry expertise and a proven track record. In identifying suitable targets, we will also conduct prudent evaluations based on a range of criteria, including financial performance, management capabilities, and regulatory compliance history. According to Frost & Sullivan, over 100 potential targets in the market currently meet our preliminary screening criteria. As of the Latest Practicable Date, we had not identified any definite acquisition targets, nor had we entered into any substantive commercial negotiations, memoranda of understanding, letters of intent, or binding agreements in connection with any potential acquisitions;
- approximately [REDACTED]% (or HK\$[REDACTED] million) will be used to establish our global operations and R&D centers in Hong Kong. We intend to leverage Hong Kong’s strategic position as a gateway to international markets, along with its robust R&D ecosystem and abundant talent pool, to build a regional base supporting our global expansion.

The following table sets forth the details of [REDACTED] allocation for establishment of the global operations and R&D centers in Hong Kong:

	<u>Global operation center</u>	<u>R&D center</u>
	<i>(HK\$ in millions)</i>	
Rental expenses	[REDACTED]	[REDACTED]
Personnel salaries	[REDACTED]	[REDACTED]
Marketing expenses	[REDACTED]	[REDACTED]
Travel and other expenses	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>

These centers will also serve as a platform to enhance our sales and service coverage, improve responsiveness to domestic and overseas customer needs, and elevate our global brand presence. Specifically, (a) we will continue to expand our overseas sales and service network to strengthen our international market presence and provide customers with responsive and customized support; and (b) we plan to increase our global brand visibility through overseas marketing initiatives, including advertising and promotional campaigns, participation in industry exhibitions and forums; and

FUTURE PLANS AND [REDACTED]

- approximately [REDACTED]% (or HK\$[REDACTED] million) will be used for working capital and general corporate purposes.

If the [REDACTED] is not exercised, the [REDACTED] that we will receive will be approximately HK\$[REDACTED] million, assuming an [REDACTED] of HK\$[REDACTED] per H Share (being the midpoint of the [REDACTED]). If the [REDACTED] is set at HK\$[REDACTED] per H Share, being the high end of the [REDACTED], the [REDACTED] from the [REDACTED] will increase to approximately HK\$[REDACTED] million. If the [REDACTED] is set at HK\$[REDACTED] per H Share, being the low end of the [REDACTED], the [REDACTED] from the [REDACTED] will decrease to approximately HK\$[REDACTED] million. The above allocation of the [REDACTED] from the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the midpoint of the [REDACTED] stated in this document. To the extent our [REDACTED] are either more or less than expected, we will adjust our allocation of the [REDACTED] for the above purposes on a pro-rata basis.

If the [REDACTED] is exercised in full, the [REDACTED] that we will receive will be approximately HK\$[REDACTED] million, assuming an [REDACTED] of HK\$[REDACTED] per H Share (being the midpoint of the [REDACTED]). If the [REDACTED] is set at HK\$[REDACTED] per H Share, being the high end of the [REDACTED], the [REDACTED] from the [REDACTED] will increase to approximately HK\$[REDACTED] million. If the [REDACTED] is set at HK\$[REDACTED] per H Share, being the low end of the [REDACTED], the [REDACTED] from the [REDACTED] will decrease to approximately HK\$[REDACTED] million. Additional [REDACTED] received due to the exercise of any [REDACTED] will be used for the above purpose accordingly on a pro-rata basis in the event that the [REDACTED] is exercised.

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we will only place the [REDACTED] from the [REDACTED] which are not immediately required for the disclosed purpose in short-term interest-bearing accounts at licensed commercial banks and/or authorized financial institutions (as defined under the Securities and Future Ordinance or applicable laws and regulations in other jurisdictions). We will make an appropriate announcement if there is any change to the proposed [REDACTED] above or if any amount of the [REDACTED] will be used for general corporate purposes.

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HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages [•] to [•], received from the Company’s reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of BDO Limited]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 中微半導體(深圳)股份有限公司 CHINA MICRO SEMICON (SHENZHEN) LIMITED* AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

INTRODUCTION

We report on the historical financial information of China Micro Semicon (Shenzhen) Limited* 中微半導體(深圳)股份有限公司 (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages [•] to [•], which comprises the consolidated statements of financial position as of December 31, 2023, 2024 and 2025 and the statements of financial position of the Company as of December 31, 2023, 2024 and 2025, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended December 31, 2023, 2024 and 2025 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together the “**Historical Financial Information**”). The Historical Financial Information set out on pages [•] to [•] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “**Document**”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

DIRECTORS’ RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS’ RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

* For identification purpose only

APPENDIX I

ACCOUNTANTS’ REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s financial position as of December 31, 2023, 2024 and 2025, the Company’s financial position as of December 31, 2023, 2024 and 2025, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [•] have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about dividends paid by the Company in respect of the Track Record Period.

[BDO Limited]

Certified Public Accountants

[Director’s name]

Practising Certificate no. [•]

Hong Kong

[Date]

APPENDIX I

ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by International Accounting Standards Board (“**IASB**”) and were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended December 31,		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	7	713,570	911,655	1,122,150
Cost of sales		<u>(644,340)</u>	<u>(650,989)</u>	<u>(753,282)</u>
Gross profit		69,230	260,666	368,868
Other income and other gains	8	83,182	76,215	154,857
Selling and distribution expenses		(19,548)	(18,843)	(23,806)
Research and development expenses		(120,469)	(127,543)	(124,178)
Administrative and other expenses		(47,129)	(50,687)	(68,445)
Reversal/(provision) of impairment losses on financial assets, net	10	1,868	(1,518)	(207)
Finance costs	9	<u>(672)</u>	<u>(658)</u>	<u>(2,059)</u>
(LOSS)/PROFIT BEFORE TAX	10	(33,538)	137,632	305,030
Income tax credit/(expense)	11	<u>11,589</u>	<u>(798)</u>	<u>(20,848)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(21,949)</u>	<u>136,834</u>	<u>284,182</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(21,949)</u>	<u>136,834</u>	<u>284,182</u>
OTHER COMPREHENSIVE INCOME/ (EXPENSE)				
Item that may be reclassified to profit or loss:				
Exchange differences on translation of foreign operations		<u>381</u>	<u>353</u>	<u>(447)</u>
OTHER COMPREHENSIVE INCOME/ (EXPENSE) FOR THE YEAR, NET OF TAX		<u>381</u>	<u>353</u>	<u>(447)</u>
TOTAL COMPREHENSIVE (EXPENSE)/ INCOME FOR THE YEAR		<u>(21,568)</u>	<u>137,187</u>	<u>283,735</u>
(LOSS)/EARNINGS PER SHARE (RMB) ATTRIBUTABLE TO OWNERS OF THE COMPANY:				
Basic and diluted	13	<u>(0.05)</u>	<u>0.34</u>	<u>0.71</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As of December 31,		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	218,128	203,037	279,602
Intangible assets	16	3,254	1,803	2,725
Financial assets at fair value through profit or loss (“FVTPL”)	18	5,000	5,000	5,000
Prepayments	21	2,205	2,149	3,187
Deferred tax assets	17	21,221	18,337	11,472
Total non-current assets		249,808	230,326	301,986
Current assets				
Financial assets at FVTPL	18	427,013	889,828	1,066,416
Inventories	19	469,223	376,080	342,355
Trade and bills receivables	20	202,935	219,395	252,437
Prepayments, deposits and other receivables	21	96,555	66,322	78,831
Financial assets measured at amortised cost	22	91,283	—	—
Tax recoverable		355	2,691	1,299
Time deposits	23	696,653	1,308,780	1,284,126
Restricted bank balances	23	—	77	33,196
Cash and cash equivalents	23	917,255	215,805	318,710
Total current assets		2,901,272	3,078,978	3,377,370

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	As of December 31,		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current liabilities				
Trade payables	24	104,885	122,659	180,812
Other payables and accruals	25	36,814	55,480	83,462
Contract liabilities	26	3,266	7,644	5,637
Lease liabilities	27	7,865	6,919	3,103
Bank borrowings	28	—	99,396	199,823
Income tax payable		212	440	2,319
Total current liabilities		<u>153,042</u>	<u>292,538</u>	<u>475,156</u>
Net current assets		<u>2,748,230</u>	<u>2,786,440</u>	<u>2,902,214</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,998,038</u>	<u>3,016,766</u>	<u>3,204,200</u>
Non-current liabilities				
Lease liabilities	27	8,141	5,146	868
Deferred income	29	374	3,013	2,964
Deferred tax liabilities	17	17,884	15,237	22,978
Total non-current liabilities		<u>26,399</u>	<u>23,396</u>	<u>26,810</u>
NET ASSETS		<u>2,971,639</u>	<u>2,993,370</u>	<u>3,177,390</u>
EQUITY				
Share capital	30	400,365	400,365	400,365
Reserves	33	<u>2,571,274</u>	<u>2,593,005</u>	<u>2,777,025</u>
TOTAL EQUITY		<u>2,971,639</u>	<u>2,993,370</u>	<u>3,177,390</u>

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As of December 31,		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	68,272	61,839	121,655
Investments in subsidiaries	31	136,498	136,498	136,498
Intangible assets	16	3,001	1,725	2,599
Prepayments	21	2,205	2,149	2,460
Deferred tax assets	17	17,953	11,966	8,301
Total non-current assets		227,929	214,177	271,513
Current assets				
Financial assets at FVTPL	18	255,975	741,409	532,014
Inventories	19	476,239	385,966	351,121
Trade and bills receivables	20	105,948	201,761	389,423
Prepayments, deposits and other receivables	21	85,628	56,556	68,330
Amounts due from subsidiaries	32	434,385	437,803	299,320
Tax recoverable		294	2,657	1,246
Time deposits	23	540,638	982,715	1,220,247
Restricted bank balances	23	—	26	33,196
Cash and cash equivalents	23	840,828	66,683	85,543
Total current assets		2,739,935	2,875,576	2,980,440

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	As of December 31,		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current liabilities				
Trade payables	24	68,238	70,561	104,699
Amounts due to subsidiaries	32	54,795	59,807	85,113
Other payables and accruals	25	30,760	38,838	29,827
Contract liabilities	26	92,173	112,926	2,316
Lease liabilities	27	4,866	4,422	2,788
Bank borrowings	28	—	99,396	199,823
Total current liabilities		<u>250,832</u>	<u>385,950</u>	<u>424,566</u>
Net current assets		<u>2,489,103</u>	<u>2,489,626</u>	<u>2,555,874</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,717,032</u>	<u>2,703,803</u>	<u>2,827,387</u>
Non-current liabilities				
Lease liabilities	27	4,256	3,513	868
Deferred income	29	374	3,013	2,964
Deferred tax liabilities	17	<u>16,452</u>	<u>14,920</u>	<u>22,738</u>
Total non-current liabilities		<u>21,082</u>	<u>21,446</u>	<u>26,570</u>
NET ASSETS		<u>2,695,950</u>	<u>2,682,357</u>	<u>2,800,817</u>
EQUITY				
Share capital	30	400,365	400,365	400,365
Reserves	33	<u>2,295,585</u>	<u>2,281,992</u>	<u>2,400,452</u>
TOTAL EQUITY		<u>2,695,950</u>	<u>2,682,357</u>	<u>2,800,817</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>RMB'000</i>	Treasury shares* <i>RMB'000</i>	Share premium* <i>RMB'000</i> <i>(Notes 30(a) and 33(a))</i>	Capital reserve* <i>RMB'000</i> <i>(Note 33(b))</i>	Translation reserve* <i>RMB'000</i> <i>(Note 33(c))</i>	Statutory reserve* <i>RMB'000</i> <i>(Note 33(d))</i>	Retained earnings* <i>RMB'000</i> <i>(Note 33(e))</i>	Total equity <i>RMB'000</i>
Balance at January 1, 2023	400,365	—	1,780,782	81,200	1,255	75,039	849,622	3,188,263
Loss for the year	—	—	—	—	—	—	(21,949)	(21,949)
Exchange differences on translation of foreign operations	—	—	—	—	381	—	—	381
Total comprehensive expense for the year	—	—	—	—	381	—	(21,949)	(21,568)
Repurchase of shares <i>(Note 30(b))</i>	—	(14,892)	—	—	—	—	—	(14,892)
Dividend declared <i>(Note 12)</i>	—	—	—	—	—	—	(180,164)	(180,164)
Balance at December 31, 2023	<u>400,365</u>	<u>(14,892)</u>	<u>1,780,782</u>	<u>81,200</u>	<u>1,636</u>	<u>75,039</u>	<u>647,509</u>	<u>2,971,639</u>

* These reserve accounts comprise the consolidated reserves as of December 31, 2023, 2024 and 2025 in the consolidated statements of financial position.

APPENDIX I

ACCOUNTANTS’ REPORT

	Share capital <i>RMB'000</i>	Treasury shares* <i>RMB'000</i>	Share premium* <i>RMB'000</i> <i>(Notes 30(a)</i> <i>and 33(a))</i>	Capital reserve* <i>RMB'000</i>	Translation reserve* <i>RMB'000</i>	Statutory reserve* <i>RMB'000</i>	Retained earnings* <i>RMB'000</i>	Total equity <i>RMB'000</i>
	<i>(Note 30(a))</i>	<i>(Note 30(b))</i>		<i>(Note 33(b))</i>	<i>(Note 33(c))</i>	<i>(Note 33(d))</i>	<i>(Note 33(e))</i>	
Balance at January 1, 2024	400,365	(14,892)	1,780,782	81,200	1,636	75,039	647,509	2,971,639
Profit for the year	—	—	—	—	—	—	136,834	136,834
Exchange differences on translation of foreign operations	—	—	—	—	353	—	—	353
Total comprehensive income for the year	—	—	—	—	353	—	136,834	137,187
Repurchase of shares <i>(Note 30(b))</i>	—	(15,557)	—	—	—	—	—	(15,557)
Dividend declared <i>(Note 12)</i>	—	—	—	—	—	—	(99,899)	(99,899)
Transfer to statutory reserve	—	—	—	—	—	10,187	(10,187)	—
Balance at December 31, 2024	400,365	(30,449)	1,780,782	81,200	1,989	85,226	674,257	2,993,370

* These reserve accounts comprise the consolidated reserves as of December 31, 2023, 2024 and 2025 in the consolidated statements of financial position.

APPENDIX I

ACCOUNTANTS’ REPORT

	Share capital <i>RMB'000</i>	Treasury shares* <i>RMB'000</i>	Share premium* <i>RMB'000</i> <i>(Notes 30(a)</i> <i>and 33(a))</i>	Capital reserve* <i>RMB'000</i>	Translation reserve* <i>RMB'000</i>	Statutory reserve* <i>RMB'000</i>	Retained earnings* <i>RMB'000</i>	Total equity <i>RMB'000</i>
	<i>(Note 30(a))</i>	<i>(Note 30(b))</i>		<i>(Note 33(b))</i>	<i>(Note 33(c))</i>	<i>(Note 33(d))</i>	<i>(Note 33(e))</i>	
Balance at January 1, 2025	400,365	(30,449)	1,780,782	81,200	1,989	85,226	674,257	2,993,370
Profit for the year	—	—	—	—	—	—	284,182	284,182
Exchange differences on translation of foreign operations	—	—	—	—	(447)	—	—	(447)
Total comprehensive expense for the year	—	—	—	—	(447)	—	284,182	283,735
Dividend declared <i>(Note 12)</i>	—	—	—	—	—	—	(99,715)	(99,715)
Transfer to statutory reserve	—	—	—	—	—	21,817	(21,817)	—
Balance at December 31, 2025	<u>400,365</u>	<u>(30,449)</u>	<u>1,780,782</u>	<u>81,200</u>	<u>1,542</u>	<u>107,043</u>	<u>836,907</u>	<u>3,177,390</u>

* These reserve accounts comprise the consolidated reserves as of December 31, 2023, 2024 and 2025 in the consolidated statements of financial position.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities:			
(Loss)/profit before tax	(33,538)	137,632	305,030
Adjustments for:			
Depreciation of property, plant and equipment	43,358	43,254	43,042
Amortisation of intangible assets	1,359	1,451	1,036
Finance costs	672	658	2,059
Interest income from financial assets measured at amortised cost	(17,187)	(12,683)	(1,279)
Interest income from financial assets at FVTPL	(14,280)	(23,570)	(25,105)
Amortisation of deferred income	(369)	(361)	(1,182)
Loss on disposal of property, plant and equipment, net	1	148	1
Gain on lease modifications	(166)	(34)	(401)
(Reversal)/provision of impairment losses on financial assets, net	(1,868)	1,518	207
Provision of impairment for inventories, net	55,262	11,596	15,825
Fair value (gain)/loss on financial assets at FVTPL	(7,075)	13,148	(82,079)
Gain on disposal of financial assets at FVTPL	(20,633)	(13,939)	(17,848)
Operating profit before working capital changes	5,536	158,818	239,306
Decrease in inventories	10,144	81,547	17,900
Increase in trade and bills receivables	(34,111)	(18,251)	(33,592)
Decrease/(increase) in prepayments, deposits and other receivables	15,218	28,412	(5,558)
Increase in trade payables	11,577	17,774	58,153
(Decrease)/increase in other payables and accruals	(12,824)	18,666	27,982
Increase/(decrease) in contract liabilities	595	4,378	(2,007)
Increase in deferred income	—	3,000	1,133
Cash (used in)/from operations	(3,865)	294,344	303,317
Income tax refunded/(paid)	12,646	(2,669)	(2,971)
<i>Net cash from operating activities</i>	8,781	291,675	300,346

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment	(42,890)	(23,792)	(117,224)
Proceeds from disposal of property, plant and equipment	4,346	1,790	5
Purchase of intangible assets	(562)	—	(1,958)
Purchase of financial assets at FVTPL	(1,910,200)	(1,965,000)	(3,478,000)
Proceeds from disposal of financial assets at FVTPL	2,645,059	1,502,976	3,401,339
Purchase of financial assets measured at amortised cost	(90,000)	—	—
Settlement of financial assets measured at amortised cost	—	90,000	—
Increase in restricted bank balances	—	(77)	(33,119)
Increase/(decrease) in time deposits	(584,960)	(612,127)	24,654
Interest received	30,184	37,536	26,384
<i>Net cash from/(used in) investing activities</i>	<u>50,977</u>	<u>(968,694)</u>	<u>(177,919)</u>
Cash flows from financing activities			
Proceeds from bank borrowings	—	99,250	198,675
Repayments of bank borrowings	—	—	(99,250)
Repurchase of shares	(14,892)	(15,557)	—
Payments for deferred issue costs	—	—	(10,833)
Interest paid	—	—	(780)
Repayments of principal portion of lease liabilities	(9,464)	(8,066)	(6,895)
Repayments of interest portion of lease liabilities	(672)	(512)	(277)
Dividend paid	<u>(180,164)</u>	<u>(99,899)</u>	<u>(99,715)</u>
<i>Net cash used in financing activities</i>	<u>(205,192)</u>	<u>(24,784)</u>	<u>(19,075)</u>
Net (decrease)/increase in cash and cash equivalents	(145,434)	(701,803)	103,352
Cash and cash equivalents at the beginning of the year	1,062,308	917,255	215,805
Exchange differences on translating cash flows of foreign operations	<u>381</u>	<u>353</u>	<u>(447)</u>
Cash and cash equivalents at the end of the year	<u>917,255</u>	<u>215,805</u>	<u>318,710</u>

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

China Micro Semicon (Shenzhen) Limited* (the “**Company**”) is a joint stock company with limited liability incorporated in the People’s Republic of China (the “**PRC**”) on June 22, 2001. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange (stock code: 688380) on August 5, 2022. The registered office address and principal place of business of the Company are located at 21/F., Building T1, Qianhai Financial Centre, No. 91 Guiwan 3rd Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, the PRC.

The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the provision of solutions and products, including MCU, SoC and ASIC solutions and other related products, and provision of technical support services in the PRC. The main products are consumer electronics chips, smart household appliance control chips, industrial control chips and automotive-grade chips.

The Company is ultimately controlled by Mr. Yang Yong, Mr. Zhou Yan and Mr. Zhou Fei who are acting in concert.

As of the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of the subsidiaries are as follows:

Name of subsidiaries	Notes	Date and place of incorporation/registration	Place of operation	Issued and fully paid capital/registered capital	Percentage of equity attributable to the Company		Principal activities
					Direct	Indirect	
Sichuan China Micro Xincheng Technology Co., Ltd.* (四川中微芯成科技有限公司) (“ China Micro (Sichuan) ”)	2	April 7, 2017, the PRC	The PRC	Registered capital of RMB100,000,000	100%	—	Research and development and sales of chips
Sichuan Xinlianfa Electronics Co., Ltd.* (四川芯聯發電子有限公司) (“ Sichuan Xinlianfa ”)	4	May 11, 2011, the PRC	The PRC	Registered capital of RMB16,000,000	100%	—	Design of chips
Zhongshan Lianfa Microelectronics Co., Ltd.* (中山市聯發微電子有限公司) (“ Zhongshan Lianfa ”)	4	January 28, 2010, the PRC	The PRC	Registered capital of RMB12,000,000	100%	—	Sales of chips
Beijing China Micro Xincheng Microelectronics Technology Co., Ltd.* (北京中微芯成微電子科技有限公司) (“ China Micro (Beijing) ”)	4	March 14, 2018, the PRC	The PRC	Registered capital of RMB2,000,000	100%	—	Research and development of chips
Shenzhen China Micro Semicon Co., Limited (中微股份有限公司)	3	September 5, 2008 Hong Kong	Hong Kong	Issued and fully paid of shares of HKD10,000	100%	—	Wafer purchase platform
Chengdu Xinlianfa Electronic Technology Co., Ltd.* (成都市芯聯發電子科技有限公司) (“ Chengdu Xinlianfa ”)	4	February 9, 2015, the PRC	The PRC	Registered capital of RMB2,000,000	—	100%	Sales of chips
Singapore Changi Technology Pte Ltd	4	May 20, 2015, Singapore	Singapore	Issued and fully paid of shares of SGD1,000,000	—	100%	Research and development and trading of chips
China Micro Huxin (Shanghai) Integrated Circuit Co., Ltd.* (中微滬芯(上海)集成電路有限公司) (“ China Micro (Shanghai) ”)	4	September 16, 2020, the PRC	The PRC	Registered capital of RMB2,000,000	100%	—	Research and development of chips

APPENDIX I

ACCOUNTANTS’ REPORT

Name of subsidiaries	Notes	Date and place of incorporation/registration	Place of operation	Issued and fully paid capital/registered capital	Percentage of equity attributable to the Company		Principal activities
					Direct	Indirect	
China Micro Yuxin (Chongqing) Electronic Technology Co., Ltd.* (中微渝芯(重慶)電子科技有限公司) (“China Micro (Chongqing)”)	4	July 9, 2020, the PRC	The PRC	Registered capital of RMB20,000,000	100%	—	Research and development of chips
China Micro Semicon (Shenzhen) Investment Co., Ltd.* (中微半導(深圳)投資有限公司) (“China Micro (Shenzhen)”)	4	May 30, 2023, the PRC	The PRC	Registered capital of RMB10,000,000	100%	—	Investment holding

Notes:

- (1) The statutory financial statements of the Company for the years ended December 31, 2023 and 2024 were prepared in accordance with the Accounting Standard for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Pan-China Certified Public Accountants.
- (2) The statutory financial statements of the entity for the years ended December 31, 2023 and 2024 were prepared in accordance with the Accounting Standard for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Pan-China Certified Public Accountants.
- (3) The statutory financial statements of the entity for the years ended December 31, 2023 and 2024 were prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Certified Public Accountants and audited by CWCC CPA Limited.
- (4) No audited financial statements of these entities have been prepared for the years ended December 31, 2023 and 2024.
- (5) All of the subsidiaries adopted December 31, as their financial year end date.
- (6) None of the subsidiaries had issued any debt securities for the years ended December 31, 2023, 2024 and 2025.

* The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

For the purpose of the Historical Financial Information of this report, the directors of the Company have prepared the Underlying Financial Statements in accordance with the basis of preparation set out in Note 2 below and the accounting policies set out in Note 4 below which conform with IFRS Accounting Standards issued by the International Accounting Standards Board (the “IASB”).

The Historical Financial Information has been prepared from the Underlying Financial Statements, with no adjustments made thereon.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 which conform with IFRS Accounting Standards, including all applicable individual IFRS Accounting Standards, IAS Standards and the related interpretations issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance.

For the purpose of preparing and presenting the Historical Financial Information, all relevant standards, amendments and interpretations to the IFRS Accounting Standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the Track Record Period.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting judgement and estimations. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involved a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5 below.

APPENDIX I

ACCOUNTANTS’ REPORT

2.2 Basis of measurement

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the material accounting policy information set out below.

2.3 Functional and presentation currency

The Historical Financial Information is presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

3. NEW OR REVISED IFRS ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new or revised IFRS Accounting Standards, potentially relevant to the Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ¹
Annual Improvements to IFRS Accounting Standards — Volume 11	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosure, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IAS 7 Statement of Cash Flows ¹
IFRS 18	Presentation and Disclosure in Financial Statements ²
IFRS 19	Subsidiaries without Public Accountability: Disclosures ²
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after January 1, 2026

² Effective for annual periods beginning on or after January 1, 2027

³ The amendments were originally intended to be effective for periods beginning on or after January 1, 2026. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted

The directors of the Company have assessed the effect of these new accounting standards and amendments and do not anticipate that these new accounting standards and amendments will have material impact on the Group’s consolidated financial statements and/or the disclosures to the Group’s Historical Financial Information except the following.

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

The application of IFRS 18 is not expected to have a material impact on the Group’s financial position and performance but is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and will require additional disclosures in future financial statements.

4. MATERIAL ACCOUNTING POLICY INFORMATION

4.1 Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and the entities controlled by the Company (i.e. subsidiaries) comprising the Group for the Track Record Period.

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

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

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

All intra-group transactions, balances and unrealised gains on transactions have been eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Adjustments are made to the financial statements of subsidiaries where necessary to ensure consistency with the policies adopted by the Group.

APPENDIX I

ACCOUNTANTS’ REPORT

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company’s statements of financial position, investments in subsidiaries is stated at cost less impairment loss, if any. The results of subsidiary are accounted for by the Company on the basis of dividend received and receivable.

4.3 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if the Group’s performance:

- provides the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract with reference to the progress towards the complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

In determining the transaction price, the Group adjusts the amount of promised amount of consideration for the effect if a financing component of it is significant. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 “Revenue from Contracts with Customers” and does not adjust the consideration for any effects of a significant financing component as the period between when the Group receives consideration and transferring control of goods is one year or less.

(i) Sales of products

Revenue from the sales of MCU, SoC and ASIC solutions and other related products to customers is recognised at a point in time when the products are delivered to the customers’ designated locations and the customers confirm the acceptance of the products. Upon the confirmation of acceptance of the products, the customers have the rights to sell the products at their sole discretion and take the risks of any price fluctuations, obsolescence and loss of the products.

(ii) Other services

Revenue from the provision of other services, which refer to technical support services is recognised over time during the contract period as the customers received and consumed the benefits simultaneously.

(iii) Principal versus agent consideration in revenue recognition

The determination of whether revenue shall be reported on a gross or net basis is based on an individual or a collective assessment of whether the Group is acting as a principal or an agent in the provision of promised goods or services to customers. If the Group controls the specified goods or services which bears the inventory risk before the customers accept the products or services, primarily responsible to fulfil the sales agreements entered between the Group and the customers, and has sole discretion to set the selling prices of the products or services, the Group therefore acts as a principal and recognises its revenue in gross amount to which it is entitled from the customers. Alternatively, the Group recognises the amounts received from the customers and the amounts paid to the suppliers related to these transactions on a net basis. The Group is acting as principal and recognises its revenue in gross amount.

(iv) Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities is recognised as revenue when the Group performs under the contract (i.e. transfers the control of the related goods or services to the customer).

(v) Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

APPENDIX I

ACCOUNTANTS’ REPORT

4.4 Property, plant and equipment

Property, plant and equipment, other than construction-in-progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment includes its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on a straight-line method. The useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold land	Over the lease term, 40 years
Buildings	20 years
Leasehold improvements	Over shorter of lease term or 2 to 3 years
Motor vehicles	4 years
Furniture, fixtures and office equipment	3–5 years
Machinery and production equipment	3–10 years

Construction-in-progress is stated at cost less any accumulated impairment losses. Cost comprises direct costs of construction and borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction-in-progress is transferred to the appropriate classes of property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction-in-progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than its estimated recoverable amount.

An asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement of the asset is the difference between the net sales proceeds and the carrying amount which is recognised in profit or loss when the asset is derecognised.

4.5 Inventories

Inventories comprise integrated circuits and electronic products chips. Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices in the ordinary course of business less any estimated costs of completion and costs necessary to make the sales.

4.6 Leases

All leases are required to be capitalised in the consolidated statements of financial position/statements of financial position as right-of-use assets and lease liabilities when the lease contracts convey the rights to control the use of an identified asset for a period of time in exchange for consideration at the contract inception dates, but accounting policy choices exist for an entity to choose not to capitalise (i) leases for which the underlying asset is of low-value; and/or (ii) leases which are short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

Accounting as a lessee

Right-of-use assets

The right-of-use asset is recognised at cost and comprises: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right to use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated over the shorter of its estimated useful life and the lease term on a straight-line basis. The right-of-use assets are presented within the same line item of property, plant and equipment which carry lease terms from 2 years to 7 years.

APPENDIX I

ACCOUNTANTS’ REPORT

Lease liabilities

The lease liability is recognised at the present value of lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted by using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, which is generally the case of the Group, the Group uses the lessee’s incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured by using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee measures the lease liability by: (i) increasing the carrying amount to reflect the accretion of interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments, or a change in assessment to purchase the underlying asset.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position/statements of financial position.

4.7 Intangible assets and research and development expenses

Intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with indefinite useful lives are subsequently carried at cost less any accumulated impairment losses. Intangible assets with finite useful lives are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses.

The amortisation expenses are recognised in profit or loss. The useful lives and amortisation methods of intangible assets with finite useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The amortisation expenses are provided on a straight-line basis over the useful lives as follows:

Patents	10 years
Computer software	5 years
License rights	5 years

Intangible assets are tested for impairment as described in Note 4.8.

Research and development expenses

Costs associated with research activities are expensed in profit or loss as they occur. Costs that directly attributable to the development activities are recognised as intangible assets providing that they can meet the following recognition requirements:

- (i) demonstration of technical feasibilities of the prospective product for internal use or sales;
- (ii) sufficient technical, financial and other resources are available for completion;
- (iii) there is intention to complete the intangible asset and use or sell it;
- (iv) the Group’s ability to use or sell the intangible asset is demonstrated;
- (v) the intangible asset will generate probable economic benefits through internal use or sales; and
- (vi) the expenditure attributable to the intangible asset can be reliably measured.

Capitalised development costs are amortised over the periods that the Group expects to benefit from using or selling the products developed.

Development expenditures not satisfying the above criteria and expenditures on the research phase of internal projects are expensed as incurred.

APPENDIX I

ACCOUNTANTS’ REPORT

4.8 Impairment of non-financial assets

At the end of reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment (including right-of-use assets);
- Investments in subsidiaries; and
- Intangible assets.

Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash generating units (“CGUs”). As a result, some assets are tested individually for impairment and some are tested at CGU level. Corporate assets are allocated to individual CGUs when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount (i.e. the higher of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years/periods. In respect of assets other than goodwill, reversal of an impairment loss is recognised in profit or loss immediately. An impairment loss in respect of goodwill is not reversed.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or CGU, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

4.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

4.10 Financial instruments

(a) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVOCI: Bills receivables that are held for collection of contractual cash flows and for selling, where the assets’ cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (“FVOCI”) are subsequently measured at fair value. Subsequent changes as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these bills receivables are recognised in other

APPENDIX I

ACCOUNTANTS’ REPORT

comprehensive income. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these bills receivables. When these bills receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(b) Impairment loss on financial assets

The Group recognises loss allowances for ECL on trade receivables and bills receivables and other financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group measures loss allowances for trade and bills receivables measured at amortised cost using IFRS 9 “Financial Instruments” (“IFRS 9”) simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix with appropriate groupings or individually assessed for credit-impaired debtors. Provision matrix are based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

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

- significant financial difficulty of the issuer or the borrower;

APPENDIX I

ACCOUNTANTS’ REPORT

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

Based on the Group’s assessment of historical credit loss experience, combined with forward-looking information and expected settlement patterns, the Group has determined that no default has occurred for trade and bills receivables overdue by more than 90 days. This assessment is primarily due to the debtors being predominantly large and medium-sized enterprises with strong financial positions, indicating a low risk of non-payment. The management of the Group considers a default to have occurred when there is evidence of significant financial difficulty or when repeated collection efforts indicate that the trade receivables are unlikely to be recovered.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(c) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, bank borrowings and dividend payables are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(d) Effective interest method

Effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(e) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(f) Derecognition of financial instruments

The Group derecognises a financial asset when the contractual right to receive the future cash flows in relation to the financial asset expires or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(g) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements/statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

APPENDIX I

ACCOUNTANTS’ REPORT

4.11 Foreign currency translation

Transactions entered into by the group entities in currencies other than their functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into RMB at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve. Exchange differences recognised in profit or loss of group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

4.12 Income tax

Income taxes for the year or period comprises current tax and deferred tax. Income taxes are recognised in profit or loss, except when they relate to items recognised in other comprehensive income or directly in equity, in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity, in which case the taxes are also recognised directly in equity.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable the taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that has been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

4.13 Employee benefits

(a) *Defined contribution retirement plan*

Pursuant to the relevant regulations of the PRC government, the Group participates in a central pension scheme operated by the local municipal government, whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the scheme is to pay the ongoing required contributions under the scheme. Contributions under the scheme are charged to profit or loss as incurred. There are no provisions under the scheme whereby forfeited contributions may be used to reduce future contributions.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the period when the employees render the related service.

(c) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4.14 Provisions and contingent liabilities

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

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

4.15 Borrowings costs

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

4.16 Government grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions of the grant and that the grant will be received.

Government grants related to income are recognised in profit or loss on a systematic basis over the periods in which the related costs are incurred. Grants intended to compensate for expenses already incurred or for immediate financial support with no future obligations are recognised in profit or loss when receivable and are presented as “other income and other gains/(losses)”.

Government grants related to the acquisition of non-current assets are included in non-current liabilities and recognised as deferred income and systematically transferred to profit or loss over the useful lives of the related assets.

4.17 Share-based payments

The Company operates equity-settled share-based compensation plan and the shares are awarded to employees and directors providing services to the Group.

All services received in exchange for the grant of any share-based compensation are measured at their fair value. These are indirectly determined with reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as an asset, with a corresponding increase in share-based payments reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share premium.

4.18 Related parties

For the purpose of the Historical Financial Information, a party is considered to be related to the Group if:

- (a) A person or a close member of that person’s family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company’s parent.

APPENDIX I

ACCOUNTANTS’ REPORT

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

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

- (i) that person’s children and spouse or domestic partner;
- (ii) children of that person’s spouse or domestic partner; and
- (iii) dependents of that person or that person’s spouse or domestic partner.

4.19 Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the consolidated statements/statements of profit or loss and other comprehensive income on the purchase, sales, issue or cancellation of the Group’s own equity instruments.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, judgements and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Impairment of financial assets

The measurement of the ECLs allowance for financial assets measured at amortised cost and measured at FVOCI is an area that requires the use of significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements, including determining the criteria for significant increase in credit risk, are also required in applying the accounting requirements for measuring ECLs. Details about the judgements and assumptions used in measuring ECLs is set out in Note 4.10(b) and Note 40(b). Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECLs to be recognised.

Income taxes and deferred taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Group recognises deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involves management’s judgements and estimations about the timing and the amount of taxable profits of the group entities which have tax losses.

APPENDIX I

ACCOUNTANTS’ REPORT

Provision for obsolete and slow-moving inventories

The Group reviews the conditions of its inventories and makes provision for obsolete and slow-moving inventory items which are identified as no longer suitable for sales or use. Management estimates the net realisable value for those inventories based on the latest invoice prices and current market conditions. The Group regularly carries out an inventory review at the end of each reporting periods and makes provision for obsolete and slow-moving items. Management reassesses the estimation at the end of each reporting period. The provision for obsolete and slow-moving inventories requires the use of management judgement and estimations. Whenever the expectation is different from the original estimations, such difference will have an impact on the carrying amounts of inventories and the written down of inventories amounts in the year in which the estimations has been changed.

6. SEGMENT INFORMATION

(a) Operating segment information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the directors of the Company, being the chief operating decision maker, for their decisions about resources allocation to the Group’s business components and for their review of these components’ performance.

During the Track Record Period, the Group is principally engaged in the research, development, design and sales of integrated circuits and electronic products chips in the PRC. Information reported to the directors of the Company for the purpose of resources allocation and performance assessment focuses on the operating results of the business. Therefore, the chief operating decision maker of the Company regards there is only one operating segment which is used for making strategic decisions. No other discrete financial information is provided other than the Group’s results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographical information are presented.

(b) Geographical information

The Group is domiciled in the PRC, which is the location of the Group’s principal office. The Group’s revenue from external customers are divided into the following geographical areas:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
The PRC	713,570	911,655	1,122,150

The Group’s revenue information disclosed above is based on the delivery destinations of the Group’s products and services requested by the customers. The geographical location of non-current assets is based on the physical location of the assets. As of December 31, 2023, 2024 and 2025, all of the Group’s non-current assets were located in the PRC.

(c) Information about major customers

Revenue from major customers, each of them accounting for 10% or more of the Group’s revenue during the Track Record Period, is set out below:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Customer A	85,534	105,001	115,587

APPENDIX I

ACCOUNTANTS’ REPORT

7. REVENUE

Revenue represents revenue from sales of goods and other services.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Disaggregation of revenue by products or services:			
— MCU solutions	571,164	697,843	846,387
— SoC solutions	91,190	185,085	241,030
— ASIC solutions	32,280	24,048	31,489
— Other related products (Note 1)	15,219	3,676	1,887
	709,853	910,652	1,120,793
Other products (Note 2)	1,223	1,003	1,357
Other services (Note 3)	2,494	—	—
	713,570	911,655	1,122,150

Notes:

- (1) Other related products primarily comprise development tools.
- (2) Other products primarily comprise the sales of scrap materials.
- (3) Other services primarily comprise technical support services.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Timing of revenue recognition under IFRS 15			
At a point in time	711,076	911,655	1,122,150
Over time	2,494	—	—
	713,570	911,655	1,122,150

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

The following table provides information about trade and bills receivables and contract liabilities from contracts with customers.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade and bills receivable (Note 20)	202,935	219,395	252,437
Contract liabilities (Note 26)	3,266	7,644	5,637

8. OTHER INCOME AND OTHER GAINS

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fair value gain/(loss) on financial assets at FVTPL	7,075	(13,148)	82,079
Gain on disposal of financial assets at FVTPL	20,633	13,939	17,848
Government grants (Note)	14,297	26,922	8,309
Interest income from financial assets measured at amortised cost	17,187	12,683	1,279
Interest income from financial assets at FVTPL	14,280	23,570	25,105
Loss on disposal of property, plant and equipment, net	(1)	(148)	(1)
Gain on lease modifications	166	34	401
Individual tax and VAT tax refund	9,554	10,526	19,679
Others	(9)	1,837	158
	83,182	76,215	154,857

APPENDIX I

ACCOUNTANTS’ REPORT

Note: Government grants mainly comprised of subsidies for subsidising the employee costs and research and development expenses. Out of the grants related to income, some of the grants are related assets with details set out in Note 29 of the Historical Financial Information.

9. FINANCE COSTS

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest expenses on lease liabilities	672	512	277
Interest expenses on bank borrowings	—	146	1,782
	<u>672</u>	<u>658</u>	<u>2,059</u>

10. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax is arrived at after charging/(crediting) the followings:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost of inventories recognised as expenses (<i>Note</i>)	588,899	639,330	737,457
Auditors’ remuneration	650	650	600
Depreciation of property, plant and equipment (<i>Note 15</i>)	43,358	43,254	43,042
Amortisation of intangible assets (<i>Note 16</i>)	1,359	1,451	1,036
Professional fees (included in administrative and other expenses)	3,182	2,727	2,534
[REDACTED] expenses	—	—	[REDACTED]
Short-term and low-value assets leases expenses	2,575	1,366	1,538
Employee costs (including directors’ emoluments (<i>Note 14</i>)): — Salaries and wages — Retirement scheme contributions	119,280 19,279	126,949 19,255	136,950 21,036
	<u>138,559</u>	<u>146,204</u>	<u>157,986</u>
(Reversal)/provision of impairment losses on financial assets, net (<i>Note 40(b)</i>): — Trade receivables — Bills receivables measured at amortised cost — Deposits and other receivables	(3,194) 201 1,125 (1,868)	1,060 731 (273) 1,518	1,647 (1,097) (343) 207
Provision of impairment for inventories, net	55,262	11,596	15,825
Exchange differences, net	<u>4,098</u>	<u>5,907</u>	<u>2,149</u>

Note: Provision of impairment for inventories is included in “Cost of sales” in the consolidated statements of profit or loss and other comprehensive income.

11. INCOME TAX (CREDIT)/EXPENSE

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current tax:			
— Provision for the year	788	561	6,234
— Under provision in respect of prior years	<u>787</u>	<u>—</u>	<u>8</u>
	<u>1,575</u>	<u>561</u>	<u>6,242</u>
Deferred tax (<i>Note 17</i>):			
— Origination and reversal of temporary difference	(16,335)	4,282	14,606
— Attribute to change in tax rate	<u>3,171</u>	<u>(4,045)</u>	<u>—</u>
	<u>(13,164)</u>	<u>237</u>	<u>14,606</u>
	<u>(11,589)</u>	<u>798</u>	<u>20,848</u>

The Group is subject to income tax on an entity basis on assessable profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operated.

APPENDIX I

ACCOUNTANTS’ REPORT

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of the group entities is calculated based on the statutory tax rate of 25% during the Track Record Period, except for the following entities:

- (a) The Company is qualified as a “High and New Technology Enterprise” since 2020 at a preferential tax rate of 15% subject to review by the relevant tax authority in the PRC for every three years;
- (b) According to Guofa [2020] No.8 “Several Policies to Promote the High Quality Development of Integrated Circuit Industry and Software Industry in the New Period”, China Micro (Sichuan) is qualified as a “High and New Technology Enterprise” in 2022 and an integrated circuit enterprise entitled to a 5-year tax holiday (i.e. full exemption of income tax since the first profit-making year) and further at a preferential tax rate of 10% after the 5-year tax holiday subject to review by the relevant tax authority in the PRC every three years for “High and New Technology Enterprise” and every year for the integrated circuit enterprise.
- (c) Certain of the Company’s subsidiaries including Sichuan Xinlianfa, Zhongshan Lianfa, China Micro (Beijing), Chengdu Xinlianfa, China Micro (Shanghai), China Micro (Chongqing) and China Micro (Shenzhen) are qualified for the following preferential rate:
 - (i) According to Caishui [2021] No. 8 “Announcement of the State Administration of Taxation on Matters Related to the Implementation of Income Tax Preferential Policies for Supporting the Development of Small Meagre-profit Enterprises and Self-employed Business”, Zhongshan Lianfa, Sichuan Xinlianfa, China Micro (Shanghai), China Micro (Chongqing), Chengdu Xinlianfa and China Micro (Beijing) are qualified as “Small Meagre-profit Enterprises” and entitled to a preferential tax rate of 20% on the 12.5% of taxable income less than RMB1,000,000 from January 1, 2022 to December 31, 2024;
 - (ii) According to Caishui [2023] No. 6 “Announcement on the Income Tax Preferential Policies for Small Meagre-profit Enterprises and Self-employed Business”, Zhongshan Lianfa, Sichuan Xinlianfa, China Micro (Shanghai), China Micro (Chongqing), Chengdu Xinlianfa, China Micro (Beijing) and China Micro (Shenzhen) are qualified as “Small Meagre-profit Enterprises” and entitled to preferential tax rate of 20% on the 25% of taxable income exceeding RMB1,000,000 but less than RMB3,000,000 from January 1, 2022 to December 31, 2024,
 - (iii) According to Caishui [2023] No. 12 “Announcement on the Income Tax Preferential Policies for Small Meagre-profit Enterprise and Self-employed Business”, Zhongshan Lianfa, Sichuan Xinlianfa, China Micro (Shanghai), China Micro (Chongqing), Chengdu Xinlianfa, China Micro (Beijing) and China Micro (Shenzhen) are qualified as “Small Meagre-profit Enterprises” and entitled to a preferential tax rate of 20% on the 25% of taxable income not exceeding RMB3,000,000 from January 1, 2023 to December 31, 2027.

The provision for Hong Kong Profits Tax during the Track Record Period was calculated under the two-tiered profits tax regime, i.e. the first HK\$2,000,000 of assessable profits were taxed at 8.25% and the remaining assessable profits were taxed at 16.5%. Taxation for subsidiaries incorporated in other jurisdictions is calculated at the applicable income tax rates in the relevant countries.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% and 200% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

According to Public Notice 2023 No .7 promulgated by the State Tax Bureau of Chinese Mainland in March 2023, the enterprises entitled to claim 200% of their research and development expenses incurred as tax deductible expenses in determining tax assessable profits from 2023 onwards.

The income tax (credit)/expense for the Track Record Period can be reconciled to the (loss)/profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
(Loss)/profit before tax	(33,538)	137,632	305,030
Tax calculated at applicable tax rate	(5,031)	13,763	30,503
Effect of different tax rates of subsidiaries	(3,443)	1,415	2,743
Effect on deferred tax of change in tax rates	3,171	(4,045)	—
Tax effect of expenses not deductible for tax purpose	183	93	96
Tax incentives for research and development expenses	(6,467)	(11,890)	(12,229)
Tax incentives for employee costs	(121)	(111)	(110)
Utilisation of tax losses previously not recognised	(932)	—	(290)
Tax effect of deductible temporary difference and deductible tax loss for which no deferred tax asset was recognised	264	1,573	127
Under provision in respect of prior years	787	—	8
Income tax (credit)/expense	(11,589)	798	20,848

APPENDIX I

ACCOUNTANTS’ REPORT

12. DIVIDENDS

The final dividend for the years ended December 31, 2022, 2023 and 2024 of RMB0.45, RMB0.25 and RMB0.25 per ordinary share, in aggregate amounts of approximately RMB180,164,000, RMB99,899,000 and RMB99,715,000 respectively, were approved by the directors of the Company and paid during the years ended December 31, 2023, 2024 and 2025.

The final dividend for the year ended December 31, 2025 of RMB0.3 per ordinary share, in an aggregate amount of approximately RMB119,658,000, was approved by the directors of the Company and to be approved by the shareholders of the Company at the annual general meeting to be held on April 9, 2026. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

13. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Year ended December 31,		
	2023	2024	2025
(loss)/Earnings for the purpose of basic and diluted (loss)/earnings per share (<i>RMB'000</i>)	(21,949)	136,834	284,182
Number of shares			
Weighted average number of ordinary shares (excluding treasury shares for the purposes of basic and diluted (loss)/earnings per share	400,213,438	398,930,626	398,858,361

Diluted (loss)/earnings per share are the same as the basic (loss)/earnings per share as the Company had no dilutive potential ordinary shares in existence for the Track Record Period.

14. DIRECTORS’ AND SUPERVISORS’ EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors’ and supervisors’ emoluments

Details of directors’ and supervisors’ remuneration during the Track Record Period are as follows:

	Fees <i>RMB'000</i>	Salaries, allowance and other benefits <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended December 31, 2023					
<i>Executive directors</i>					
Mr. Yang Yong	—	1,397	417	17	1,831
Mr. Zhou Yan	—	1,401	522	99	2,022
Mr. Wang Jitong	—	1,246	592	102	1,940
Mr. Liu Zeyu	—	1,024	461	149	1,634
Mr. Luo Yong	—	380	131	91	602
	—	5,448	2,123	458	8,029
<i>Independent non-executive directors</i>					
Mr. Hua Jinqiu	100	—	—	—	100
Mr. Wu Jing	100	—	—	—	100
Mr. Song Xiaoke	100	—	—	—	100
	300	—	—	—	300
<i>Supervisors</i>					
Mr. Jiang Zhiyong	—	277	68	76	421
Mr. Zhou Fei	—	364	60	89	513
Mr. Feng Chao	—	331	144	62	537
	—	972	272	227	1,471

APPENDIX I

ACCOUNTANTS’ REPORT

	Fees	Salaries, allowance and other benefits	Discretionary bonus	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2024					
<i>Executive directors</i>					
Mr. Yang Yong	—	1,070	1,128	17	2,215
Mr. Zhou Yan	—	1,089	1,073	97	2,259
Mr. Wang Jitong	—	1,082	875	100	2,057
Mr. Liu Zeyu	—	1,041	603	107	1,751
Mr. Luo Yong	—	376	144	94	614
	—	4,658	3,823	415	8,896
<i>Independent non-executive directors</i>					
Mr. Hua Jinqiu	100	—	—	—	100
Mr. Wu Jing	100	—	—	—	100
Mr. Song Xiaoke	100	—	—	—	100
	300	—	—	—	300
<i>Supervisors</i>					
Mr. Jiang Zhiyong	—	272	23	81	376
Mr. Zhou Fei	—	360	130	93	583
Mr. Feng Chao	—	324	215	74	613
	—	956	368	248	1,572
	Fees	Salaries, allowance and other benefits	Discretionary bonus	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2025					
<i>Executive directors</i>					
Mr. Yang Yong	—	1,222	830	39	2,091
Mr. Zhou Yan	—	1,131	954	100	2,185
Mr. Wang Jitong	—	742	400	69	1,211
Mr. Liu Zeyu	—	1,066	435	129	1,630
Mr. Luo Yong	—	250	21	68	339
	—	4,411	2,640	405	7,456
<i>Independent non-executive directors</i>					
Mr. Hua Jinqiu	100	—	—	—	100
Mr. Wu Jing	58	—	—	—	58
Mr. Song Xiaoke	58	—	—	—	58
Ms. Sun Xiaoling	42	—	—	—	42
	258	—	—	—	258
<i>Supervisors</i>					
Mr. Jiang Zhiyong	—	182	348	54	584
Mr. Zhou Fei	—	240	87	67	394
Mr. Feng Chao	—	220	143	53	416
	—	642	578	174	1,394

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (i) No emoluments were paid by the Group to any directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss or termination of their office during the Track Record Period.
- (ii) The executive directors’ emoluments shown above were for their services in connection with the management of the affairs of the Group and the Company. The non-executive directors and the independent non-executive directors’ emoluments shown above were for their services as directors of the Company.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, included four, four and four directors and supervisors of the Company for each of the years ended December 31, 2023, 2024 and 2025 respectively, whose emoluments are disclosed above. The emoluments of the remaining one, one and one individuals for each of the years ended December 31, 2023, 2024 and 2025 respectively, whose emoluments are analysed below:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowance and other benefits	960	955	960
Discretionary bonuses	474	885	816
Retirement scheme contributions	160	85	88
	<u>1,594</u>	<u>1,925</u>	<u>1,864</u>

The number of the highest paid non-director individuals fell within the following emolument bands:

	Year ended December 31,		
	2023	2024	2025
	<i>No. of individuals</i>	<i>No. of individuals</i>	<i>No. of individuals</i>
HK\$1,500,001 to HK\$2,000,000	1	—	—
HK\$2,000,001 to HK\$2,500,000	<u>—</u>	<u>1</u>	<u>1</u>

During the Track Record Period, no emoluments were paid by the Group to any director or supervisor or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director or supervisor waived or agreed to waive any emolument during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold land RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Machinery and production equipment RMB'000	Other properties leased for own use RMB'000	Construction- in-progress RMB'000	Total RMB'000
Cost:									
At January 1, 2023	31,299	3,329	9,708	1,714	12,241	96,384	27,662	97,295	279,632
Additions	—	—	938	283	1,518	28,241	7,704	13,136	51,820
Transfer from construction in progress	—	110,431	—	—	—	—	—	(110,431)	—
Disposal	—	—	—	—	(40)	(4,337)	—	—	(4,377)
Termination of leases	—	—	—	—	—	—	(6,910)	—	(6,910)
At December 31, 2023 and January 1, 2024	31,299	113,760	10,646	1,997	13,719	120,288	28,456	—	320,165
Additions	—	—	1,949	—	1,139	21,918	5,492	935	31,433
Disposal	—	(884)	—	—	(226)	(3,466)	—	—	(4,576)
Termination of leases	—	—	—	—	—	—	(6,118)	—	(6,118)
At December 31, 2024 and January 1, 2025	31,299	112,876	12,595	1,997	14,632	138,740	27,830	935	340,904
Additions	—	67,686	1,295	—	1,578	23,643	1,366	26,209	121,777
Transfer from construction in progress	—	27,144	—	—	—	—	—	(27,144)	—
Disposal	—	—	—	—	(11)	(13)	—	—	(24)
Termination of leases	—	—	—	—	—	—	(7,207)	—	(7,207)
At December 31, 2025	31,299	207,706	13,890	1,997	16,199	162,370	21,989	—	455,450
Accumulated depreciation:									
At January 1, 2023	3,717	1,225	4,123	729	6,447	37,537	11,028	—	64,806
Charge for the year	782	1,033	2,555	345	2,701	26,944	8,998	—	43,358
Disposal	—	—	—	—	(30)	—	—	—	(30)
Termination of leases	—	—	—	—	—	—	(6,097)	—	(6,097)
At December 31, 2023 and January 1, 2024	4,499	2,258	6,678	1,074	9,118	64,481	13,929	—	102,037
Charge for the year	783	5,404	1,953	303	1,941	24,917	7,953	—	43,254
Disposal	—	—	—	—	(168)	(2,470)	—	—	(2,638)
Termination of leases	—	—	—	—	—	—	(4,786)	—	(4,786)
At December 31, 2024 and January 1, 2025	5,282	7,662	8,631	1,377	10,891	86,928	17,096	—	137,867
Charge for the year	782	5,743	1,986	285	1,285	26,694	6,267	—	43,042
Disposal	—	—	—	—	(5)	(13)	—	—	(18)
Termination of leases	—	—	—	—	—	—	(5,043)	—	(5,043)
At December 31, 2025	6,064	13,405	10,617	1,662	12,171	113,609	18,320	—	175,848
Net carrying amount:									
At December 31, 2023	26,800	111,502	3,968	923	4,601	55,807	14,527	—	218,128
At December 31, 2024	26,017	105,214	3,964	620	3,741	51,812	10,734	935	203,037
At December 31, 2025	25,235	194,301	3,273	335	4,028	48,761	3,669	—	279,602

APPENDIX I

ACCOUNTANTS’ REPORT

The analysis of the net carrying amount of right-of-use assets by class of underlying assets as at the end of reporting period is as follows:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Leasehold land	26,800	26,017	25,235
Other properties leased for own use	14,527	10,734	3,669
	<u>41,327</u>	<u>36,751</u>	<u>28,904</u>
	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Additions to right-of-use assets	7,704	5,492	1,361
Depreciation charge of right-of-use assets by class of underlying assets:			
— Leasehold land	782	783	782
— Other properties leased for own use	8,998	7,953	6,267
	<u>9,780</u>	<u>8,736</u>	<u>7,049</u>

The Group had total cash outflows for leases of approximately RMB12,711,000, RMB9,944,000 and RMB8,710,000 for the years ended December 31, 2023, 2024 and 2025, respectively. The Group also had non-cash additions to right-of-use assets and lease liabilities of approximately RMB7,704,000, RMB5,492,000 and RMB1,366,000 for the years ended December 31, 2023, 2024 and 2025, respectively. The future cash outflows relating to leases and the maturity analysis of lease liabilities are disclosed in Note 27.

The Group regularly entered into short-term leases for office premises, staff quarters and office equipment. As at December 31, 2023, 2024 and 2025, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in Note 10.

Impairment testing of non-financial assets

In view of the Group’s operating loss incurred for the year ended December 31, 2023, the management identified that there was an indication of impairment and performed an impairment assessment of the Group’s non-financial assets, including property, plant and equipment (Note 15), intangible assets (Note 16) and prepayments for purchase of property, plant and equipment (Note 21). For the purpose of impairment testing, these non-financial assets have been allocated into one cash-generating unit (“CGU”), representing the Group’s business as described in Note 1.

The recoverable amount of the CGU was determined based on value-in-use calculation, using cash flow projections based on financial budgets of 5 years approved by the directors of the Company. Cash flows beyond the budget period were extrapolated using a terminal growth rate of 3%, which does not exceed the long-term average growth rate for the markets in which the Group operates. The key assumptions used in the value-in-use calculations include a pre-tax discount rate of 14.2% and revenue growth rate of 5% over the budget period.

As at December 31, 2023, the recoverable amount of the CGU exceeded its carrying amount, and therefore no impairment loss has been provided for the Group’s non-financial assets.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Buildings	Leasehold improvements	Motor vehicles	Furniture, fixtures and office equipment	Machinery and production equipment	Other properties leased for own use	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:							
At January 1, 2023	—	4,510	1,228	6,659	87,911	12,578	112,886
Additions	—	359	283	793	28,092	2,705	32,232
Disposal	—	—	—	(14)	(9,294)	—	(9,308)
Termination of leases	—	—	—	—	—	(404)	(404)
At December 31, 2023 and January 1, 2024	—	4,869	1,511	7,438	106,709	14,879	135,406
Additions	—	23	—	132	21,874	3,602	25,631
Disposal	—	—	—	(33)	(3,096)	—	(3,129)
Termination of leases	—	—	—	—	—	(730)	(730)
At December 31, 2024 and January 1, 2025	—	4,892	1,511	7,537	125,487	17,751	157,178
Additions	67,686	—	—	70	24,605	218	92,579
At December 31, 2025	<u>67,686</u>	<u>4,892</u>	<u>1,511</u>	<u>7,607</u>	<u>150,092</u>	<u>17,969</u>	<u>249,757</u>
Accumulated depreciation:							
At January 1, 2023	—	338	536	4,539	29,809	3,615	38,837
Charge for the year	—	1,286	267	1,353	26,823	3,892	33,621
Disposal	—	—	—	(14)	(4,958)	—	(4,972)
Termination of leases	—	—	—	—	—	(352)	(352)
At December 31, 2023 and January 1, 2024	—	1,624	803	5,878	51,674	7,155	67,134
Charge for the year	—	1,391	280	710	24,501	3,967	30,849
Disposal	—	—	—	(27)	(2,216)	—	(2,243)
Termination of leases	—	—	—	—	—	(401)	(401)
At December 31, 2024 and January 1, 2025	—	3,015	1,083	6,561	73,959	10,721	95,339
Charge for the year	268	1,037	263	423	26,736	4,036	32,763
At December 31, 2025	<u>268</u>	<u>4,052</u>	<u>1,346</u>	<u>6,984</u>	<u>100,695</u>	<u>14,757</u>	<u>128,102</u>
Net carrying amount:							
At December 31, 2023	—	3,245	708	1,560	55,035	7,724	68,272
At December 31, 2024	—	1,877	428	976	51,528	7,030	61,839
At December 31, 2025	<u>67,418</u>	<u>840</u>	<u>165</u>	<u>623</u>	<u>49,397</u>	<u>3,212</u>	<u>121,655</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The analysis of the net carrying amount of right-of-use assets by class of underlying assets as at the end of reporting period is as follows:

	As of December 31,		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Other properties leased for own use	7,724	7,030	3,212
	Year ended December 31,		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Additions to right-of-use assets	2,705	3,602	218
Depreciation charge of right-of-use assets by class of underlying assets:			
— Other properties leased for own use	3,892	3,967	4,036

The Company had total cash outflows for leases of approximately RMB5,499,000, RMB5,409,000 and RMB5,291,000 for the years ended December 31, 2023, 2024 and 2025, respectively. The Company also had non-cash additions to right-of-use assets and lease liabilities of approximately RMB2,705,000, RMB3,602,000 and RMB218,000 for the years ended December 31, 2023, 2024 and 2025, respectively. The future cash outflows relating to leases and the maturity analysis of lease liabilities are disclosed in Note 27.

The Company regularly entered into short-term leases for office premises and staff quarters. As at December 31, 2023, 2024 and 2025, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses. The short-term lease expenses are RMB1,165,000, RMB699,000 and RMB583,000 for the years ended December 31, 2023, 2024 and 2025 respectively.

16. INTANGIBLE ASSETS

The Group

	Computer software RMB'000	License rights RMB'000	Patents RMB'000	Total RMB'000
Cost:				
At January 1, 2023	2,397	5,068	600	8,065
Additions	562	—	—	562
At December 31, 2023, January 1, 2024, December 31, 2024 and January 1, 2025	2,959	5,068	600	8,627
Additions	1,958	—	—	1,958
At December 31, 2025	4,917	5,068	600	10,585
Accumulated amortisation:				
At January 1, 2023	765	3,144	105	4,014
Charge for the year	429	870	60	1,359
At December 31, 2023 and January 1, 2024	1,194	4,014	165	5,373
Charge for the year	522	869	60	1,451
At December 31, 2024 and January 1, 2025	1,716	4,883	225	6,824
Charge for the year	791	185	60	1,036
At December 31, 2025	2,507	5,068	285	7,860
Net carrying value:				
At December 31, 2023	1,765	1,054	435	3,254
At December 31, 2024	1,243	185	375	1,803
At December 31, 2025	2,410	—	315	2,725

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Computer software <i>RMB'000</i>	License rights <i>RMB'000</i>	Patents <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:				
At January 1, 2023	2,175	3,691	600	6,466
Additions	562	—	—	562
At December 31, 2023, January 1, 2024, December 31, 2024 and January 1, 2025	2,737	3,691	600	7,028
Additions	1,862	—	—	1,862
At December 31, 2025	4,599	3,691	600	8,890
Accumulated amortisation:				
At January 1, 2023	710	2,030	105	2,845
Charge for the year	384	738	60	1,182
At December 31, 2023 and January 1, 2024	1,094	2,768	165	4,027
Charge for the year	478	738	60	1,276
At December 31, 2024 and January 1, 2025	1,572	3,506	225	5,303
Charge for the year	743	185	60	988
At December 31, 2025	2,315	3,691	285	6,291
Net carrying value:				
At December 31, 2023	1,643	923	435	3,001
At December 31, 2024	1,165	185	375	1,725
At December 31, 2025	2,284	—	315	2,599

17. DEFERRED TAX

Deferred tax recognised and movements during the Track Record Period are as follows:

The Group

	Impairment of trade and other receivables <i>RMB'000</i>	Impairment of inventories <i>RMB'000</i>	Unused tax losses <i>RMB'000</i>	Fair value change on financial assets at FVTPL <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2023	285	1,955	1,169	(15,077)	1,841	(9,827)
Credited/(charged) to profit or loss	41	5,032	8,861	(604)	(166)	13,164
At December 31, 2023 and January 1, 2024	326	6,987	10,030	(15,681)	1,675	3,337
Credited/(charged) to profit or loss	406	(702)	(1,631)	1,464	226	(237)
At December 31, 2024 and January 1, 2025	732	6,285	8,399	(14,217)	1,901	3,100
Credited/(charged) to profit or loss	272	664	(6,973)	(8,278)	(291)	(14,606)
At December 31, 2025	1,004	6,949	1,426	(22,495)	1,610	(11,506)

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the analysis of the Group’s deferred tax balances and the resulting net deferred tax position for financial reporting purposes:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deferred tax assets	21,221	18,337	11,472
Deferred tax liabilities	(17,884)	(15,237)	(22,978)
	<u>3,337</u>	<u>3,100</u>	<u>(11,506)</u>

Deferred tax assets are recognised for deductible temporary differences to the extent that the realisation of the related tax benefits through future taxable profits is probable.

As of December 31, 2023, 2024 and 2025, the Group did not recognise deferred tax assets in respect of cumulative tax losses of approximately RMB13,452,000, RMB16,861,000 and RMB15,171,000 respectively as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions.

The tax losses arising from operations in Mainland China can be carried forward to offset against taxable profits of subsequent years for up to 5 years for general enterprise and 10 years for high-technology enterprise, from the year in which they arose. The majority of tax losses in overseas can be carried forward indefinitely.

The Company

	Impairment of trade and other receivables	Impairment of inventories	Unused tax losses	Fair value change on financial assets at FVTPL	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	120	1,955	857	(15,077)	252	(11,893)
Credited/(charged) to profit or loss	<u>41</u>	<u>5,437</u>	<u>8,593</u>	<u>(604)</u>	<u>(73)</u>	<u>13,394</u>
At December 31, 2023 and January 1, 2024	161	7,392	9,450	(15,681)	179	1,501
Credited/(charged) to profit or loss	<u>61</u>	<u>(851)</u>	<u>(5,342)</u>	<u>1,464</u>	<u>213</u>	<u>(4,455)</u>
At December 31, 2024 and January 1, 2025	222	6,541	4,108	(14,217)	392	(2,954)
Credited/(charged) to profit or loss	<u>239</u>	<u>637</u>	<u>(4,108)</u>	<u>(8,067)</u>	<u>(184)</u>	<u>(11,483)</u>
At December 31, 2025	<u>461</u>	<u>7,178</u>	<u>—</u>	<u>(22,284)</u>	<u>208</u>	<u>(14,437)</u>

The following is the analysis of the Company’s deferred tax balances and the resulting net deferred tax position for financial reporting purposes:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deferred tax assets	17,953	11,966	8,301
Deferred tax liabilities	<u>(16,452)</u>	<u>(14,920)</u>	<u>(22,738)</u>
	<u>1,501</u>	<u>(2,954)</u>	<u>(14,437)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

18. FINANCIAL ASSETS AT FVTPL

The Group

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current assets:			
Unlisted equity investment	5,000	5,000	5,000
Current assets:			
Listed equity investments	255,975	241,338	321,113
Structured deposits	171,038	648,490	745,303
	427,013	889,828	1,066,416
	432,013	894,828	1,071,416

Unlisted equity investment

The above equity investment represents 2.22% equity interest in an unlisted entity in the PRC. The movements during the Track Record Period of the unlisted equity investment at level 3 fair value measurement are set out below:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	—	5,000	5,000
Additions	5,000	—	—
At the end of the year	5,000	5,000	5,000

The unlisted equity investment was valued by an independent qualified professional valuer as of December 31, 2023, 2024 and 2025. As of December 31, 2023, 2024 and 2025, the unlisted equity investment was classified as Level 3 recurring fair value measurement. There was no transfer between different levels of the fair value hierarchy for the years ended December 31, 2023, 2024 and 2025. There has been no change in the valuation technique used during the Track Record Period.

Information about fair value measurement using significant unobservable inputs is set below:

	Valuation approach	Significant unobservable inputs	Range of estimates		
			As of December 31,		
			2023	2024	2025
Unlisted equity investments	Income approach	Discount rate	7.97%	6.15%	11.76%

As at December 31, 2023, 2024 and 2025, it is estimated that a general increase/(decrease) in discount rate of 0.5%, with all other variables held constant, would have (deceased)/increased the Group’s profit after tax and retained earnings by approximately RMB213,000, RMB181,000 and RMB141,000, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

Structured deposits

The Group entered into contracts in respect of structured deposits issued by financial institutions with guaranteed principal and varying return rate ranged from 0.52% to 3.30% per annum, depending on the performance of the underlying assets during the Track Record Period. Information about valuation technique and key inputs is set below:

	<u>Fair value hierarchy</u>	<u>Valuation technique and key inputs</u>
Structured deposits	Level 2	Redemption value quoted by banks with reference to the expected return of the underlying assets

The Company

	<u>As of December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Current assets			
Listed equity investments	255,975	241,338	321,113
Structured deposits	—	500,071	210,901
	<u>255,975</u>	<u>741,409</u>	<u>532,014</u>

The Company entered into contracts in respect of structured deposits issued by financial institutions with guaranteed principal and varying return rate ranged from 0.52% to 3.30% per annum, depending on the performance of the underlying assets during the Track Record Period. Information about valuation technique and key inputs is set below:

	<u>Fair value hierarchy</u>	<u>Valuation technique and key inputs</u>
Structured deposits	Level 2	Redemption value quoted by banks with reference to the expected return of the underlying assets

19. INVENTORIES

The Group

	<u>As of December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Raw materials	9,044	2,425	2,423
Outsourced processing materials	381,970	288,183	231,926
Work-in-progress	1,082	5,552	15,538
Finished goods	77,127	75,613	89,351
Goods in transit	—	4,307	3,117
	<u>469,223</u>	<u>376,080</u>	<u>342,355</u>

The Company

	<u>As of December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Raw materials	6,866	988	253
Outsourced processing materials	391,024	298,196	240,729
Work-in-progress	12	5,567	15,465
Finished goods	78,337	76,782	91,469
Goods in transit	—	4,433	3,205
	<u>476,239</u>	<u>385,966</u>	<u>351,121</u>

APPENDIX I

ACCOUNTANTS’ REPORT

20. TRADE AND BILLS RECEIVABLES

The Group

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	157,709	159,812	229,627
Bills receivables measured at amortised cost	28,717	36,540	23,500
Bills receivables measured at FVOCI	24,074	29,225	5,313
	210,500	225,577	258,440
Less: impairment loss allowance	(7,565)	(6,182)	(6,003)
	202,935	219,395	252,437

An aging analysis of trade and bills receivables at amortised cost, net of impairment losses, as of the end of reporting period, based on the invoice dates, is as follows:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
0–3 months	174,417	180,034	235,203
4–6 months	1,732	4,554	4,368
7–12 months	2,712	5,582	7,553
	178,861	190,170	247,124

The Group recognised impairment loss based on the accounting policy stated in Note 4.10(b). Customers are generally due ranged from 0 to 90 days from the date of billing.

Information about fair value measurement of bills receivables measured at FVOCI of the Group using significant unobservable input is set below:

	Valuation approach	Significant unobservable inputs	Sensitivity of the input to fair value
Bills receivables	Income approach	Estimated cash flow Discount rate	The estimated fair value would increase/(decrease) when the expected cash flows were higher/(lower) or the discount rates were lower/(higher)

As at December 31, 2023, 2024 and 2025, it is estimated that a general increase/(decrease) in discount rate of 1%, with all other variables held constant, would have (decreased)/increased the Group’s other comprehensive income by approximately RMB48,000, RMB61,000 and RMB11,000, respectively.

Further details on the Group’s credit policy and credit risk analysis arising from trade and bills receivables are set out in Note 40(b).

As at December 31, 2023, 2024 and 2025, the Group endorsed certain bills receivables accepted by the banks in the PRC (the “**Endorsed Bills**”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB102,775,000, RMB71,194,000 and RMB107,502,000 respectively. The Endorsed Bills had a maturity of one to twelve months at the end of each reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the derecognised bills have a right to recourse against the Group if the banks default (the “**Continuing Involvement**”). In the opinion of the directors of the Company, the risk of the Group being claimed by the holders of the Endorsed Bills in the absence of a default of the accepted banks is remote to the extent of RMB81,026,000, RMB45,587,000 and RMB86,423,000 as at December 31, 2023, 2024 and 2025, respectively, and the Group has transferred substantially all risks and rewards relating to such Endorsed Bills. Accordingly, it has derecognised the carrying amounts of the Endorsed Bills of RMB81,026,000, RMB45,587,000 and RMB86,423,000 (the “**Derecognised Bills**”) and the associated trade payables of the same amount. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant. No gain or loss was recognised on the date of transfer of the Derecognised Bills, nor any gain or loss from the Continuing Involvement, both during the year or cumulatively.

Regarding the remaining balance of the Endorsed Bills of RMB21,749,000, RMB25,607,000 and RMB21,079,000 as at December 31, 2023, 2024 and 2025, respectively, in the opinion of the directors of the Company, the Group has retained the substantial risks and rewards, which include default risks, and accordingly, it continued to recognise the carrying amounts of these Endorsed Bills and associated trade payables settled. These financial assets are measured at FVOCI in the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	54,742	39,519	162,983
Bills receivables measured at amortised cost	28,738	136,395	223,499
Bills receivables measured at FVOCI	24,074	28,068	5,313
	107,554	203,982	391,795
Less: impairment loss allowance	(1,606)	(2,221)	(2,372)
	105,948	201,761	389,423

An aging analysis of trade and bills receivables at amortised cost, net of impairment losses, as of the end of reporting period, based on the invoice dates, is as follows:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
0–3 months	78,443	164,076	372,428
4–6 months	1,027	4,045	4,358
7–12 months	2,404	5,572	7,324
	81,874	173,693	384,110

The Company recognised impairment loss based on the accounting policy stated in Note 4.10(b). Trade receivables are generally due ranged from 0 to 90 days from the date of billing.

Information about fair value measurement of bills receivables measured at FVOCI of the Company using significant unobservable input is set below:

	Valuation approach	Significant unobservable inputs	Sensitivity of the input to fair value
Bills receivables	Income approach	Estimated cash flow Discount rate	The estimated fair value would increase/(decrease) when the expected cash flows were higher/(lower) or the discount rates were lower/(higher)

As at December 31, 2023, 2024 and 2025, it is estimated that a general increase/(decrease) in discount rate of 1%, with all other variables held constant, would have (decreased)/increased the Company’s other comprehensive income by approximately RMB48,000, RMB61,000 and RMB11,000, respectively.

Further details on the Company’s credit policy and credit risk analysis arising from trade and bills receivables are set out in Note 40(b).

As at December 31, 2023, 2024 and 2025, the Company endorsed certain bills receivables accepted by the banks in the PRC (the “**Endorsed Bills**”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB21,742,000, RMB125,738,000 and RMB69,254,000 respectively. The Endorsed Bills had a maturity of one to twelve months at the end of each reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the derecognised bills have a right to recourse against the Company if the banks default (the “**Continuing Involvement**”). In the opinion of the directors of the Company, the risk of the Company being claimed by the holders of the Endorsed Bills in the absence of a default of the accepted banks is remote to the extent of RMB nil, RMB nil and RMB49,853,000 as at December 31, 2023, 2024 and 2025, respectively, and the Company has transferred substantially all risks and rewards relating to such Endorsed Bills. Accordingly, it has derecognised the carrying amounts of the Endorsed Bills of RMB nil, RMB nil and RMB49,853,000 (the “**Derecognised Bills**”) and the associated trade payables of the same amount. The maximum exposure to loss from the Company’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Company’s Continuing Involvement in the Derecognised Bills are not significant. No gain or loss was recognised on the date of transfer of the Derecognised Bills, nor any gain or loss from the Continuing Involvement, both during the year or cumulatively.

Regarding the remaining balance of the Endorsed Bills of RMB21,742,000, RMB125,738,000 and RMB19,401,000 as at December 31, 2023, 2024 and 2025, respectively, in the opinion of the directors of the Company, the Company has retained the substantial risks and rewards, which include default risks, and accordingly, it continued to recognise the carrying amounts of these Endorsed Bills and associated trade payables settled. These financial assets are measured at FVOCI in the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current portion:			
Deposits and other receivables	3,752	3,354	3,033
Prepayments to suppliers	14,254	10,549	10,943
Prepaid [REDACTED] expenses and deferred issue costs	—	—	[REDACTED]
VAT recoverable	79,270	54,309	55,084
Other prepaid taxes	2,569	1,127	1,245
	99,845	69,339	81,505
Less: impairment loss allowance	(3,290)	(3,017)	(2,674)
	<u>96,555</u>	<u>66,322</u>	<u>78,831</u>
Non-current portion:			
Prepayments for purchase of property, plant and equipment	1,226	2,149	3,187
Prepayments to suppliers	979	—	—
	<u>2,205</u>	<u>2,149</u>	<u>3,187</u>

The Company

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current portion:			
Deposits and other receivables	2,490	2,489	2,295
Prepayments to suppliers	6,301	2,155	2,613
Prepaid [REDACTED] expenses and deferred issue costs	—	—	[REDACTED]
VAT recoverable	79,093	54,272	54,463
	87,884	58,916	70,571
Less: impairment loss allowance	(2,256)	(2,360)	(2,241)
	<u>85,628</u>	<u>56,556</u>	<u>68,330</u>
Non-current portion:			
Prepayments for purchase of property, plant and equipment	2,205	2,149	2,460

22. FINANCIAL ASSETS MEASURED AT AMORTISED COST

The Group

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fixed income product	<u>91,283</u>	<u>—</u>	<u>—</u>

The fixed income product represents a non-transferrable and non-cancellable fixed income investment issued by a financial institution with a principal amount of RMB90,000,000 carried at a fixed interest rate of 3.4% per annum.

APPENDIX I

ACCOUNTANTS’ REPORT

23. CASH AND CASH EQUIVALENTS/TIME DEPOSITS/RESTRICTED BANK BALANCES

The Group

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Time deposits with original maturity over three months	696,653	1,308,780	1,284,126
Restricted bank balances	—	77	33,196
Cash and cash equivalents	917,255	215,805	318,710
	<u>1,613,908</u>	<u>1,524,662</u>	<u>1,636,032</u>

The Group’s cash and cash equivalents comprise cash on hand and short-term bank deposits carrying interests at prevailing market interest rate ranged from 0.1% to 3.3% per annum. Time deposits with original maturity over three months carry interests at fixed rate ranged from 1.4% to 3.5% per annum. The directors of the Company consider that the carrying value of the deposits at the end of reporting period approximates to their fair values.

As at December 31, 2023, 2024 and 2025, most of the Group’s cash at banks and on hands, restricted bank balances and time deposits with original maturity over three months are denominated in RMB and placed in the PRC, amounted to RMB1,600,705,000, RMB1,502,667,000, RMB1,573,911,000, respectively. RMB is not a freely convertible currency. Under the PRC’s Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

As at December 31, 2024 and 2025, certain restricted bank deposits with balances of RMB77,000 and RMB1,452,000 carry interest at a fixed rate of 0.05% per annum for performance guarantee used in a construction project. As at December 31, 2025, certain restricted bank deposits with balances of RMB30,000,000 carry interest at a fixed rate of 0.05% per annum for structured deposits restricted to be withdrawn under the subscription period and the remaining balances of RMB3,196,000 carry interest at a fixed rate of 0.05% per annum for deposits of discounted bills restricted to be withdrawn.

The Company

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Time deposits with original maturity over three months	540,638	982,715	1,220,247
Restricted bank balances	—	26	33,196
Cash and cash equivalents	840,828	66,683	85,543
	<u>1,381,466</u>	<u>1,049,424</u>	<u>1,338,986</u>

The Company’s cash and cash equivalents comprise cash on hand and short-term bank deposits carrying interests at prevailing market interest rate ranged from 0.1% to 3.3% per annum. Time deposits with original maturity over three months carry interests at fixed rate ranged from 1.8% to 3.5% per annum. The directors of the Company consider that the carrying value of the deposits at the end of reporting period approximates to their fair values.

As at December 31, 2023, 2024 and 2025, all of the Company’s cash at banks and on hands, restricted bank balances and time deposits with original maturity over three months are denominated in RMB and placed in the PRC. RMB is not a freely convertible currency. Under the PRC’s Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

As at December 31, 2024 and 2025, certain restricted bank deposits with balances of RMB26,000 carry interest at a fixed rate of 0.05% per annum for retention deposit used in a construction project. As at December 31, 2025, certain restricted bank deposits with balances of RMB30,000,000 carry interest at a fixed rate of 0.05% per annum for structured deposits restricted to be withdrawn under the subscription period and the remaining balances of RMB3,196,000 carry interest at a fixed rate of 0.05% per annum for deposits of discounted bills restricted to be withdrawn.

24. TRADE PAYABLES

The Group

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	<u>104,885</u>	<u>122,659</u>	<u>180,812</u>

APPENDIX I

ACCOUNTANTS’ REPORT

A credit period of up to 90 days, if applicable, from the date of billing is generally granted by the Group’s trade suppliers. Based on the receipt of services and goods, which normally coincided with the invoice dates, the aging analysis of the Group’s trade payables as at the end of reporting period is as follows:

	As of December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within one year	104,728	120,847	180,802
After one year but within two years	157	1,812	10
	<u>104,885</u>	<u>122,659</u>	<u>180,812</u>

The Group’s trade payables are short-term in nature and hence, the carrying amount of trade payables are considered to approximate to their fair value.

The Company

	As of December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade payables	<u>68,238</u>	<u>70,561</u>	<u>104,699</u>

A credit period of up to 90 days, if applicable, from the date of billing is generally granted by the Company’s trade suppliers. Based on the receipt of services and goods, which normally coincided with the invoice dates, the aging analysis of the Company’s trade payables as at the end of reporting period is as follows:

	As of December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within one year	68,184	70,551	104,689
After one year but within two years	54	10	10
	<u>68,238</u>	<u>70,561</u>	<u>104,699</u>

The Company’s trade payables are short-term in nature and hence, the carrying amount of trade payables are considered to approximate to their fair value.

25. OTHER PAYABLES AND ACCRUALS

The Group

	As of December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Deposits received	2,871	8,950	28,283
Accrued salaries	25,660	36,434	41,101
Other accrued expenses	1,514	1,275	1,456
Other tax payables	<u>6,769</u>	<u>8,821</u>	<u>12,622</u>
	<u>36,814</u>	<u>55,480</u>	<u>83,462</u>

As of December 31, 2023, 2024 and 2025, all other payables and accruals were non-interest bearing, unsecured and repayable on demand.

The Company

	As of December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Deposits received	2,600	2,600	5,200
Accrued salaries	12,063	17,170	18,596
Other accrued expenses	456	355	298
Other tax payables	<u>15,641</u>	<u>18,713</u>	<u>5,733</u>
	<u>30,760</u>	<u>38,838</u>	<u>29,827</u>

As of December 31, 2023, 2024 and 2025, all other payables and accruals were non-interest bearing, unsecured and repayable on demand.

APPENDIX I

ACCOUNTANTS’ REPORT

26. CONTRACT LIABILITIES

The Group

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract liabilities arising from			
Sales of goods	3,266	7,644	5,637

The contract liabilities represented the advance consideration received from customers for sales of integrated circuits and electronic products chips. The addition of contract liabilities was mainly due to the increase of cash payments made upfront by the Group’s customers under sales contracts. The Group receives payment from customers based on billing schedule as established in contracts.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	1,908	2,381	7,065

The Company

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract liabilities arising from			
Sales of goods	92,173	112,926	2,316

The contract liabilities represented the advance consideration received from customers for sales of integrated circuits and electronic products chips. The addition of contract liabilities was mainly due to the increase of cash payments made upfront by the Company’s customers under sales contracts. The Company receives payment from customers based on billing schedule as established in contracts.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	30,468	92,167	112,750

27. LEASE LIABILITIES

The Group and the Company lease properties to operate its business. These leases are typically made for fixed terms from 2 years to 7 years. Lease terms are negotiated on an individual basis and contain different payments and conditions. These lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purpose.

The Group and the Company also lease properties with term of less than one year. These leases are short-term and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Present value of future lease payments of the leases is analysed as follows:

The Group

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current liabilities	7,865	6,919	3,103
Non-current liabilities	8,141	5,146	868
	16,006	12,065	3,971

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities	4,866	4,422	2,788
Non-current liabilities	4,256	3,513	868
	<u>9,122</u>	<u>7,935</u>	<u>3,656</u>

Movement of the lease liabilities is analysed as follows:

The Group

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	18,579	16,006	12,065
Additions of new leases	7,704	5,492	1,366
Termination of leases	(813)	(1,367)	(2,565)
Interest expenses	672	512	277
Capital element of lease payments	(9,464)	(8,066)	(6,895)
Interest element of lease payments	(672)	(512)	(277)
At the end of the year	<u>16,006</u>	<u>12,065</u>	<u>3,971</u>

The Company

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	10,735	9,122	7,935
Additions of new leases	2,705	3,602	218
Termination of leases	(352)	(401)	—
Interest expenses	368	322	211
Capital element of lease payments	(3,966)	(4,388)	(4,497)
Interest element of lease payments	(368)	(322)	(211)
At the end of the year	<u>9,122</u>	<u>7,935</u>	<u>3,656</u>

The future lease payments of the Group’s and the Company’s leases (excluding short-term leases) were scheduled to repay as follows:

The Group

	Minimum lease payments	Future interest expenses	Present value
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of December 31, 2023			
— Within 1 year	8,138	(273)	7,865
— More than 1 year but less than 2 years	5,099	(193)	4,906
— More than 2 years but less than 5 years	3,353	(118)	3,235
	<u>16,590</u>	<u>(584)</u>	<u>16,006</u>
As of December 31, 2024			
— Within 1 year	7,236	(317)	6,919
— More than 1 year but less than 2 years	3,922	(105)	3,817
— More than 2 years but less than 5 years	1,360	(31)	1,329
	<u>12,518</u>	<u>(453)</u>	<u>12,065</u>
As of December 31, 2025			
— Within 1 year	3,175	(72)	3,103
— More than 1 year but less than 2 years	577	(23)	554
— More than 2 years but less than 5 years	317	(3)	314
	<u>4,069</u>	<u>(98)</u>	<u>3,971</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Minimum lease payments <i>RMB'000</i>	Future interest expenses <i>RMB'000</i>	Present value <i>RMB'000</i>
As of December 31, 2023			
— Within 1 year	5,117	(251)	4,866
— More than 1 year but less than 2 years	3,046	(84)	2,962
— More than 2 years but less than 5 years	1,363	(69)	1,294
	<u>9,526</u>	<u>(404)</u>	<u>9,122</u>
As of December 31, 2024			
— Within 1 year	4,636	(214)	4,422
— More than 1 year but less than 2 years	3,290	(67)	3,223
— More than 2 years but less than 5 years	317	(27)	290
	<u>8,243</u>	<u>(308)</u>	<u>7,935</u>
As of December 31, 2025			
— Within 1 year	2,859	(71)	2,788
— More than 1 year but less than 2 years	577	(23)	554
— More than 2 years but less than 5 years	317	(3)	314
	<u>3,753</u>	<u>(97)</u>	<u>3,656</u>

28. BANK BORROWINGS

The Group and the Company

	As of December 31,		
	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
Discounted bills with recourse:			
— Within 1 year	—	99,396	199,823

As at December 31, 2024 and 2025, discounted bills with recourse include the proceeds received from the discounting of bills issued by the group entity of approximately RMB99,396,000 and RMB199,823,000 respectively to a bank. The discounted bills carried at fixed interest rate of 1.5% and 1.33% per annum at December 31, 2024 and 2025.

29. DEFERRED INCOME

The Group and the Company

	As of December 31,		
	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
Government grants	374	3,013	2,964

Government grants are related to assets which were obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets in relation to research and development projects.

The movements during the Track Record Period of the deferred income are set out below:

	Year ended December 31,		
	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
At the beginning of the year	743	374	3,013
Grants received during the year/period	—	3,000	1,133
Amounts released to profit or loss during the year	(369)	(361)	(1,182)
At the end of the year	<u>374</u>	<u>3,013</u>	<u>2,964</u>

APPENDIX I

ACCOUNTANTS’ REPORT

30. SHARE CAPITAL/SHARE PREMIUM/TREASURY SHARES

(a) Share capital and share premium

The Group and the Company

			<u>Number of shares</u>
<i>Registered:</i>			
Ordinary shares of RMB1.00 each			
At January 1, 2023, December 31, 2023, January 1, 2024, December 31, 2024, January 1, 2025 and December 31, 2025			<u>400,365,000</u>
	<u>Number of shares</u>	<u>Share capital RMB'000</u>	<u>Share premium RMB'000</u>
<i>Issued and fully paid:</i>			
At January 1, 2023, December 31, 2023, January 1, 2024, December 31, 2024, January 1, 2025 and December 31, 2025	<u>400,365,000</u>	<u>400,365</u>	<u>1,780,782</u>

(b) Treasury shares

The Group and the Company

	<u>Number of shares in issue</u>	<u>Treasury shares RMB'000</u>
<i>Issued:</i>		
At January 1, 2023	—	—
A shares repurchased (<i>Note</i>)	<u>620,000</u>	<u>14,892</u>
At December 31, 2023 and January 1, 2024	620,000	14,892
A shares repurchased (<i>Note</i>)	<u>886,639</u>	<u>15,557</u>
At December 31, 2024, January 1, 2025 and December 31, 2025	<u>1,506,639</u>	<u>30,449</u>

Note: On August 10, 2023, the Company passed the directors’ resolution to repurchase not less than RMB30,000,000 but not more than RMB60,000,000, with a repurchase price not more than RMB30.86 per A share. The repurchase period was valid for 12 months after the directors of the Company approved the resolution with renewal clause. For the year ended December 31, 2023, the Company repurchased 620,000 A shares, with a repurchase price between RMB22.70 and RMB24.77 per A shares. For the year ended December 31, 2024, the Company repurchased 886,639 A shares, with a repurchase price between RMB16.35 and RMB21.16 per A share.

31. INVESTMENTS IN SUBSIDIARIES

The Company

	<u>As of December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Unlisted investment, at cost	<u>136,498</u>	<u>136,498</u>	<u>136,498</u>

The particulars of the directly and indirectly held subsidiaries of the Company are set out in Note 1.

32. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

As of December 31, 2023, 2024 and 2025, the balances are unsecured, interest-free and repayable on demand.

33. RESERVES

The Group and the Company

The Group’s and the Company’s reserves and the movements therein for the years ended December 31, 2023, 2024 and 2025 are presented in the consolidated statements of changes in equity and the summary to the Company’s reserve below, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

Summary to the Company’s reserve is as follows:

	<u>Treasury shares</u> <i>RMB’000</i>	<u>Share premium</u> <i>RMB’000</i> <i>(Notes 30(a) and 33(a))</i>	<u>Capital reserve</u> <i>RMB’000</i> <i>(Note 33(b))</i>	<u>Statutory reserve</u> <i>RMB’000</i> <i>(Note 33(d))</i>	<u>Retained earnings</u> <i>RMB’000</i> <i>(Note 33(e))</i>	<u>Total reserve</u> <i>RMB’000</i>
Balance at January 1, 2023	—	1,780,782	82,351	70,140	608,179	2,541,452
Loss and total comprehensive expense for the year	—	—	—	—	(50,811)	(50,811)
Repurchase of shares <i>(Note 30(b))</i>	(14,892)	—	—	—	—	(14,892)
Dividend declared <i>(Note 12)</i>	—	—	—	—	(180,164)	(180,164)
Balance at December 31, 2023	<u>(14,892)</u>	<u>1,780,782</u>	<u>82,351</u>	<u>70,140</u>	<u>377,204</u>	<u>2,295,585</u>
	<u>Treasury shares</u> <i>RMB’000</i>	<u>Share premium</u> <i>RMB’000</i> <i>(Notes 30(a) and 33(a))</i>	<u>Capital reserve</u> <i>RMB’000</i> <i>(Note 33(b))</i>	<u>Statutory reserve</u> <i>RMB’000</i> <i>(Note 33(d))</i>	<u>Retained earnings</u> <i>RMB’000</i> <i>(Note 33(e))</i>	<u>Total reserve</u> <i>RMB’000</i>
Balance at January 1, 2024	(14,892)	1,780,782	82,351	70,140	377,204	2,295,585
Profit and total comprehensive income for the year	—	—	—	—	101,863	101,863
Repurchase of shares <i>(Note 30(b))</i>	(15,557)	—	—	—	—	(15,557)
Dividend declared <i>(Note 12)</i>	—	—	—	—	(99,899)	(99,899)
Transfer to statutory reserve	—	—	—	10,187	(10,187)	—
Balance at December 31, 2024	<u>(30,449)</u>	<u>1,780,782</u>	<u>82,351</u>	<u>80,327</u>	<u>368,981</u>	<u>2,281,992</u>
	<u>Treasury shares</u> <i>RMB’000</i>	<u>Share premium</u> <i>RMB’000</i> <i>(Notes 30(a) and 33(a))</i>	<u>Capital reserve</u> <i>RMB’000</i> <i>(Note 33(b))</i>	<u>Statutory reserve</u> <i>RMB’000</i> <i>(Note 33(d))</i>	<u>Retained earnings</u> <i>RMB’000</i> <i>(Note 33(e))</i>	<u>Total reserve</u> <i>RMB’000</i>
Balance at January 1, 2025	(30,449)	1,780,782	82,351	80,327	368,981	2,281,992
Profit and total comprehensive income for the year	—	—	—	—	218,175	218,175
Dividend declared <i>(Note 12)</i>	—	—	—	—	(99,715)	(99,715)
Transfer to statutory reserve	—	—	—	21,817	(21,817)	—
Balance at December 31, 2025	<u>(30,449)</u>	<u>1,780,782</u>	<u>82,351</u>	<u>102,144</u>	<u>465,624</u>	<u>2,400,452</u>

(a) Share premium

Share premium represents the excess of issuing price over the nominal values of ordinary shares.

(b) Capital reserve

The capital reserve represents the capital contributions from the shareholders of the Company.

(c) Translation reserve

The translation reserve represents the exchange differences arising from the translation of the financial statements of group entities whose the functional currencies are not RMB.

(d) Statutory reserve

In accordance with the PRC Company Law and the articles of association of the Company and the subsidiaries established in the PRC, PRC group entities are required to appropriate 10% of their net profits after tax to the statutory reserve until the reserve balance reaches 50% of their respective registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the group entities, the statutory reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the group entities. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(e) Retained earnings

Cumulative net gains and losses recognised in profit or loss in the previous financial years.

APPENDIX I

ACCOUNTANTS’ REPORT

34. NOTES SUPPORTING TO CONSOLIDATED STATEMENTS OF CASH FLOWS

The table below shows the details changes in the Group’s liabilities arising from financing activities. Liabilities arising from financing activities are those for which each cash flows were, or future cash flows will be, classified in the Group’s consolidated statements of cash flows from financing activities.

	Dividend payable <i>RMB'000</i> <i>(Note 12)</i>	Bank borrowings <i>RMB'000</i> <i>(Note 28)</i>	Lease liabilities <i>RMB'000</i> <i>(Note 27)</i>	Total <i>RMB'000</i>
At January 1, 2023	—	—	18,579	18,579
Changes from financing cash flows:				
Repayments of principal portion of lease liabilities	—	—	(9,464)	(9,464)
Repayments of interest portion of lease liabilities	—	—	(672)	(672)
Dividend paid	(180,164)	—	—	(180,164)
Total changes from financing cash flows	(180,164)	—	(10,136)	(190,300)
Other changes:				
Interest expenses (<i>Note 9</i>)	—	—	672	672
Additions of new leases	—	—	7,704	7,704
Termination of leases	—	—	(813)	(813)
Dividend declared	180,164	—	—	180,164
Total other changes	180,164	—	7,563	187,727
At December 31, 2023	—	—	16,006	16,006
	Dividend payable <i>RMB'000</i> <i>(Note 12)</i>	Bank borrowings <i>RMB'000</i> <i>(Note 28)</i>	Lease liabilities <i>RMB'000</i> <i>(Note 27)</i>	Total <i>RMB'000</i>
At January 1, 2024	—	—	16,006	16,006
Changes from financing cash flows:				
Proceeds from bank borrowings	—	99,250	—	99,250
Repayments of principal portion of lease liabilities	—	—	(8,066)	(8,066)
Repayments of interest portion of lease liabilities	—	—	(512)	(512)
Dividend paid	(99,899)	—	—	(99,899)
Total changes from financing cash flows	(99,899)	99,250	(8,578)	(9,227)
Other changes:				
Other changes: Interest expenses (<i>Note 9</i>)	—	146	512	658
Additions of new leases	—	—	5,492	5,492
Termination of leases	—	—	(1,367)	(1,367)
Dividend declared	99,899	—	—	99,899
Total other changes	99,899	146	4,637	104,682
At December 31, 2024	—	99,396	12,065	111,461

APPENDIX I

ACCOUNTANTS’ REPORT

	Dividend payable <i>RMB'000</i> (Note 12)	Bank borrowings <i>RMB'000</i> (Note 28)	Lease liabilities <i>RMB'000</i> (Note 27)	Total <i>RMB'000</i>
At January 1, 2025	—	99,396	12,065	111,461
Changes from financing cash flows:				
Proceeds from bank borrowings	—	198,675	—	198,675
Repayments of bank borrowings	—	(99,250)	—	(99,250)
Interest paid	—	(780)	—	(780)
Repayments of principal portion of lease liabilities	—	—	(6,895)	(6,895)
Repayments of interest portion of lease liabilities	—	—	(277)	(277)
Dividend paid	(99,715)	—	—	(99,715)
Total changes from financing cash flows	(99,715)	98,645	(7,172)	(8,242)
Other changes:				
Interest expenses (Note 9)	—	1,782	277	2,059
Additions of new leases	—	—	1,366	1,366
Termination of leases	—	—	(2,565)	(2,565)
Dividend declared	99,715	—	—	99,715
Total other changes	99,715	1,782	(922)	100,575
At December 31, 2025	—	199,823	3,971	203,794

35. CAPITAL COMMITMENTS

The Group

As of December 31, 2023, 2024 and 2025, the Group had outstanding capital commitments as follows:

	As of December 31,		
	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
Contracted, but not provided for:			
— Property, plant and equipment	6,279	5,001	13,804
— Intangible assets	—	776	—
	<u>6,279</u>	<u>5,777</u>	<u>13,804</u>

The Company

As of December 31, 2023, 2024 and 2025, the Company had outstanding capital commitments as follows:

	As of December 31,		
	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
Contracted, but not provided for:			
— Property, plant and equipment	484	1,300	5,629
— Intangible assets	—	776	—
	<u>484</u>	<u>2,076</u>	<u>5,629</u>

36. SHARE-BASED PAYMENTS

Employee Share-Based Payment Plan

On 18 May 2023, the Company’s shareholders approved an employee share-based payment plan (the “SBP Plan”) with the intention to grant up to 6,000,000 restricted shares to employees of the Group. The SBP Plan was designed to incentivise performance and align the interests of employees with those of the Group. Accordingly, a total number of 4,800,000 restricted shares was granted to the employees of the Group during the year ended December 31, 2023 while the remaining was lapsed due to the employees of which were not determined before deadline.

The vesting of the restricted shares under the SBP Plan was conditional upon the achievement of specific non-market performance conditions, namely the attainment of both annual revenue and gross profit targets for the financial years 2023, 2024, and 2025. The vesting schedule provided for three tranches, with each tranche subject to annual revenue and gross profit targets, and vesting would only occur if both targets for the relevant financial year were met in full.

APPENDIX I

ACCOUNTANTS’ REPORT

Management assessed the probability of meeting these performance conditions at each reporting date. Based on best estimate of the financial results available, it was determined that it was not probable that the vesting conditions would be satisfied at any point during the Track Record Period.

As a result, no restricted shares were expected to be vested and no share-based payment expense was recognised in respect of the SBP Plan during the Track Record Period. In accordance with the requirements of IFRS 2, where non-market performance conditions are not expected to be satisfied, the fair value of the restricted shares is multiplied by zero, resulting in no expense recognised in the Historical Financial Information.

As at 31 December 2023, 2024 and 2025, a total number of 4,800,000, 3,318,210 and 2,008,210 of restricted shares remained outstanding and unvested under the SBP Plan respectively, and no dilution or impact on the Company’s equity has arisen from this scheme. Other considerations such as the grant date fair value of the restricted shares are not relevant for the purposes of expense recognition under these circumstances.

On 18 March 2026, the directors of the Company resolved to forfeit the remaining 2,008,210 unvested restricted shares, as the applicable performance targets for the year ended December 31, 2025 were not met. Accordingly, these restricted shares have lapsed and will not vest.

37. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

- (a) Save as disclosed elsewhere in the Historical Financial Information, the directors of the Company are of the view that the following company was a related party that had transactions or balances with the Group:

Name of related party	Relationship with the Group
Shanghai V-Test Semiconductor Tech. Co., Ltd.* (“Shanghai V-Test”) (上海偉測半導體科技股份有限公司)	Common director of the Company
Chongqing Zhongke Xinyida Electronics Co., Ltd.* (“Chongqing Zhongke”) (重慶中科芯億達電子有限公司)	Company in which director of the Company has significant influence

* The English name of these companies represent the best effort made by the management of the Company to directly translate the Chinese name as it does not register any official English name.

(b) Transactions with related parties

The Group entered into the following related party transactions with related companies during the Track Record Period:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Chongqing Zhongke:			
Sales of goods	793	—	—
Purchase of goods	(229)	—	—
Shanghai V-Test:			
Packaging and testing service expenses	(1,219)	(1,994)	(3,011)

The terms of the related party transactions carried out during the Track Record Period were mutually agreed by the Group and the related company.

(c) Balance with related parties

	As of December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade payables:			
Shanghai V-Test Semiconductor Tech. Co., Ltd.	546	307	672

All of the above balances with related parties are trade in nature.

APPENDIX I

ACCOUNTANTS’ REPORT

(d) Compensation of key management personnel of the Group

The compensation of key management personnel of the Group during the Track Record Period represented the directors’ emoluments as disclosed in Note 14(a).

38. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings, respectively.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share repurchase as well as the issue of new debts or redemption of existing debt, if necessary.

Management regards total equity as capital. The amount of capital as of December 31, 2023, 2024 and 2025 amounted to approximately RMB2,971,639,000, RMB2,993,370,000 and RMB3,177,390,000, respectively.

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The Group

The following table shows the carrying amounts of financial assets and financial liabilities of the Group:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets:			
<i>Financial assets at FVOCI:</i>			
Trade and bills receivables	24,074	29,225	5,313
<i>Financial assets at FVTPL:</i>			
Financial assets at FVTPL	432,013	894,828	1,071,416
<i>Financial assets at amortised cost:</i>			
Trade and bills receivables	178,861	190,170	247,124
Deposits and other receivables	462	337	359
Fixed income product	91,283	—	—
Time deposits	696,653	1,308,780	1,284,126
Restricted bank balances	—	77	33,196
Cash and cash equivalents	917,255	215,805	318,710
	<u>1,884,514</u>	<u>1,715,169</u>	<u>1,883,515</u>
Financial liabilities:			
<i>Financial liabilities at amortised cost:</i>			
Trade payables	104,885	122,659	180,812
Other payables and accruals	30,045	46,659	70,840
Lease liabilities	16,006	12,065	3,971
Bank borrowings	—	99,396	199,823
	<u>150,936</u>	<u>280,779</u>	<u>455,446</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

The following table shows the carrying amounts of financial assets and financial liabilities of the Company:

	As of December 31,		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Financial assets			
<i>Financial assets at FVOCI:</i>			
Trade and bills receivables	24,074	28,068	5,313
<i>Financial assets at FVTPL:</i>			
Financial assets at FVTPL	255,975	741,409	532,014
<i>Financial assets at amortised cost:</i>			
Trade and bills receivables	81,874	173,693	384,110
Deposits and other receivables	234	129	54
Amounts due from subsidiaries	434,385	437,803	299,320
Time deposits	540,638	982,715	1,220,247
Restricted bank balances	—	26	33,196
Cash and cash equivalents	840,828	66,683	85,543
	<u>1,897,959</u>	<u>1,661,049</u>	<u>2,022,470</u>
Financial liabilities			
<i>Financial liabilities at amortised cost:</i>			
Trade payables	68,238	70,561	104,699
Amounts due to subsidiaries	54,795	59,807	85,113
Other payables and accruals	15,119	20,125	24,094
Lease liabilities	9,122	7,935	3,656
Bank borrowings	—	99,396	199,823
	<u>147,274</u>	<u>257,824</u>	<u>417,385</u>

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group and the Company’s financial instruments in the normal course of the Group and the Company’s business are interest rate risk, credit risk, liquidity risk, equity price risk and foreign currency risk. These risks are limited by the Group and the Company’s financial management policies and practices described below. Generally, the Group and the Company introduces conservative strategies on its risk management. The Group and the Company has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(a) Interest rate risk

The Group and the Company’s interest-bearing financial instruments at variable interest rates as of December 31, 2023, 2024 and 2025 are cash at banks, restricted bank deposits and structured deposits, and the cash flow interest rate risk arising from the changes of market interest rates on those balances with short maturity periods is not considered significant. The Group and the Company’s interest-bearing financial instruments at fixed interest rates as of December 31, 2023, 2024 and 2025 are time deposits, fixed income product and bank borrowings and the changes of market interest rates on those balances do not expose the Group and the Company to fair value interest rate risk. The directors of the Company consider that the Group and the Company’s exposure to interest rate risk is not significant and no sensitivity analysis of interest rate risk is presented.

(b) Credit risk

The Group and the Company’s credit risk is primarily attributable to its trade and bills receivables, deposits and other receivables, cash at banks and time deposits. Management has a credit policy in place and those exposure of credit risk is monitored on an ongoing basis.

In respect of the risk, individual credit evaluations are performed on all customers. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers and, where appropriate, credit enhancement procedure is implemented. Trade receivables are due ranged from 0 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group and the Company’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country where the customers operate also has an influence on credit risk but to a lesser extent. 19.4%, 16.3%, 9.4% and 36.3%, 32.8%, 32.2% of the Group’s trade receivables was due from the Group’s largest customer and the five largest customers respectively as of December 31, 2023, 2024 and 2025,

APPENDIX I

ACCOUNTANTS’ REPORT

respectively. 10.1%, 13.6%, 65.3% and 42.5%, 46.4%, 86.4% of the Company’s trade receivables was due from the Company’s largest customer and the five largest customers respectively as of December 31, 2023, 2024 and 2025, respectively.

The Group

(i) Trade and bills receivables

The Group measures loss allowances for trade and bills receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group’s historical credit loss experience does not indicate significantly different loss patterns for different customer bases, the loss allowance based on past due status is not further distinguished between the Group’s different customer bases.

The following table provides information about the Group’s exposure to credit risk and ECLs for trade and bills receivables as at the end of reporting period:

	Less than 1 year	Over 1 year	Total
At December 31, 2023			
Expected loss rate (%)	2.0%	100%	
Gross carrying amount (RMB’000)	182,450	3,976	186,426
Loss allowance (RMB’000)	3,589	3,976	7,565
At December 31, 2024			
Expected loss rate (%)	2.2%	100%	
Gross carrying amount (RMB’000)	194,469	1,883	196,352
Loss allowance (RMB’000)	4,299	1,883	6,182
At December 31, 2025			
Expected loss rate (%)	2.3%	100%	
Gross carrying amount (RMB’000)	252,960	167	253,127
Loss allowance (RMB’000)	5,836	167	6,003

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the Track Record Period over which the historic data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables.

Movements in impairment loss allowance of trade and bills receivables are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the year	10,558	7,565	6,182
(Reversal)/provision of loss allowance	(2,993)	1,791	550
Write off	—	(3,174)	(729)
At the end of the year	7,565	6,182	6,003

Bills receivables were bank acceptance bills and commercial acceptance bills. For bank acceptance bills, the issuers are reputable banks with high credit ratings and strong credit quality. Based on the Group’s credit risk assessment, the credit risk associated with these bank acceptance bills is considered as insignificant. Consequently, no loss allowance has been recognised for bank acceptance bills at the end of each reporting period. For commercial acceptance bills, the Group estimates the expected credit loss allowance using the rate based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group monitors the credit risk of commercial acceptance bills by assessing the creditworthiness of the issuers and considering macroeconomic factors.

(ii) Deposits and other receivables

In respect of deposits and other receivables, the Group has applied the general approach prescribed by IFRS 9, by measuring loss allowance at an amount equal to 12-month ECLs for deposits and other receivables. To measure the ECLs, deposits and other receivables have been grouped based on shared credit risk characteristics, ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

APPENDIX I

ACCOUNTANTS’ REPORT

As at the end of reporting period, all deposits and other receivables are measured at an amount equal to 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. The following table provides information about the Group’s exposure to credit risk and ECLs for deposits and other receivables:

	As of December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Gross carrying amount:			
— Deposits and other receivables	3,752	3,354	3,033
Loss allowance:			
— Deposits and other receivables	3,290	3,017	2,674

Movements in impairment loss allowance of deposits and other receivables are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the year	2,189	3,290	3,017
Provision/(reversal) of loss allowance	1,125	(273)	(343)
Written off	(24)	—	—
At the end of the year	3,290	3,017	2,674

(iii) *Cash at banks, time deposits and fixed income product*

In respect of the Group’s cash and cash equivalents and time deposits, the directors of the Company consider the probability of default is low on these balances since the counterparties are financial institutions with high credit ratings or with good reputation.

The Group has assessed that during the Track Record Periods, fixed income product has not been a significant increase in credit risk since origination, and therefore the loss allowance is measured at an amount equal to 12-month ECLs. The Group do not expect any losses from non-performance by the counterparties of fixed income product and no loss allowance was recognised.

The Company

(i) *Trade and bills receivables*

The Company measures loss allowances for trade and bills receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Company’s historical credit loss experience does not indicate significantly different loss patterns for different customer bases, the loss allowance based on past due status is not further distinguished between the Company’s different customer bases.

The following table provides information about the Company’s exposure to credit risk and ECLs for trade and bills receivables as at the end of reporting period:

	Less than 1 year	Over 1 year	Total
At December 31, 2023			
Expected loss rate (%)	1.9%	100%	
Gross carrying amount (RMB’000)	83,420	60	83,480
Loss allowance (RMB’000)	1,546	60	1,606
At December 31, 2024			
Expected loss rate (%)	1.1%	100%	
Gross carrying amount (RMB’000)	175,601	313	175,914
Loss allowance (RMB’000)	1,908	313	2,221
At December 31, 2025			
Expected loss rate (%)	0.6%	N/A	
Gross carrying amount (RMB’000)	386,482	—	386,482
Loss allowance (RMB’000)	2,372	—	2,372

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the Track Record Period over which the historic data has been collected, current conditions and the Company’s view of economic conditions over the expected lives of the receivables.

APPENDIX I

ACCOUNTANTS’ REPORT

Movements in the loss allowance for impairment of trade and bills receivables are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	1,204	1,606	2,221
Provision of loss allowance	402	654	169
Write off	—	(39)	(18)
At the end of the year	1,606	2,221	2,372

Bills receivables were bank acceptance bills and commercial acceptance bills. For bank acceptance bills, the issuers are reputable banks with high credit ratings and strong credit quality. Based on the Company’s credit risk assessment, the credit risk associated with these bank acceptance bills is considered as insignificant. Consequently, no loss allowance has been recognised for bank acceptance bills at the end of each reporting period. For commercial acceptance bills, the Company estimates the expected credit loss allowance using the rate based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company monitors the credit risk of commercial acceptance bills by assessing the creditworthiness of the issuers and considering macroeconomic factors.

(ii) Deposits and other receivables

In respect of deposits and other receivables, the Company has applied the general approach prescribed by IFRS 9, by measuring loss allowance at an amount equal to 12-month ECLs for deposits and other receivables. To measure the ECLs, deposits and other receivables have been grouped based on shared credit risk characteristics, ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

As at the end of reporting period, all deposits and other receivables are measured at an amount equal to 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. The following table provides information about the Company’s exposure to credit risk and ECLs for deposits and other receivables:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Gross carrying amount:			
— Deposits and other receivables	2,490	2,489	2,295
Loss allowance:			
— Deposits and other receivables	2,256	2,360	2,241

Movements in the loss allowance account for impairment of deposits and other receivables are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	996	2,256	2,360
Provision/(reversal) of loss allowance	1,260	104	(119)
At the end of the year	2,256	2,360	2,241

(iii) Cash at banks and time deposits

In respect of the Company’s cash and cash equivalents and time deposits, the directors of the Company consider the probability of default is low on these balances since the counterparties are financial institutions with high credit ratings or with good reputation.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group and the Company’s short, medium and long-term funding and liquidity management requirements. The Group and the Company manages liquidity risk by maintaining adequate reserves.

The following tables detail the Group and the Company’s remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amounts are derived from current interest rate at the end of reporting period.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group

	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 3 years <i>RMB'000</i>	More than 3 years <i>RMB'000</i>
As of December 31, 2023					
Trade payables	104,885	104,885	104,885	—	—
Other payables and accruals	30,045	30,045	30,045	—	—
Lease liabilities	16,006	16,590	8,138	7,841	611
	<u>150,936</u>	<u>151,520</u>	<u>143,068</u>	<u>7,841</u>	<u>611</u>
	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 3 years <i>RMB'000</i>	More than 3 years <i>RMB'000</i>
As of December 31, 2024					
Trade payables	122,659	122,659	122,659	—	—
Other payables and accruals	46,659	46,659	46,659	—	—
Lease liabilities	12,065	12,518	7,236	4,965	317
Bank borrowings	99,396	100,000	100,000	—	—
	<u>280,779</u>	<u>281,836</u>	<u>276,554</u>	<u>4,965</u>	<u>317</u>
	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 3 years <i>RMB'000</i>	More than 3 years <i>RMB'000</i>
As of December 31, 2025					
Trade payables	180,812	180,812	180,812	—	—
Other payables and accruals	70,840	70,840	70,840	—	—
Lease liabilities	3,971	4,069	3,175	894	—
Bank borrowings	199,823	200,000	200,000	—	—
	<u>455,446</u>	<u>455,721</u>	<u>454,827</u>	<u>894</u>	<u>—</u>

The Company

	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 3 years <i>RMB'000</i>	More than 3 years <i>RMB'000</i>
As of December 31, 2023					
Trade payables	68,238	68,238	68,238	—	—
Amounts due to subsidiaries	54,795	54,795	54,795	—	—
Other payables and accruals	15,119	15,119	15,119	—	—
Lease liabilities	9,122	9,526	5,117	3,584	825
	<u>147,274</u>	<u>147,678</u>	<u>143,269</u>	<u>3,584</u>	<u>825</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 3 years <i>RMB'000</i>	More than 3 years <i>RMB'000</i>
As of December 31, 2024					
Trade payables	70,561	70,561	70,561	—	—
Amounts due to subsidiaries	59,807	59,807	59,807	—	—
Other payables and accruals	20,125	20,125	20,125	—	—
Lease liabilities	7,935	8,243	4,636	3,290	317
Bank borrowings	99,396	100,000	100,000	—	—
	<u>257,824</u>	<u>258,736</u>	<u>255,129</u>	<u>3,290</u>	<u>317</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of December 31, 2025					
Trade payables	104,699	104,699	104,699	—	—
Amounts due to subsidiaries	85,113	85,113	85,113	—	—
Other payables and accruals	24,094	24,094	24,094	—	—
Lease liabilities	3,656	3,753	2,859	894	—
Bank borrowings	199,823	200,000	200,000	—	—
	<u>417,385</u>	<u>417,659</u>	<u>416,765</u>	<u>894</u>	<u>—</u>

(d) Equity price risk

The following table illustrates the sensitivity of the carrying amounts of financial assets at FVTPL during the Track Record Period subject to changes of market quoted prices of the listed equity investments while all other variable held constant. A positive number below indicates an increase in profits for the year. For a decrease in profits for the year, the balance below would be negative.

The Group

	As of December 31,		
	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
10% higher in the fair value of the investment	25,598	24,134	32,111
10% lower in the fair value of the investment	<u>(25,598)</u>	<u>(24,134)</u>	<u>(32,111)</u>

The Company

	As of December 31,		
	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
10% higher in the fair value of the investment	25,598	24,134	32,111
10% lower in the fair value of the investment	<u>(25,598)</u>	<u>(24,134)</u>	<u>(32,111)</u>

(e) Foreign currency risk

Currency risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk to the Group and the Company is minimal as most of the Group and the Company’s transactions are carried out in functional currency of the respective entities.

41. FAIR VALUE MEASUREMENT

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

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

APPENDIX I

ACCOUNTANTS’ REPORT

The level in the fair value hierarchy within which the financial assets and liabilities is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement. The financial assets and liabilities measured at fair value are grouped into the fair value hierarchy as follows:

The Group

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of December 31, 2023				
Financial assets at FVTPL	255,975	171,038	5,000	432,013
Financial assets measured at FVOCI:				
— Bills receivables	—	—	24,074	24,074
As of December 31, 2024				
Financial assets at FVTPL	241,338	648,490	5,000	894,828
Financial assets measured at FVOCI:				
— Bills receivables	—	—	29,225	29,225
As of December 31, 2025				
Financial assets at FVTPL	321,113	745,303	5,000	1,071,416
Financial assets measured at FVOCI:				
— Bills receivables	—	—	5,313	5,313

The disclosure of the Level 3 fair value measurements of unlisted equity investment and bills receivables are disclosed in Note 18 and Note 20 respectively.

The Company

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of December 31, 2023				
Financial assets at FVTPL	255,975	—	—	255,975
Financial assets measured at FVOCI:				
— Bills receivables	—	—	24,074	24,074
As of December 31, 2024				
Financial assets at FVTPL	241,338	500,071	—	741,409
Financial assets measured at FVOCI:				
— Bills receivables	—	—	28,068	28,068
As of December 31, 2025				
Financial assets at FVTPL	321,113	210,901	—	532,014
Financial assets measured at FVOCI:				
— Bills receivables	—	—	5,313	5,313

The disclosure of the Level 3 fair value measurements of bills receivables are disclosed in Note 20.

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the Track Record Period.

42. EVENTS AFTER THE END OF THE TRACK RECORD PERIOD

The final dividend for the year ended December 31, 2025 of RMB0.3 per ordinary share, in an aggregate amount of approximately RMB119,658,000, was approved by the directors of the Company and to be approved by the shareholders of the Company at the annual general meeting to be held on April 9, 2026.

On 18 March 2026, the directors of the Company resolved to forfeit the remaining 2,008,210 unvested restricted shares, as the applicable performance targets for the year ended December 31, 2025 were not met. Accordingly, these restricted shares have lapsed and will not vest.

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to December 31, 2025.

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APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

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APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

TAXATION OF SECURITY HOLDERS

Income tax and capital gains tax of holders of the H shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of the H shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, and has not taken in to account the expected change or amendment to the relevant laws or policies and does not constitute any opinion or advice. The discussion does not deal with all possible tax consequences relating to an [REDACTED] in the H shares, nor does it take into account the specific circumstances of any particular [REDACTED], some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an [REDACTED] in the H shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change or adjustment and may have retrospective effect.

This discussion does not address any aspects of PRC taxation other than income tax, capital gains tax and profits tax, sales tax, value-added tax, stamp duty and estate duty. Prospective [REDACTED] are urged to consult their financial advisers regarding the PRC and other tax consequences of [REDACTED] and [REDACTED] of the H shares.

TAXATION IN MAINLAND CHINA

Tax on Dividends

Individual Investors

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the “IIT Law”), latest amended by the SCNPC on August 31, 2018 and effective on January 1, 2019, and the Implementation Rules of the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法實施條例》) amended by the State Council on December 18, 2018 and effective on January 1, 2019, dividends paid by PRC companies to individual investors are ordinarily subject to a withholding income tax levied at a flat rate of 20%. Meanwhile, according to Notice on Issues Relating to Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued by the MOF, the SAT and the CSRC on September 7, 2015 and effective on September 8, 2015, for shares of listed companies obtained by individuals via public offerings and market transfer and held for more than one year, the income from dividends and bonuses thereof shall temporarily be exempt from individual income tax. For shares of listed companies obtained by individuals via public offerings and market transfer and held for less than one month (including one month), the income from dividends and bonuses thereof shall be fully included in the individual’s taxable income amount; where the shares are held for a period from one month up to one year (including one year), 50% of the income from dividends and bonuses therefrom shall temporarily be included in the individual’s taxable income amount; the aforesaid income shall be subject to individual income tax based on 20% tax rate on a unified basis.

Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income”), signed by the Mainland of China and the Hong Kong Special Administrative Region on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《國家稅

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》(the “**Fifth Protocol**”), issued by the SAT and effective on December 6, 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) promulgated on March 16, 2007 and amended on December 29, 2018 by the SCNPC, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007, amended on December 6, 2024, and implemented on January 20, 2025, a non-resident enterprise that does not have an establishment or place of business within the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall be subject to a 10% corporate income tax rate on income derived from PRC (including dividends distributed by PRC resident enterprises whose shares are issued and listed in Hong Kong). The aforementioned income tax payable by non-resident enterprises shall be subject to withholding at the source, where the payer shall act as the withholding agent. The tax amount for each payment made or due shall be withheld by the withholding agent from the amount paid or payable. Such tax may be reduced or exempted in accordance with applicable agreements for the avoidance of double taxation.

The Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) promulgated by the SAT and effective on November 6, 2008 further clarifies that a PRC resident enterprise is required to withhold enterprise income tax at a rate of 10% on dividends paid to overseas non-resident enterprise holders of H Shares which are derived out of profit generated since 2008. In addition, the Reply on the Issues Concerning the Levying of the Corporate Income Tax on Dividends Derived by Non-Resident Enterprises from B Shares, Etc. (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394) promulgated by the SAT on July 24, 2009 further stipulates that PRC resident enterprises that issue shares (including A shares, B shares and overseas shares) on domestic and overseas stock exchanges shall, after distributing the dividends of 2008 and subsequent years to the non-resident enterprise shareholders, withhold and pay enterprise income tax at a rate of 10%. Such rates may be further adjusted in accordance with tax treaties or agreements between the PRC and the relevant jurisdictions, if applicable.

According to the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《對所得避免雙重徵稅和防止偷漏稅的安排》), the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol provides that such provisions shall not apply to arrangements or transactions made for one of the main purposes of obtaining such tax benefits.

Tax Treaties

Non-resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC, or residing in Hong Kong or Macao, are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions, including the Hong Kong Special Administrative Region, the Macao Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands,

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

Singapore, the United Kingdom, and the United States. Non-PRC resident enterprises entitled to preferential tax rates under relevant income tax agreements or arrangements are required to apply to the Chinese tax authorities for a refund of withholding tax exceeding the agreed rate, subject to approval by the Chinese tax authorities.

Share Transfer Tax

Individual Investors

According to the IIT Law and its implementation rules, the gains realized from the sale of equity interests in PRC resident enterprises are subject to 20% individual income tax. Under the Circular of the MOF and SAT on Declaring that Individual Income Tax Continues to Be Exempted over Individual Income Tax from Transfer of Shares (Cai Shui Zi [1998] No. 61) (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) promulgated by the MOF and SAT on March 30, 1998 and came into effect on the same day, from January 1, 1997, income of individuals from the transfer of shares of listed companies continue to be exempted from individual income tax.

As of the Latest Practicable Date, the aforementioned provisions did not explicitly stipulate whether personal income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Corporate Investors

In accordance with the EIT Law and its implementation rules, a non-resident enterprise that does not have an establishment or place of business within the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall be subject to a 10% corporate income tax rate on income derived from PRC (including gains derived from the disposal of equity interests in a PRC resident enterprise). Such income tax payable for non-resident enterprises are deducted at source, with the payer acting as the deductor. The tax shall be withheld by the deductor from the amount payable or due at each payment or due date. Such tax may be subject to relief or exemption under applicable tax treaties or arrangements.

Taxation Policy of Shanghai-Hong Kong Stock Connect

According to the Notice on Tax Collection Policies Relating to the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) issued by the MOF, the SAT and the China Securities Regulatory Commission on October 31, 2014 and effective on November 17, 2014, for dividends and bonus obtained by Mainland individual investors investing in H shares listed on the Hong Kong Stock Exchange (the“HKSE”) through Shanghai-Hong Kong Stock Connect, the H-share companies shall apply to the China Securities Depository and Clearing Corporation Limited (the“CSDC”) for provision by CSDC to the H-share companies register of individual investors in Mainland China, and the H-share companies shall withhold and remit individual income tax at the rate of 20%.

Pursuant to the Announcement on Continuing the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mutual Recognition of Funds between Mainland China and Hong Kong (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) promulgated by the MOF, the SAT and the China Securities Regulatory Commission on August 21, 2023 and implemented on the same day, the transfer spread income derived by Mainland individual investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect shall continue to be exempted from individual income tax until December 31, 2027.

According to the Notice on Tax Collection Policies Relating to the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》), the transfer price difference income earned by Mainland enterprises from investing in stocks listed

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect shall be included in their total income and subject to corporate income tax in accordance with the law. Dividends and bonuses derived by Mainland enterprise investors from shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect shall be included in their total income and subject to corporate income tax in accordance with the law. In particular, dividends and bonus income derived by Mainland resident enterprises from H-shares held over 12 consecutive months shall be exempt from corporate income tax in accordance with the law. H-share companies are not required to withhold dividend income tax for its Mainland enterprise investors, and the corporate investors shall make declaration and payment for the tax payable amount voluntarily.

Taxation Policy of Shenzhen-Hong Kong Stock Connect

According to the Notice on Tax Collection Policies Relating to the Pilot Scheme of Stock Connect for Shenzhen and Hong Kong Stock Market Transactions (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) issued by the MOF, the SAT and the China Securities Regulatory Commission on November 5, 2016 and effective on December 5, 2016, for dividends and bonus income obtained by mainland individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-share companies shall apply to CSDC for provision by CSDC to the H-share companies register of individual investors in the Mainland, and individual income tax shall be withheld and remitted by H-share companies at the tax rate of 20%.

Pursuant to the Announcement on Continuing the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mutual Recognition of Funds between Mainland China and Hong Kong (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) promulgated by the MOF, the SAT and the China Securities Regulatory Commission on August 21, 2023 and implemented on the same day, the transfer price difference income earned by mainland individual investors from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect shall continue to be exempted from individual income tax until December 31, 2027.

According to the Notice on Tax Collection Policies Relating to the Pilot Scheme of Stock Connect for Shenzhen and Hong Kong Stock Market Transactions (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), the transfer price difference income earned by mainland enterprises from investing in stocks listed on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to corporate income tax in accordance with the law. Dividends and bonuses derived by mainland enterprise investors from shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect shall be included in the total income amount, and subject to corporate income tax in accordance with the law. In particular, dividends and bonus income derived by mainland resident enterprises for H-shares held for 12 months consecutively shall be exempt from corporate income tax in accordance with the law. H-share companies shall not withhold dividend income tax for mainland enterprise investors, and the tax payable amount shall be declared and paid by corporate investors.

Stamp Duty

According to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》) promulgated by the SCNPC on June 10, 2021 and implemented on July 1, 2022, PRC stamp duty only applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the Latest Practicable Date, no estate duty has been levied in Mainland China.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

MAJOR TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to the EIT Law and its implementation rules, all the domestic enterprises in China (including foreign-invested enterprises) shall be subject to enterprise income tax at the uniform tax rate of 25%.

According to the Administrative Measures for Determination of High and New Tech Enterprises (《高新技術企業認定管理辦法》), which was promulgated by the Ministry of Science and Technology, the MOF and the SAT on April 14, 2008, amended on January 29, 2016 and became effective on January 1, 2016, an enterprise recognized as a high and new technology enterprise may apply for a preferential enterprise income tax rate of 15% pursuant to the relevant requirements of the EIT Law.

According to the Announcement of the MOF and the SAT on the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households (《財政部、國家稅務總局關於小微企業和個體工商戶所得稅優惠政策的公告》), which was promulgated on March 26, 2023, from January 1, 2023 to December 31, 2024, the annual taxable income of a small low-profit enterprise that is not more than 1 million yuan shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%. According to the Announcement of the MOF and the SAT on Further Implementing the Preferential Income Tax Policies for Micro and Small Enterprises (《關於進一步實施小微企業所得稅優惠政策的公告》), which was promulgated by the MOF and the SAT on March 14, 2022, from January 1, 2022 to December 31, 2024, the annual taxable income of a small low-profit enterprise that is not less than 1 million yuan and not more than 3 million yuan shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%. According to the Announcement of the MOF and the SAT on the Relevant Tax and Fee Policies for Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households (《財政部、國家稅務總局關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》), which was promulgated on August 2, 2023, the taxable income of a small low-profit enterprise shall be calculated at the reduced rate of 25%, and the policy of payment of enterprise income tax at the rate of 20% shall continue to be implemented until December 31, 2027.

Value-added Tax

According to the VAT Provisional Regulations (《增值稅暫行條例》) and the VAT Detailed Rules for the Implementation for the Provisional Regulations (《增值稅暫行條例實施細則》), all entities or individuals in the PRC engaging in the sale of goods, the provision of processing, repair and replacement services, sale of services, intangible assets and real estate and importation of goods within the territory of PRC shall pay value-added Tax (the “VAT”) at the rates of 0%, 6%, 11% and 17% for different goods sold and different services provided, unless otherwise specified.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) promulgated on April 4, 2018 and effective on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%. According to Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) jointly promulgated by the MOF, the SAT and the General Administration of Customs on March 20, 2019 and became effective from April 1, 2019, for general VAT payers’ sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

On December 25, 2024, the SCNPC promulgated the VAT Law of the PRC (《中華人民共和國增值稅法》), which will take effect on January 1, 2026 and repeal the VAT Provisional Regulations. According to the VAT Law, the VAT rate for taxpayers selling goods, providing processing, repair and maintenance services, or leasing tangible movable property, as well as for importing goods, is

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

13%. Taxpayers selling transport, postal, basic telecommunications, construction, or property leasing services; selling real property; transferring land use rights; or selling or importing specified goods under the VAT Law shall be subject to a VAT rate of 9%. Taxpayers selling services or intangible assets shall be subject to a VAT rate of 6%. Taxpayers exporting goods shall be subject to a VAT rate of 0%. The levy rate of VAT to which the simple tax computation method applies is 3%.

According to the Notice of the MOF and the SAT on the Weighted Deduction Policy for Value-added Tax on Integrated Circuit Enterprises (《財政部稅務總局關於積體電路企業增值稅加計抵減政策的通知》) (Cai Shui [2023] No. 17) promulgated on April 20, 2023, from January 1, 2023 to December 31, 2027, enterprises engaged in the design, production, closed beta test, equipment and materials of integrated circuits are allowed to deduct extra 15% of the deductible input tax in the current period from the VAT payable.

FOREIGN EXCHANGE ADMINISTRATION IN THE PRC

The lawful currency of the PRC is the Renminbi. The SAFE, authorized by the People’s Bank of China (the “PBOC”), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regulations.

Pursuant to the Foreign Exchange Regulations (《外匯管理條例》), all international payments and transfers are classified into current account items and capital account items. The PRC does not impose restrictions on international payments and transfers under current account items. Foreign exchange income from the current account of PRC enterprises may be retained or sold to financial institutions engaged in the settlement and sale of foreign exchange in accordance with relevant provisions of the State. The retention or sale of foreign exchange receipts under capital accounts to financial institutions engaging in settlement and sale of foreign exchange shall be subject to the approval of foreign exchange administrative authorities, unless otherwise stipulated by the State.

Pursuant to the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, the other restrictions on convertibility of foreign exchange in respect of current account items are abolished while the existing restrictions on foreign exchange transactions in respect of capital account items are retained.

According to relevant laws and regulations of the PRC, PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign-invested enterprise that need to distribute profits to their shareholders in foreign exchange and Chinese enterprise that need to pay fixed dividends in foreign exchange in accordance with the requirements shall pay from its foreign exchange account or pay at the designated foreign exchange bank by a resolution of the board of directors on the distribution of profits.

According to the Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State Council and effective on October 23, 2014, the administrative approval of the SAFE and its branches on matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing has been canceled.

According to the Notice of the SAFE on Issues Relating to Foreign Exchange Control Pertaining to Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE on December 26, 2014, a domestic company shall complete registration formalities for overseas listing with the SAFE’s local branch at its place of registration within 15 working days from completion of issuance for its overseas listing. Funds raised from overseas listing

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

of a domestic company may be repatriated to China or deposited overseas, and the usage of funds shall be consistent with the relevant contents set out in the document document and other disclosure documents.

According to the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改善直接投資外匯管理政策的通知》) issued by the SAFE on February 13, 2015 and effective on June 1, 2015, the SAFE has abolished the foreign exchange registration approval under domestic direct investment and overseas direct investment. Banks will review and carry out foreign exchange registrations under both domestic and overseas direct investment. The SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

According to the Notice of the SAFE on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated by the SAFE on June 9, 2016 and amended on December 4, 2023, domestic institutions may settle their foreign exchange receipts under the capital account (including repatriated funds raised through overseas listing) entitled to discretionary settlement according to relevant policies with banks as actually needed for business operation. Domestic institutions may, at their discretion, settle up to 100% of their foreign exchange receipts under the capital account for the time being. The SAFE may adjust the aforesaid proportion in due time in light of the balance of payment.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This Appendix summarizes certain aspects of PRC laws and regulations which are relevant to our Company’s operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in “Appendix III — Taxation and Foreign Exchange”. This Appendix also contains a summary of laws and regulatory provisions of the PRC Company Law. The principal objective of this summary is to provide potential [REDACTED] with an overview of the principal laws and regulatory provisions applicable to our Company. This summary is not intended to include all the information which is important to the potential [REDACTED]. For a discussion of laws and regulations which are relevant to our Company’s business, see “Regulatory Overview” in this document.

PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) last amended and came into effect on March 11, 2018 (the “**Constitution**”) and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is the signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) which was last amended on March 13, 2023 and came into effect on March 15, 2023 (the “**Legislation Law**”), the NPC and SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. The SCNPC formulates and amends the laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people’s congresses of the provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, ecological civilization development, and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions, provided that they comply with the Constitution, laws, administrative regulations, and local regulations of the province or autonomous region. The standing committees of the people’s congresses of the provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval shall be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of the relevant provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people’s congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people’s governments of the provinces or autonomous regions, a decision should be made to resolve the issue. People’s congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned. Autonomous regulations and separate regulations of

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

autonomous regions shall take effect upon approval by the SCNPC. The autonomous regulations and separate regulations of autonomous prefectures and counties shall not come into force upon approval by the SCNPC of the province, autonomous region or centrally-administered municipalities.

The ministries and commissions of the State Council, PBOC, the Audit Office, and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules and regulations within the permissions of their respective departments based on the laws as well as the administrative regulations, decisions and orders of the State Council. The people’s governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution and the Legislation Law, the power to interpret laws belongs to the SCNPC. According to the Resolution of the SCNPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, issues related to the application of laws and orders in a court trial should be interpreted by the Supreme People’s Court, and issues related to the application of laws and orders in a prosecution process of the procuratorate should be interpreted by the Supreme People’s Procuratorate. If there is a disagreement in principle between the interpretations of the Supreme People’s Court and the Supreme People’s Procuratorate, it shall be reported to the SCNPC for interpretation or decision. Issues related to the application of laws and orders other than in a court trial or in a prosecution process should be interpreted by the State Council and the competent authorities. At the regional level, the power to interpret local laws belongs to the local legislative and administrative authorities that promulgate the relevant laws.

PRC JUDICIAL SYSTEM

According to the Constitution and the Law of Organization of the People’s Court of the PRC (《中華人民共和國人民法院組織法》) amended by the SCNPC on October 26, 2018 and effective on January 1, 2019 and the Law of Organization of the People’s Procuratorate of the PRC (《中華人民共和國人民檢察院組織法》) amended by the SCNPC on October 26, 2018 and effective on January 1, 2019, the people’s courts of the PRC are divided into the Supreme People’s Court, the local people’s courts at all levels and special people’s courts. The local people’s courts at all levels are divided into three levels, namely, the basic people’s courts, the intermediate people’s courts and the higher people’s courts. The basic people’s courts may set up certain people’s tribunals based on the status of the region, population and cases. The Supreme People’s Court shall be the highest judicial organ of the state. The Supreme People’s Court shall supervise the administration of justice by the local people’s courts at all levels and by the special people’s courts. The people’s courts at a higher level shall supervise the judicial work of the people’s courts at lower levels. The People’s Procuratorates of the PRC comprise the Supreme People’s Procuratorate, local People’s Procuratorates at various levels, and specialised People’s Procuratorates such as military procuratorates. The Supreme People’s Procuratorate is the highest procuratorial organ, which directs the work of local people’s procuratorates at all levels and specialised people’s procuratorates, while higher-level people’s procuratorates direct the work of lower-level people’s procuratorates.

The people’s courts employ a two-tier appellate system, i.e., judgments or rulings of the second instance at the people’s courts are final. A party may appeal against the judgment or ruling of the first instance of a local people’s courts. The people’s procuratorate may present a protest to the people’s courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people’s procuratorate within the stipulated period, the judgments or rulings of the people’s courts are final. Judgments or rulings of the second instance of the intermediate people’s courts, the higher people’s courts and the Supreme People’s Court and those of the first instance of the Supreme People’s Court are final. However,

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Where the Supreme People’s Court discovers an error in a written judgment, ruling document or mediation document of a Local People’s Court at any level which has come into legal effect, or where a higher-level People’s Court discovers an error in a written judgment, ruling document or mediation document of a lower-level People’s Court which has come into legal effect, it shall have the right to arraign or order the lower-level People’s Court to re-try the case. Where the president of a People’s Court at any level discovers an error in a written judgment, ruling document or mediation document of this court which has come into legal effect and deemed that there is a need for re-trial, the matter shall be submitted to the Adjudication Committee for discussion and decision.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the “**PRC Civil Procedure Law**”) promulgated by the SCNPC on April 9, 1991, latest amended on September 1, 2023 and took effect on January 1, 2024, prescribes the conditions for instituting a civil action, the jurisdiction of the people’s court, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally under the jurisdiction of the court located in the defendant’s place of domicile. For civil cases, the litigants of a contract may agree in writing on selection of the People’s Court at the location of the Defendant’s domicile, place of performance of contract, place of execution of contract, address of the Plaintiff, location of the subject matter, etc. or a venue which has actual connection with the dispute to be the People’s Court which has jurisdiction, but shall not violate the provisions on grade jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a people’s court. Should a foreign court limit the civil litigation rights of PRC citizens or enterprises, the People’s court of PRC may apply the same limitations to the citizens or enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a people’s court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people’s court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people’s court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If a party to civil proceedings refuses to comply with a judgment or ruling issued by a people’s court or an award issued by an arbitration tribunal in the PRC, the other party may apply to the people’s court for enforcement within two years (and may also apply for postponed enforcement or revocation). The suspension and interruption of the limitation period for enforcement shall be governed by the relevant provisions of law concerning the suspension and interruption of the limitation period for litigation. Where a party fails to perform the judgment within the stipulated period prescribed by the court for granting enforcement approval, the court may, upon application by the other party, enforce the judgment against such party.

Where a party requests for enforcement of an effective judgment or ruling made by a people’s court, but the opposite party or his property is not within the territory of the People’s Republic of China, the party may directly apply to the foreign court with jurisdiction for recognition and enforcement of the judgment or ruling, or the people’s court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or according to the principle of reciprocity, request for recognition and enforcement by the foreign court. Similarly, for an effective judgment or ruling made by a foreign court that requires recognition and enforcement by a people’s court of the PRC, a party may directly apply to an intermediate people’s court of the PRC with jurisdiction for recognition and enforcement of the

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

judgment or ruling, or the foreign court may, in accordance with the provisions of international treaties to which its country and the PRC are signatories or in which its country is a participant or according to the principle of reciprocity, request for recognition and enforcement by the people’s court, unless the people’s court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security or would not be in social and public interest.

THE PRC COMPANY LAW, TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION OF LISTED COMPANIES

A joint stock limited company established in the PRC seeking a listing on The HKSE is mainly subject to the following laws and regulations of the PRC.

The Company Law of the PRC (《中華人民共和國公司法》) (the “**PRC Company Law**”) was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023. The latest revision of the PRC Company Law has taken effect on July 1, 2024.

The Trial Measures and relevant guidelines promulgated by the CSRC on February 17, 2023 and came into effect on March 31, 2023, and were applicable both direct and indirect overseas share subscription and listing of domestic enterprises. The Trial Measures also set out the filing and administration methods and regulatory requirements for the overseas issuance of securities and listing of domestic enterprises.

On March 28, 2025, the CSRC newly promulgated Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the “**Guidelines for Articles of Association**”), which came into effect on the same date. Pursuant to the Trial Measures and its supporting Guidelines for the Application of Regulatory Rules — Overseas Issuance and Listing Category No.1, domestic enterprises that directly issue and list overseas shall formulate articles of association and standardize corporate governance with reference to the Articles of Association Guidelines and other relevant provisions of the CSRC on corporate governance.

Set out below is a summary of the major provisions of the PRC Company Law, the Trial Measures and the Guidelines for Articles of Association which are applicable to our Company.

General Provisions

“A joint stock limited company” means a corporate legal person incorporated in China under the PRC Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they have subscribed for and the liability of a company is limited to the full value of all the property owned by it.

A company must abide by the law, public and commercial ethics when engaging in business activities. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. If it is prescribed by any law that a company shall not become a capital contributor that shall bear the joint and several liability for the debts of the enterprises it invests in, such provisions shall prevail.

Incorporation

A company may be established by promotion or stock floatation. There shall be not less than 1 but not more than 200 promoters, more than half of whom shall have their domiciles within the territory of the PRC. The registered capital of a company shall be the total share capital of the issued shares as registered with the company registration authority. Before the capital for the shares subscribed for by the promoters are paid in full, the company may not offer any share to others.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Where there is any provision on the minimum amount of the registered capital of a joint stock limited company in any law, administrative regulation or decision of the State Council, such provision shall prevail.

Where a company is to be established by means of promotion, promoters shall fully subscribe for the shares that shall be issued at the time of the establishment of the company as provided for in the articles of association. If a company is to be established by means of stock floatation, the promoters shall subscribed for not less than 35% of the total shares that shall be issued at the time of the establishment of the company as provided for in the articles of association; however, where laws and administrative regulations provide otherwise, such provisions shall prevail.

Promoters of a joint stock limited company established by means of stock floatation shall, within 30 days after full payment has been made for the shares to be issued at the time of establishment, hold an establishment meeting of the company. The promoters shall notify each subscriber of the date of the meeting or make a public announcement 15 days before the meeting is held. The establishment meeting may not be held unless the subscribers who hold more than half of the voting rights attend the meeting. Where a joint stock limited company is established by means of promotion, the convening and voting procedures for the establishment meeting shall be prescribed by the articles of association of the company or the agreement of the promoters.

Powers to be exercised at the establishment meeting of a company shall include but not limited to the adoption of articles of association and the election of directors and supervisors. The resolutions made at the establishment meeting about the matters as mentioned in the preceding paragraph shall be adopted by the subscribers present at the meeting who represent more than half of the voting rights. Where the shares to be issued have not been fully subscribed for at the time of the establishment of a company, or the promoters fail to hold an establishment meeting within 30 days after the full payment has been made for the shares to be issued, subscribers may claim against the promoters for refund of the payment for shares plus the interest on the bank deposits for the same term. The promoters and subscribers may not withdraw their share capital after they have made payment for the shares or delivered non-monetary property as capital contributions, except that the shares have not been fully subscribed for within the time limit, the promoters fail to hold the establishment meeting on schedule, or the establishment meeting decides not to establish the company. The board of directors shall, within 30 days after the end of the establishment meeting of a company, authorize a representative to file an application for registration of establishment with the company registration authority. A company is formally established and has the status of a legal person after registration and the business license has been issued by the relevant company registration authority.

Registration and Issue of Shares

According to the PRC Company Law, the promoters may make capital contributions in currency, or in kind, intellectual property, land use right, stock rights, creditor's rights or other non-monetary property that may be assessed in currency and transferred according to law, except the property that may not be used as capital contributions according to any law or administrative regulation. The non-monetary property as capital contributions shall be assessed and verified, which may not be overvalued or undervalued. If there are provisions on the assessment of value in any law or administrative regulation, such provisions shall prevail.

The capital of a joint stock limited shall be divided into shares. All the shares of the company shall alternatively be shares with or without par value in accordance with the articles of association. Where par value shares are adopted, all the shares shall be of equal value. The company may, according to the articles of association, convert all the issued par value shares into no par value shares, or vice versa. Where no par value shares are adopted, more than half of the proceeds from the issuance of the shares shall be included in the registered capital.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

A joint stock limited company shall maintain a register of shareholders and keep it in the company. The register of shareholders shall contain the following items: (i) name and domicile of each shareholder; (ii) class and number of shares subscribed by each shareholder; (iii) serial number of shares if the shares are issued in paper form; and (iv) date for each shareholder to obtain shares.

Shares shall be issued under the principle of fairness and impartiality. The shares of the same class shall rank *pari passu*. Shares of the same class in the same issue shall be issued at the same price and on same conditions. The same price shall be paid for each share subscribed for by a subscriber. The issue price of par value stock may be based on the face value or exceed the face value but shall not be lower than the face value.

According to the Trial Measures, a company that offers and lists securities on overseas markets may raise funds and pay dividends in a foreign currency or the Chinese Yuan (RMB). A domestic company that seeks to offer and list securities in overseas markets for the purpose of implementing equity incentive plans or financing asset acquisitions may offer securities to eligible domestic investors that meet the standards prescribed by the CSRC.

A domestic company that seeks to offer and list securities in overseas markets shall fulfill the filing procedure with the CSRC as per requirement of the Trial Measures, submit relevant materials that contain a filing report and a legal opinion, and provide truthful, accurate and complete information on the shareholders and etc. Where a domestic company seeks to directly offer and list securities in overseas markets, the issuer shall file with the CSRC. Where a domestic company seeks to indirectly offer and list securities in overseas markets, the issuer shall designate a major domestic operating entity, which shall, as the domestic responsible entity, file with the CSRC.

Increase in Share Capital

According to the relevant provisions of the PRC Company Law, where a company issues new shares, the shareholders’ meeting shall make resolutions about the class and amount of the new stocks, the issuing price of the new stocks, the beginning and ending dates for the issuance of the new stocks, and the class and amount of the new stocks to be issued to the original shareholders in accordance with the articles of association. Where a company intends to make [REDACTED] of shares, it shall go through the registration with the securities regulatory authority of the State Council and announce the document. After the share capital is raised by a company making offering of shares, an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law: (1) the company shall prepare a balance sheet and an inventory of property; (2) the reduction of registered capital shall be approved by shareholders at the shareholders’ meeting; (3) the company shall notify its creditors within ten days from the date of the resolution to reduce the registered capital and make an announcement in the newspaper or the National Enterprise Credit Information Publicity System within thirty days; (4) the company’s creditors have the right to demand the company to settle the debts or provide corresponding guarantees within thirty days from the date of receipt of the notice, or within forty-five days from the date of the announcement if the notice has not been received; and (5) the company shall apply to the company registration authority for change of registration.

Where a company reduces its registered capital, it shall reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless it is otherwise prescribed by any law, or is agreed upon by all the shareholders of a limited liability company or is otherwise prescribed by the articles of association of a joint stock limited company.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Share Buy-back

According to the PRC Company Law, no company may purchase its own shares except under any of the following circumstances: (i) where the company’s registered capital is reduced; (ii) where it merges with another company holding its shares; (iii) where its shares are used for employee stock ownership plan or equity incentives; (iv) where any shareholder, who raises objections to the resolution of the shareholders’ meeting on the merger or split-up of the company, requests the company to purchase its shares; (v) where its shares are used for converting the corporate bonds into convertible stocks issued by the company; or (vi) it is necessary for a listed company to maintain its company value and its shareholders’ equity. Where a company purchases its own shares under any of the circumstances as mentioned in items (i) or (ii) of the preceding paragraph, a resolution of the shareholders’ meeting shall be adopted. Where a company purchases its own shares under any of the circumstances as mentioned in items (iii), (v) or (vi) of the preceding paragraph, a resolution shall be adopted at the meeting of the board of directors with the attendance of not less than two thirds of the directors, according to the articles of association or the shareholders’ meeting of the company.

After the company purchases its own shares according to the first paragraph of this Article, the shares purchased shall be written off within ten days as of the purchase date under the circumstance as mentioned in item (i); the shares shall be transferred or written off within six months under the circumstance as mentioned in item (ii) or (iv); and the shares held accumulatively by the company shall not exceed 10% of the total shares issued and be transferred or written off within three years under any of the circumstances as mentioned in item (iii), (v) or (vi).

Transfer of Shares

The shares held by shareholders of a joint stock limited company may be transferred to other shareholders or to persons other than shareholders. Where the articles of association of the company have any restriction on the transfer of shares, the transfer shall be carried out in accordance with the articles of association. According to the PRC Company Law, the share transfer by a shareholder shall be conducted on a lawfully established stock exchange or by any other means as prescribed by the State Council. The stocks shall be transferred by a shareholder in the form of endorsement or by any other means prescribed by the relevant laws or administrative regulations. After the transfer, the company shall record the name and domicile of the transferee in the register of shareholders.

According to the PRC Company Law, the register of shareholders shall not be modified within 20 days before any shareholders’ meeting is held, or within 5 days prior to the benchmark date decided by the company for the distribution of dividends. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the modification of the register of shareholders of a listed company, such provisions shall prevail.

According to the PRC Company Law, the shares issued before a company makes a [REDACTED] of shares shall not be transferred within 1 year as of the day when the stocks of the company are listed and traded on the stock exchange. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the transfer of shares held by the shareholders or actual controllers of a listed company, such provisions shall prevail. The directors, supervisors and senior executives of the company shall declare to the company the shares they hold and the changes thereof. During the term of office as determined when they assume the posts, the shares transferred each year shall not exceed 25% of the total shares they hold of the company. The shares of the company held by them shall not be transferred within 1 year as of the day when the stocks of the company are [REDACTED] and traded on the stock exchange. Any of the aforesaid persons shall not transfer the shares of the company held within six months after he/she leaves office. Any other restrictions on the transfer of company shares held by directors, supervisors or senior executives may be specified in the articles of association. Where the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee may not exercise the pledge right within such restricted period.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Shareholders

According to the PRC Company Law and the Guidelines for Articles of Association, the rights of shareholders include the rights: (i) deriving proceeds from assets of the company, participating in making important decisions and selecting managers of the company according to law; (ii) Where the procedures for convening a meeting of the shareholders’ meeting or of the board of directors or the voting method is contrary to any law, administrative regulation or the articles of association, or the contents of any resolution are contrary to the articles of association, shareholders may, within 60 days as of the day when the resolution is made, request the people’s court to cancel the resolution, except where the procedures for convening a meeting of the shareholders’ meeting or the board of directors or the voting method only has some minor defects, which produces no substantial effect on the resolution; (iii) transferring, donating or pledging shares held by them pursuant to the provisions of laws, administrative regulations and the Articles of Association; (iv) requesting to attend or appoint a proxy to attend a shareholders’ meeting pursuant to the law and exercising the corresponding voting rights; (v) consulting and making copies of the company’s articles of association, register of shareholders, minutes of shareholders’ meetings, resolutions of board meetings and financial accounting reports; supervising the company’s business operations, proposing recommendations or raising queries; (vi) being entitled to dividends and any other form of distribution of benefits based on the number of shares held by them; (vii) participating in the distribution of residual property based on their shareholding upon termination or liquidation of the company; and (viii) any other shareholders’ rights provided for in laws, administrative regulations, other normative documents and the articles of association, any other rights stipulated by laws, administrative regulations, other normative documents or the Articles of Association.

The obligations of shareholders include the obligation to abide by the company’s articles of association, to pay the subscription money according to the number of shares subscribed, to be liable to the company to the extent of shares they have subscribed for., not to abuse their shareholders’ rights to damage the interests of a company or other shareholders; not to abuse the independent legal person status of a company and the limited liability of shareholders to damage the interests of the creditors of a company, and any other shareholder obligation conferred by the articles of association.

Shareholders’ Meetings

The shareholders’ meeting is the authority of the company, which shall exercise its functions and powers according to the PRC Company Law. The shareholders’ meeting may exercise the following functions and powers: (i) electing and replacing directors and supervisors and deciding on their remunerations; (ii) deliberating on and approving the reports of the board of directors; (iii) deliberating on and approving the reports of the board of supervisors; (iv) deliberating on and approving the plans for profit distribution and making up losses of the company; (v) making resolutions on the increase or decrease of the registered capital of the company; (vi) making resolutions on the issuance of corporate bonds; (vii) making resolutions on the merger, split-up, dissolution, liquidation or change of corporate form of the company; (viii) amending the articles of association; and (ix) other functions and powers as prescribed in the articles of association. The shareholders’ meeting may authorize the board of directors to make a resolution on the issuance of corporate bonds.

According to the PRC Company Law and the Guidelines for the Articles of Association, an annual shareholders’ meeting shall be held every year within six months after the end of the last accounting year. If any of the following circumstances occurs, an interim shareholders’ meeting shall be held within two months: (i) where the number of directors is less than two thirds of the number as provided for by law or the articles of association; (ii) where the unrecovered losses of the company reach one third of the total capital stock; (iii) where the shareholders who separately or aggregately

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

hold 10% or more of the company’s shares so request; (iv) where the board of directors deems it necessary; (v) where the board of supervisors so proposes; or (vi) other circumstances as provided for in the articles of association.

The shareholders’ meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. If the chairman is unable or fails to perform his/her duties, the meeting shall be presided over by the deputy chairman. If the deputy chairman is unable or fails to perform his/her duties, the meeting shall be presided over by a director jointly elected by more than half of the directors. If the board of directors is unable or fails to perform the duties of convening the shareholders’ meeting, the board of supervisors shall timely convene and preside over the meeting. If the board of supervisors fails to convene and preside over the meeting, shareholders who separately or aggregately hold 10% or more of the shares of the company for 90 or more consecutive days may convene and preside over the meeting by themselves. If the shareholders who separately or aggregately hold 10% or more of the shares of the company request to convene an interim shareholders’ meeting, the board of directors and the board of supervisors shall, within 10 days after the receipt of such request, decide whether to hold an interim shareholders’ meeting and reply to the shareholders in writing.

According to the PRC Company Law, the time and place of the meeting and the matters to be deliberated shall be notified to each shareholder 20 days before a shareholders’ meeting is held. For an interim shareholders’ meeting, a notice shall be served 15 days in advance. The shareholders who separately or aggregately hold 1% or more of the shares of the company may, 10 days before a shareholders’ meeting is held, submit an interim proposal in writing to the board of directors. The interim proposal shall contain a clear topic for discussion and specific matters for resolution. The board of directors shall, within 2 days after it receives such a proposal, notify other shareholders and submit the interim proposal to the shareholders’ meeting for deliberation, unless the interim proposal is in violation of any law, administrative regulation or the articles of association or fails to fall into the scope of functions of the shareholders’ meeting. The company shall not raise the shareholding proportion of the shareholder who brings forward any interim proposal.

According to the PRC Company Law, a shareholder who attends the shareholders’ meeting has one vote for each share held by it, except the shareholders of classified shares. The company may not have a voting right for the shares it holds. Where a shareholder entrusts an agent to attend the shareholders’ meeting, it shall clarify the matters, power and time limit of the agent. The agent shall present a power of attorney issued by the shareholder to the company and exercise voting rights within the authorized scope.

The shareholders’ meeting may, in electing the directors or supervisors, adopt a cumulative voting system according to the articles of association or the resolutions of the shareholders’ meeting. Under the cumulative voting system, when the shareholders’ meeting elects the directors or supervisors, each shareholder is entitled to one vote per share, multiplied by the number of candidates and uses them all for one candidate for director or supervisor.

According to the Company Law and the Guidelines for Articles of Association, a resolution made at the shareholders’ meeting shall be adopted by more than half of the voting rights held by the shareholders who attend the meeting. A resolution made at the shareholders’ meeting on modifying the articles of association, increasing or reducing the registered capital as well as merger, split-up, dissolution or change of the corporate form shall be adopted by two thirds or more of the voting rights held by the shareholders who attend the meeting.

The Board of Directors

A company shall have a board of directors, unless otherwise stipulated in Article 128 of the PRC Company Law. If the board of directors of a company has three or more members, it may include an employees’ representative of the company, who shall be democratically elected by the employees through the employees’ representative congress, employees’ congress or by other means.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The term of office of directors shall be prescribed in the articles of association, but each term shall not exceed three years. After the term of office of a director expires, he/she may be reelected to serve another term. Where a director is not reelected timely upon expiration of the term of office, or the resignation of any director during his/her term of office results in the number of members of the board of directors being less than the quorum, the original director shall, before a newly elected director takes office, perform his/her duties as a director according to the laws, administrative regulations and the articles of association. Where a director resigns, he/she shall notify the company in written form, and the resignation shall become effective on the day when the company receives the notice. However, under any of the circumstances as mentioned in the preceding paragraph, the director shall continue performing his/her duties.

Under the PRC Company Law, the board of directors shall exercise the following functions and powers: (i) convening the shareholders’ meeting and reporting its work to the shareholders’ meeting; (ii) executing the resolutions of the shareholders’ meeting; (iii) deciding the business plans and investment scheme of the company; (iv) formulating the plans for profit distribution and making up for loss of the company; (v) formulating the plan for increasing or decreasing the registered capital, as well as the plan for issuance of corporate bonds; (vi) formulating the plan for merger, division, dissolution, or change of corporate form of the company; (vii) deciding the establishment of the internal management body of the company; (viii) deciding the appointment or dismissal of the manager of the company and the remuneration thereof, and, according to the nomination of the manager, deciding on hiring or dismissing deputy managers and financial director of the company as well as their remuneration; (ix) formulating the basic management rules of the company; and (x) other functions and powers specified in the articles of association or granted by the shareholders’ meeting. Any restrictions on the functions and powers of the board of directors set out in the articles of association may not be asserted against any bona fide third party.

The board of directors shall convene at least two meetings every year. Each meeting shall be notified to all directors and supervisors 10 days before it is held. The shareholders representing one tenth or more of the voting rights, one third or more of the directors, or the board of supervisors may propose to convene an interim meeting of the board of directors. The chairman of the board of directors shall, within 10 days upon receipt of such a proposal, convene and preside over a meeting of the board of directors. If the board of directors holds an interim meeting, it may separately decide the method and time limit for the notification on convening meetings of the board of directors. No meeting of the board of directors may be held unless more than half of the directors are present. A resolution made by the board of directors shall be adopted by more than half of all the directors. For voting on a resolution of the board of directors, each director shall have one vote. The board of directors shall prepare minutes regarding the decisions on the matters discussed at the meetings, which shall be signed by the directors present.

Where a resolution of the board of directors is in violation of any law, administrative regulation, article of association or resolution of the shareholders’ meeting and causes any serious loss to the company, the directors who participate in adopting such resolution shall be liable for compensation to the company. If a director is proved to have expressed his/her objection to the voting on such resolution and such objection has been recorded in the minutes, he/she may be exempted from liability.

According to the PRC Company Law, under any of the following circumstances, anyone may not act as a director, supervisor or senior executive of a company: (i) having no capacity for civil conduct or having limited capacity for civil conduct; (ii) having been sentenced to any criminal penalty due to an offence of corruption, bribery, encroachment of property, misappropriation of property or disrupting the order of the socialist market economy, or having been deprived of political rights due to a crime, where a five-year period has not elapsed since the expiration of execution period; If he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension of sentence; (iii) serving as a director, factory director or manager of a company or enterprise which has been bankrupt and liquidated and being personally

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

liable for the bankruptcy of such company or enterprise, where a three-year period has not elapsed since the completion of the bankruptcy and liquidation; (iv) acting as the legal representative of a company or enterprise whose business license has been revoked or which was ordered to close down due to any violation of the law and being personally liable, where a three-year period has not elapsed since the date of revocation of business license or the order for closure; or (v) being listed as a dishonest person subject to enforcement by the people’s court due to his/her failure to pay off a relatively large amount of due debts.

Where the election or appointment of any director or supervisor, or employment of any senior executive is in violation of the preceding paragraph, it shall be invalidated. Where any director, supervisor or senior executive, during his/her term of office, is under any of the circumstances set out in the first paragraph of this Article, the company shall remove him/her from office.

According to the PRC Company Law, the board of directors shall have one chairman and may have deputy chairmen. The chairman and deputy chairmen shall be elected by more than half of all the directors. The chairman shall convene and preside over the meetings of the board of directors and check the implementation of the resolutions of the board of directors. The deputy chairman shall assist the chairman in work. If the chairman is unable or fails to perform his/her duties, the deputy chairman shall perform such duties. If the deputy chairman is unable or fails to perform his/her duties, a director jointly elected by more than half of the directors shall perform such duties.

The Board of Supervisors

The company shall establish a board of supervisors, except it is otherwise provided in, paragraph 1 of Article 121 and Article 133 of the PRC Company Law. The board of supervisors shall comprise 3 members or more. The members of the board of supervisors shall include shareholders’ representatives and an appropriate proportion of employees’ representatives of the company, among which the proportion of the employees’ representatives shall not be lower than one third, and the concrete proportion shall be specified in the articles of association. The employees’ representatives who serve as members of the board of supervisors shall be democratically elected by employees through the employees’ representative congress, employees’ congress or by other means. No director or senior executive may concurrently hold the post of supervisor.

The board of supervisors shall exercise the following functions and powers: (i) examining the financial affairs of the company; (ii) supervising the acts of the directors and senior executives in the performance of their duties, and proposing the removal of the directors and senior executives who have violated laws, administrative regulations, the articles of association or the resolutions of the shareholders’ meeting; (iii) requiring the directors and senior executives to correct their acts if such acts damage the interests of the company; (iv) proposing to convene interim shareholders’ meetings, and convening and presiding over the shareholders’ meeting when the board of directors fails to implement the duties to convene and preside over the shareholders’ meeting as prescribed in the PRC Company Law; (v) presenting proposals to the shareholders’ meetings; (vi) initiating lawsuits against the directors and senior executives according to Article 189 of the PRC Company Law; and (vii) other functions and powers provided for in the articles of association.

According to the Relevant Arrangements for the Transitional Period for Implementing the Supporting Systems and Rules for the New Company Law (《關於新〈公司法〉配套制度規則實施相關過渡期安排》) issued by the CSRC on December 27, 2024 and the Guidelines for Articles of Association, listed companies shall, before January 1, 2026, provide in the articles of association for the establishment of an audit committee in the board of directors, and exercise the functions and powers of the board of supervisors as stipulated in the PRC Company Law, and there shall be no supervisory committee nor supervisors.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Managers and Senior Management

According to the relevant provisions of the PRC Company Law, a company may have a manager, who shall be appointed or removed as decided by the board of directors. The manager shall be responsible to the board of directors and exercise his/her functions and powers according to the articles of association or the authorization of the board of directors. The manager shall attend the meetings of the board of directors as a non-voting member.

According to the PRC Company Law, senior management refers to the company manager, deputy company manager, head of finance, secretary to the board of directors of a listed company, and any other persons as specified in the company’s articles of association.

Duties of Directors, Supervisors and Senior Management

According to the PRC Company Law, directors, supervisors and senior executives shall comply with laws, administrative regulations and the articles of association, and shall assume the obligation of loyalty to the company and take measures to avoid the conflict between their own interests and those of the company and may not seek any improper interests by taking advantage of their powers. When performing their duties, they shall, for the best interests of the company, exercise the reasonable care that shall be generally possessed by a manager. No director, supervisor or senior executive may have any of the following acts: (i) embezzling the property or misappropriating the funds of the company; (ii) depositing the funds of the company into an account opened in his/her own name or in the name of any other individual; (iii) giving bribes or accepting any other illegal proceeds by taking advantage of his/her power; (iv) taking commissions from the transactions between the company and any other person into his/her own pocket; (v) unlawfully disclosing the confidential information of the company; or (vi) other acts in violation of the obligation of loyalty to the company. The income derived by directors, supervisors, and senior management personnel in violation of the above provisions shall belong to the company.

Where any director, supervisor or senior executive directly or indirectly concludes a contract or conducts a transaction with his/her company, he/she shall report the matters relating to the conclusion of the contract or transaction to the board of directors or shareholders’ meeting, which shall be subject to the resolution of the board of directors or shareholders’ meeting according to the articles of association.

Where any of the near relatives of the directors, supervisors or senior executives, or any of the enterprises directly or indirectly controlled by the directors, supervisors or senior executives or any of their near relatives, and any of the related parties who has any other related-party relationship with the directors, supervisors or senior executives, concludes a contract or conducts a transaction with the company, the provisions of the preceding paragraph shall apply.

No director, supervisor or senior executive may take advantage of his/her position to seek any business opportunity that belongs to the company for himself/herself or any other person except under any of the following circumstances: (i) where he/she has reported to the board of directors or the shareholders’ meeting and has been approved by a resolution of the board of directors or the shareholders’ meeting according to the articles of association; or (ii) where the company cannot make use of the business opportunity as stipulated by laws, administrative regulations or the articles of association.

Where any director, supervisor or senior executive fails to report to the board of directors or the shareholders’ meeting and obtain an approval by resolution of the board of directors or the shareholders’ meeting according to the articles of association, he/she may not engage in any business that is similar to that of the company where he/she holds office for himself/herself or for any other person.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Where any director, supervisor or senior executive violates any law, administrative regulation or the articles of association during the performance of duties and causes any loss to the company, he/she shall be liable for compensation.

Finance and Accounting

According to the PRC Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each fiscal year, the company shall prepare a financial accounting report which shall be audited by an accounting firm in accordance with the law. The financial accounting report shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial department of the State Council. A company’s financial accounting report shall be made available for inspection by the shareholders at the company not later than twenty days before the annual meeting of shareholders; a joint stock limited company that has publicly issued shares shall announce its financial accounting report.

The premiums received by a company from the issuance of shares at an issue price in excess of the par value of the shares, the amount of share proceeds from the issuance of no-par shares that have not been credited to the registered capital, and other items required by the financial department of the State Council to be included in the capital reserve shall be classified as the capital reserve of the company.

The reserve of a company shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company. Where the reserve of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. Where the statutory reserve is converted to increase registered capital, the amount of such reserve retained shall not be less than 25% of the registered capital of the company prior to the conversion.

No company may keep any accounting books other than the statutory accounting books. No account shall be opened in the name of any individual for the deposit of a company’s funds.

Appointment and Dismissal of Accounting Firms

According to the PRC Company Law, the employment or dismissal of an accounting firm undertaking a company’s auditing business shall be decided by the shareholders’ meeting, the board of directors or the board of supervisors in accordance with the provisions of the company’s articles of association. When a company’s shareholders’ meeting, board of directors or the board of supervisors votes on the dismissal of an accounting firm, the accounting firm shall be allowed to state its own opinions. A company shall provide true and complete accounting documents, accounting books, financial accounting reports and other accounting information to the accounting firm engaged by it, and shall not refuse, conceal or misrepresent them.

The Guidelines for Articles of Association provide that the a listed company’s engagement of an accounting firm shall be decided by the shareholders’ meeting. The board of directors shall not engage any accounting firm before the decision is made by the shareholders’ meeting. The audit fee to the accounting firm shall be decided by the shareholders’ meeting.

Profit Distribution

When a company distributes its after-tax profit for the current year, 10% of the profit shall be accrued and included in the company’s statutory reserve. Such accrual is no longer required when the accumulated amount of the company’s statutory reserve is 50% or more of the company’s registered capital. Where the accumulative amount of the company’s statutory reserve is not enough to make up for the losses of the previous year, the current year’s profits shall first be used to make up for the losses before the statutory reserve is accrued according to the provisions of the preceding provision. After having accrued statutory reserves from the after-tax profits, a company can also set aside

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

discretionary reserve from the after-tax profits upon a resolution made by the shareholders’ meeting. The residual after-tax profits after a joint stock limited company has made up its losses and accrued reserve shall be distributed by the joint stock limited company in proportion to the shares held by its shareholders, except as otherwise provided for in the company’s articles of association.

Where a company distributes profits to shareholders in violation of the provisions of the PRC Company Law, the shareholders shall refund the profits distributed to the company, and the shareholders and the liable directors, supervisors and senior executives shall be held liable for compensation if any loss is caused to the company.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved for the following reasons: (i) the expiration of the business period stipulated in the company’s articles of association or the occurrence of other causes of dissolution stipulated in the company’s articles of association; (ii) dissolution by a resolution of the shareholders’ meeting; (iii) dissolution due to merger or demerger of the company; (iv) suspension of the business license, being ordered to close down or being revoked in accordance with the law; or (v) Where a company meets any serious difficulty in its operation or management, and the interests of its shareholders will be subject to heavy loss if the company survives, which cannot be solved by any other means, the shareholders who hold 10% or more of the voting rights of the company may request the people’s court to dissolve the company. If any of the situations mentioned above arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Where a company falls under the circumstance as mentioned in (i) and (ii) of the preceding paragraph, and it has not distributed the assets to its shareholders yet, it may survive by modifying its articles of association or upon a resolution of the shareholders’ meeting. To modify its articles of association or make a resolution of the shareholders’ meeting according to the provisions of the preceding paragraph, the consent of two thirds or more of the voting rights of the shareholders who attend the meeting of the shareholders’ meeting is required.

Where the company is dissolved pursuant to the circumstances (i), (ii), (iv) or (v) mentioned above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution. The liquidation group shall be composed of the directors, unless it is otherwise provided for in the company’s Articles of Association or it is otherwise elected by the shareholders’ meeting. The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors. Where the liquidation group fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people’s court to designate relevant persons to form a liquidation group. The people’s court shall accept such requests and organize a liquidation group to carry out the liquidation in a timely manner.

The liquidation group may exercise the following functions during the period of liquidation: (i) liquidating the property of the company, preparing a balance sheet and an inventory of property, respectively; (ii) notifying the company’s creditors by mail or public announcement; (iii) handling and liquidating the unfinished business of the company; (iv) paying off the taxes overdue and the taxes incurred in the process of liquidation; (v) liquidation of claims and debts of the company; (vi) distributing the remaining property after all the debts of the company are paid off; and (vii) representing the company in civil litigation activities.

The liquidation group shall notify the company’s creditors within ten days as of its formation and shall make a public announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their proofs of claim with the liquidation group within 30 days as of the receipt of the notice or within 45 days as of the issuance of the public announcement in the case of failing to receive such notice. When filing a proof of claim,

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

the creditor shall describe the relevant matters of claim and provide the relevant evidentiary materials. The liquidation group shall register the proof of claim. During the period for filing proofs of claims, the liquidation group shall not pay off for any of the creditors.

The liquidation group shall, after liquidating the property of the company and preparing a balance sheet and an inventory of property, make a plan of liquidation and report the same to the shareholders’ meeting or the people’s court for confirmation. After paying off the liquidation expenses, wages of employees, social insurance premiums and statutory compensations, the outstanding taxes and the debts of the company with the property of the company, the remaining assets may be distributed in proportion to the shares held by the shareholders. During the period of liquidation, the company survives, but shall not carry out any business operation unrelated to the liquidation. The property of the company shall not be distributed to the shareholders until it has been liquidated in accordance with the preceding paragraph.

Where the liquidation group finds that the property of the company are not sufficient for paying off the debts after liquidating the property of the company and preparing a balance sheet and an inventory of property, it shall file an application to a people’s court for bankruptcy liquidation. After the people’s court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people’s court.

Upon completion of the liquidation of the company, the liquidation group shall produce a liquidation report, report the same to the shareholders’ meeting or the people’s court for confirmation, and submit the same to the company registration authority to apply for deregistration of the company. The members of the liquidation group performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation group who neglects to fulfill his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation group who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation. In addition, any company declared bankrupt according to law shall carry out a bankruptcy liquidation in accordance with the provisions concerning bankruptcy liquidation.

Overseas Listing

According to the Trial Measures, Initial public offerings or listings in overseas markets shall be filed with the CSRC within 3 working days after the relevant application is submitted overseas. Subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within 3 working days after the offering is completed. Subsequent securities offerings and listings of an issuer in other overseas markets than where it has offered and listed shall be filed pursuant to provisions in the first in the first sentence of this paragraph. In addition, Where the filing documents are complete and in compliance with stipulated requirements, the CSRC will, within 20 working days after receiving the filing documents, conclude the filing procedure and publish the filing results on the CSRC website. Where the filing documents are incomplete or do not conform to stipulated requirements, the CSRC shall request supplementation and amendment thereto within 5 working days after receiving the filing documents. The issuer should then complete supplementation and amendment within 30 working days.

Upon the occurrence of any of the material events specified below after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report thereof to CSRC within 3 working days after the occurrence and public disclosure of the event: (i) change of control; (ii) investigations or sanctions imposed by overseas securities regulatory agencies or other relevant competent authorities; (iii) change of listing status or transfer of listing segment; (iv) voluntary or mandatory delisting.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people’s court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people’s court declared that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Suspension and Termination of Listing

The Company Law has removed the provisions on suspension and termination of listing, and the PRC Securities Law amended on December 28, 2019 has also removed the provisions on suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Trial Measures, upon the occurrence of voluntary or mandatory delisting after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report thereof to CSRC within 3 working days after the occurrence of the event.

SECURITIES LAW AND REGULATIONS

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Commission is responsible for coordinating the drafting of securities regulations, formulating securities policies, and planning the development of the securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating the public offering of securities by Chinese companies in the Mainland China or overseas, regulating securities trading, compiling securities-related statistics, and conducting relevant research and analysis. In April 1998, the State Council consolidated the above two departments and reformed the CSRC.

On April 22, 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》), which regulates the application and approval procedures for public offerings, the issuance and trading of shares, the acquisition of listed companies, the deposit, liquidation and transfer of shares, and the information disclosure, investigation, penalties and dispute resolution of listed companies.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning the Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》), which regulates the issuance, subscription, trading, dividend declaration and other distributions of domestic listed foreign shares, as well as disclosure of information of joint stock limited companies with domestic listed foreign shares.

The PRC Securities Law, which was latest amended by the SCNPC on December 28, 2019 and came into effect on March 1, 2020, provides a series of provisions regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies, securities depository and clearing institutions and securities regulatory authorities, and comprehensively regulates activities in the PRC securities market. The PRC Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the PRC or listing and trading its securities outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the regulations and rules promulgated by the State Council and the CSRC.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Under the Arbitration Law of the People’s Republic of China (《中華人民共和國仲裁法》) (the “**PRC Arbitration Law**”), amended by the SCNPC on September 1 2017 and effective on January 1 2018, the PRC Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the PRC Arbitration Law. An arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with relevant regulations under the PRC Arbitration Law and the PRC Civil Procedure Law. Where the disputing parties have reached an arbitration agreement and one party applies to the People’s Court to have the case heard, the People’s Court shall not deal with this, except if the arbitration agreement is invalid.

According to the PRC Arbitration Law and the PRC Civil Procedure Law, arbitration awards shall be final and binding upon all parties. Should one party fail to comply with the arbitration award, the other party may apply to the People’s Court for enforcement. However, A people’s court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration committee or the making of an award on matters beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission).

Where a party involved in a foreign arbitration case applies for the enforcement of an award which has taken legal effect, and if the other party that should implement the award or that party’s property is not in the territory of the People’s Republic of China, the first-mentioned party shall apply directly to a foreign court of law which has jurisdiction of recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the people’s court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

According to the Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People’s Court on January 24, 2000 and effective on February 1, 2000, and the Supplementary Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People’s Court on November 26, 2020 and effective on November 27, 2020, awards made by PRC arbitral authorities can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

JUDICIAL JUDGMENT AND ITS ENFORCEMENT

Under the Supreme People’s Court’s Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People’s Court on July 3, 2008 and effective on August 1, 2008 and was abolished on January 29, 2024, as for an enforceable final judgment made by a court in Mainland China or Hong Kong Special Administrative Region court concerning a civil and commercial case under a written agreement on jurisdiction, in which payment must be made, the party concerned may, under the Arrangement, apply to a people’s court in Mainland China or a Hong Kong Special Administrative Region court for recognition and enforcement. The term “written agreement on jurisdiction” refers to agreements clearly stipulated in written form by parties concerned that a people’s court in Mainland China or Hong Kong Special Administrative Region court has sole jurisdiction as to the effectiveness of the Arrangement, so as to settle disputes relevant to a certain legal relationship that has either arisen or might arise. Therefore, the party concerned

APPENDIX IV

**SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

may apply to the court in Mainland China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in Mainland China or Hong Kong that meet certain conditions of the aforementioned regulations.

On January 25, 2024, the Supreme People’s Court promulgated the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**New Arrangement**”). The new arrangement seeks to establish a mechanism with further clarification on and certainty for recognition and enforcement of judgements in a wider range of civil and commercial matters between Hong Kong Special Administrative Region and the Mainland China and has removed the requirement that mutual recognition and enforcement of judgments require a jurisdiction agreement. At the same time, the Hong Kong Special Administrative Region Government enacted the Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (Cap. 645), which aims to implement the New Arrangement in the Hong Kong Special Administrative Region through local legislative measures, which also came into effect on the same day. With effect from January 29, 2024, the New Arrangement replaced the old arrangement.

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

This appendix sets out summaries of the main provisions of the Articles of Association adopted on September 10, 2025, which shall become effective as at the date on which the Company’s H Shares are [REDACTED] on the Stock Exchange. As the main purpose of this appendix is to provide [REDACTED] with an overview of the Articles of Association, it may not contain all the information that is important for prospective [REDACTED].

GENERAL PROVISIONS

The Company is a joint stock limited company with perpetual existence. The shareholders shall be liable for the Company to the extent of the Shares they subscribed, and the Company shall be liable for its debts to the extent of all of its assets.

From the date upon which the Articles of Association come into effect, the Articles of Association shall constitute a legally binding document governing the organization and conduct of the Company, the rights and obligations between the Company and its shareholders and among the shareholders, and is binding upon the Company, its shareholders, Directors, and senior management personnel. Pursuant to the Articles of Association, shareholders may initiate legal proceedings against other shareholders, Directors, general manager and other senior management personnel of the Company; Shareholders may initiate legal proceedings against the Company, and the Company may also initiate legal proceedings against the shareholders, Directors, general manager and other senior management personnel.

BUSINESS OBJECTIVE AND SCOPE

The business objectives of the Company are to achieve comprehensive mastery of digital and analog circuit design technologies through constantly developing integrated circuit design capabilities, to evolve into a platform-based chip design enterprise centred on MCUs and to deliver chip-based and one-stop integrated solutions for intelligent controllers, empowering customers while achieving own success.

As registered in accordance with laws, the business scope of the Company includes: design, technical development and sales of integrated circuits, computer software products, electronic and related electronic products as well as import and export business (excluding activities prohibited by laws, administrative regulations or decisions of the State Council and any operation involving restricted activities are subject to approval) as general business activities. The business scope referred to in the preceding paragraph shall be such items as audited by the relevant company registration authority. The Company may, based on any changes in domestic and international markets, business development and its own capability, adjust its scope of business and complete relevant formalities for such an adjustment according to relevant laws and regulations.

SHARES

Issuance of Shares

The Shares of the Company shall take the form of share certificates.

The Shares of the Company shall be issued in a transparent, fair and equitable manner, and each Shares of the same class shall carry equal rights. Shares issued at the same time and of the same class shall be issued on the same conditions and at the same price. The same price per Share shall be paid by any Share subscriber.

Increase, Reduction and Repurchase of Shares

The Company may, upon resolution by the shareholders’ meeting, adopt the following methods to increase its capital in accordance with its business and development needs and pursuant to the provisions of laws and regulations:

- (i) issue Shares to non-specific persons;

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

- (ii) issue Shares to specific persons;
- (iii) distribution of bonus Shares to existing shareholders;
- (iv) conversion of the common reserve fund to additional share capital;
- (v) other means as prescribed by laws, administrative regulations, CSRC and the securities regulatory authority of the place where the Company’s Shares are listed.

For the issuance of Shares to non-specific persons, the Board formulates the new Shares issuance plan and submits it to the shareholders’ meeting for consideration and approval.

Except where the Board makes specific arrangements when formulating the plan, existing shareholders of the Company do not have a preferential right to subscribe for the new Shares issued.

The Company may reduce its registered capital. Any reduction in the Company’s registered capital shall be made in accordance with the procedures stipulated in the Company Law and other related regulations and the Articles of Association.

In accordance with applicable laws, administrative regulations, regulations of the authorities and the Articles of Association, the Company may purchase its own Shares under the following circumstances:

- (i) reduction in the registered capital of the Company;
- (ii) merging with other companies holding the Shares of the Company;
- (iii) the Shares are to be used for equity incentive plan and employee stock ownership plan;
- (iv) a shareholder who objects to the resolution on merger or division of the Company passed by shareholders’ meeting may request the Company to acquire his/her/its Shares;
- (v) the Shares are to be used to convert corporate bonds issued by the Company that can be converted to Shares;
- (vi) it is necessary to maintain corporate value and shareholders’ interests.

Except as provided above, the Company shall not engage in any activities involving the purchase of its own Shares.

The Company’s acquisition of its own Shares can be carry out through public and centralized trading, or other methods recognised by laws, administrative regulations, CSRC, Hong Kong Stock Exchange and other regulatory authority of the place where the Company’s Shares are [REDACTED].

Where the Company acquires its own Shares due to the circumstances specified in items (iii), (v) or (vi) above, it shall carry out through public and centralized trading.

The Company’s acquisition of its own shares for reasons specified in items (i) to (ii) above shall be subject to a resolution of a shareholders’ meeting. The Company’s acquisition of its own shares due to the circumstances specified in items (iii), (v) or (vi) above shall be subject to a resolution of a Board meeting at which more than two-thirds of directors are present.

Following the acquisition of the Company’s Shares in accordance with the aforementioned provisions, where the circumstances fall under item (i), such Shares shall be cancelled within ten days of the acquisition date; where the circumstances fall under items (ii) or (iv), such Shares shall be transferred or cancelled within six months; where the circumstances fall under items (iii), (v) or (vi), the aggregate number of Shares held by the Company shall not exceed ten per cent of the total number of issued Shares of the Company, and such Shares shall be transferred or cancelled within

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

three years. Where there are other provisions in laws, regulations, or the securities regulatory rules of the jurisdiction where the Company’s Shares are listed on matters related to Share repurchases, such provisions shall prevail.

Where the Company acquires its own Shares, it shall fulfil its information disclosure obligations in accordance with the Securities Law, the Hong Kong Listing Rules, and the requirements of the CSRC, the Hong Kong Stock Exchange, and other stock exchanges where the Company’s Shares are [REDACTED], as well as other securities regulatory rules.

Transfer of Shares

The Company’s Shares shall be transferred in accordance with the law. All transfers of the H Shares shall be executed by a written instrument of transfer in a general or common form or in any other form acceptable to the Board, including the standard transfer format or form of transfer as prescribed by the Hong Kong Stock Exchange from time to time. Such transfer document may only be signed by hand or (where the transferor or transferee is a corporation) stamped with the Company’s valid seal. If the transferor or transferee is a recognized clearing house (hereinafter referred to as the “**Recognized Clearing House**”) as defined by the relevant provisions that come into effect from time to time according to the laws of Hong Kong or its nominee, the transfer document may be signed by hand or by machine imprint. All transfer documents shall be maintained at the legal address of the Company or such places as the Board may designate from time to time. The Company shall not accept its own Shares as the collateral of pledge.

No transfer of the Shares of the Company issued prior to its public offering of A shares shall be made within one year from the date on which the A Shares of the Company are listed and traded on the stock exchange. In the event that laws, administrative regulations or the securities regulatory authorities of the State Council otherwise provide for the transfer of the Shares of the Company held by shareholders or actual controllers of a listed company, such provisions shall prevail.

The Directors and senior management of the Company shall report their shareholdings and the changes thereof to the Company. During their terms of office, as determined upon assuming office, they may not transfer more than 25% of the total number of Shares of the same class of the Company held by them in any given year; the Shares of the Company held by them shall not be transferred within one year from the date on which the Shares of the Company are listed and traded. The aforementioned individuals shall not transfer the Shares of the Company held by them within six months from the date of their resignations. If the Hong Kong Stock Exchange has other regulations on the transfer of Shares, such regulations must also be complied with. If the Shares are pledged within the statutory transfer restriction period prescribed by laws or administrative regulations, the pledgee may not exercise the pledge rights during the transfer restriction period.

Where a Director, senior management member or shareholder holding more than 5% of the Company’s Shares sells the Company’s Shares or other securities of an equity nature held within six months after purchase, or repurchases them within six months after sale, the resulting proceeds shall belong to the Company, and the Board of the Company shall recover the proceeds and promptly disclose the relevant circumstances. However, if a securities company holds 5% or more Shares by taking up the remaining Shares not subscribed pursuant to an [REDACTED] arrangement, the six month moratorium shall not apply. Where laws, regulations, or the securities regulatory rules of the jurisdiction where the Company’s Shares are listed provide otherwise, such provisions shall prevail.

The Shares or other securities of equity nature held by the Directors, senior management or natural person shareholders referred to in the preceding paragraph include the Shares or other securities of equity nature held by their spouses, parents and children, and any of the above which is indirectly held in others’ accounts.

If the Board of the Company fails to comply with the provisions in the preceding paragraph, shareholders may request the Board to take action within 30 days. If the Board does not enforce such right within the specified period, shareholders are entitled to initiate legal proceedings in their own

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

name for the benefit of the Company. Should the Board refuses to comply with the above provisions, the responsible Directors shall be jointly and severally liable in accordance with laws and regulations.

SHAREHOLDERS AND SHAREHOLDERS’ MEETING**Shareholders**

The Company shall make a register of shareholders in accordance with evidentiary documents provided by the securities registration and clearing authorities. The register of shareholders shall be conclusive evidence of share ownership. The original register of shareholders of H Shares is kept in Hong Kong and is available for inspection by shareholders, but the Company may suspend the registration of shareholders in accordance with applicable laws and regulations and the securities regulatory rules of the place where the Company’s Shares are listed. Shareholders shall enjoy rights and assume obligations in accordance with the class of Shares they hold. Shareholders holding Shares of the same class shall enjoy the same rights and assume the same obligations.

When the Company convenes a shareholders’ meeting, distributes dividends, enters into liquidation and engages in other activities that require determination of identity of a shareholder, the Board or the convenor of a shareholders’ meeting shall determine the date of record, and shareholders registered on the register of members after market closing on the date of record shall be the shareholders entitled to the relevant interests.

Shareholders of the Company shall enjoy the following rights:

- (i) to receive distribution of dividends and other forms of benefits according to the proportion of Shares held;
- (ii) to request, convene, preside over, participate in or authorize proxies to attend the shareholders’ meeting and exercise corresponding voting rights;
- (iii) to supervise the operations of the Company, provide suggestions or submit queries;
- (iv) to transfer, gift or pledge the Company’s Shares held in accordance with the laws, administrative regulations and the Articles of Association;
- (v) to review and copy the Articles of Association, the register of shareholders, minutes of shareholders’ meetings, resolutions of board meetings, resolutions of supervisory board meetings, and financial accounting reports; shareholders meeting the prescribed requirements may also inspect the Company’s accounting books and accounting vouchers;
- (vi) to participate in the distribution of the remaining assets of the Company according to the proportion of Shares held upon our termination or liquidation;
- (vii) to acquire the Shares of shareholders who have voted against the resolutions on the merger or division of the Company at a shareholders’ meeting upon their request;
- (viii) other rights stipulate by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company’s Shares are listed or the Articles of Association.

If a resolution of a shareholders’ meeting or a meeting of the Board is in violation of any law, administrative regulation, the shareholders are entitled to request the People’s Court to invalidate it. If the procedures for calling a shareholders’ meeting, or meeting of the Board, or the way of voting, is in violation of any law, administrative regulation or the Articles of Association, or if a resolution is in violation of the Articles of Association, the shareholders may, within 60 days from the day when the resolution is made, request the People’s Court to revoke it. However, this does not apply if the procedures for convening the shareholders’ meeting or the meeting of the Board, or the voting methods, only have minor defects that do not substantially affect the resolution.

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

If the Board, shareholders, or other relevant parties dispute the validity of a resolution of the shareholders’ meeting, they shall file a lawsuit with the People’s Court in a timely manner. Before the People’s Court makes a judgment or ruling to revoke the resolution, the relevant parties shall implement the resolution of the shareholders’ meeting. The Company, its Directors, and senior management shall perform their duties effectively to ensure the normal operation of the Company.

Where the People’s Court makes a judgment or ruling on the relevant matters, the Company shall perform its information disclosure obligations in accordance with the provisions of laws, administrative regulations, the CSRC, and the stock exchange, fully explain the impact, and actively cooperate in the enforcement after the judgment or ruling takes effect. Where correction of prior matters is required, such corrections shall be made in a timely manner and the corresponding information disclosure obligations shall be performed.

If the Company incurs losses due to the violation of laws, administrative regulations, or the Articles of Association by Directors and senior management (other than members of the Audit Committee) in the course of performing their duties with the Company, shareholders severally or jointly holding 1% or more of the Company’s Shares for more than 180 consecutive days shall be entitled to request in writing that the Audit Committee initiate legal proceedings in the People’s Court; if the Company incurs losses due to the violation of any provision of law, administrative regulation or the Articles of Association by members of the Audit Committee in the course of performing their duties with the Company, shareholders shall be entitled to request in writing that the Board initiate legal proceedings in the People’s Court.

If the Audit Committee or the Board refuses to initiate legal proceedings after receiving the written request from shareholders as stipulated above, or fails to initiate legal proceedings within 30 days since the date of receiving the request, or does not initiate legal proceedings immediately in case of emergency where any delay would cause irreparable harm to the Company’s interests, the shareholders as mentioned above have the right to initiate legal proceedings directly at the People’s Court in their own name for the benefit of the Company.

If the legitimate rights and interests of the Company are impaired, resulting in losses to the Company, the shareholders as mentioned in the first paragraph may initiate a lawsuit in the People’s Court in accordance with the provisions in the preceding two paragraphs.

The shareholders of the Company shall assume the following obligations:

- (i) to comply with the laws, administrative regulations, the securities regulatory rules of the place where the Company’s Shares are listed and the Articles of Association;
- (ii) to pay capital contribution as per the Shares subscribed for and the method of subscription;
- (iii) not to withdraw its capital except in circumstances prescribed by laws, regulations, or the securities regulatory rules of the place where the Company’s Shares are listed;
- (iv) not to abuse shareholder’s rights to harm the interests of the Company or other shareholders; not to abuse the Company’s position as an independent legal entity or shareholder’s limited liability to harm the interests of the creditors of the Company;
- (v) to fulfill other obligations stipulated by the laws, administrative regulations, the securities regulatory rules of the place where the Company’s Shares are listed and the Articles of Association.

If any shareholder of the Company abuses their shareholder rights, resulting in loss to the Company or other shareholders, the shareholder shall be liable for compensation in accordance with the laws. If any shareholder of the Company abuses the Company’s position as an independent legal

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

entity or shareholder’s limited liability for the purpose of evading repayment of debts, thereby severely damaging the interests of the creditors of the Company, the shareholder shall bear joint and several liabilities for the Company’s debts.

Controlling Shareholder and Actual Controller

The controlling shareholder and actual controller of the Company shall exercise their rights and perform their obligations in accordance with applicable laws, administrative regulations, the securities regulatory rules of the place where the Company’s Shares are listed, the requirements of the CSRC, and the rules of the stock exchange, and shall safeguard the interests of the Company.

The controlling shareholder and actual controller of the Company shall comply with the following provisions:

- (i) to exercise shareholder rights in accordance with the law, and not to abuse control or use related (connected) relationships to harm the legitimate rights and interests of the Company or other shareholders;
- (ii) to strictly fulfill all public statements and commitments made, and not to alter or waive them without proper authorization;
- (iii) to fulfill information disclosure obligations in strict compliance with relevant regulations, actively cooperate with the Company in discharging its disclosure responsibilities, and promptly notify the Company of any major events that have occurred or are expected to occur;
- (iv) not to misappropriate the Company’s funds in any manner;
- (v) not to compel, instruct, or request the Company or relevant personnel to provide guarantees in violation of laws or regulations;
- (vi) not to seek personal gain by using undisclosed material information of the Company, not to disclose such information in any manner, or not to engage in insider trading, short-swing trading, market manipulation, or other illegal or non-compliant activities;
- (vii) not to harm the legitimate rights and interests of the Company or other shareholders through unfair related (connected) transactions, profit distribution, asset restructuring, external investments, or by any other means;
- (viii) to ensure the Company’s independence with respect to its assets, personnel, management, finance, institutions, operations, and business, and not to affect such independence in any way;
- (ix) to comply with other provisions under laws, administrative regulations, the rules of the CSRC, the securities regulatory rules of the place where the Company’s shares are listed, and the Articles of Association.

If the controlling shareholder or actual controller of the Company does not serve as the Director of the Company but effectively manages the Company’s affairs, the provisions of the Articles of Association concerning the fiduciary duties and duties of diligence of Directors shall apply. Where the controlling shareholder or actual controller instructs a Director or senior management to engage in acts that harm the interests of the Company or its shareholders, such controlling shareholder or actual controller shall bear joint and several liability together with the relevant Director or senior management.

Where the controlling shareholder or actual controller pledges Shares of the Company that they hold or effectively control, they shall maintain the stability of the Company’s control and business operations. Where the controlling shareholder or actual controller transfers any of the Company’s Shares they hold, such transfer shall comply with the relevant restrictions under

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

applicable laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed, the rules of the CSRC and the stock exchange, as well as any commitments made by such shareholder or controller regarding restrictions on share transfers.

General Provisions of the Shareholders' Meeting

The Company's shareholders' meeting shall consist of all shareholders. It is the Company's governing body and shall exercise the following powers in accordance with the law:

- (i) to elect and replace Directors, and to decide on matters concerning Directors' remuneration;
- (ii) to review and approve the report of the Board;
- (iii) to review and approve the Company's profit distribution plans and plans for loss compensation;
- (iv) to resolve on the increase or decrease of the Company's registered capital;
- (v) to resolve on the issuance of corporate bonds;
- (vi) to resolve on matters such as mergers, divisions, dissolution, liquidation, or changes of corporate form;
- (vii) to amend the Articles of Association and other important internal regulations of the Company;
- (viii) to resolve on the engagement or dismissal of accounting firms responsible for the Company's audit services;
- (ix) to review and approve the following guarantee-related matters:
 - 1. A single guarantee amount exceeding 10% of the Company's most recent audited net assets;
 - 2. Any guarantee provided by the Company and its holding subsidiaries after the total amount of external guarantees exceeds 50% of the Company's most recent audited net assets;
 - 3. Guarantees provided to parties with an asset-liability ratio exceeding 70%;
 - 4. Guarantees exceeding 30% of the Company's most recent audited total assets, calculated on the basis of the cumulative guarantee amount over a consecutive 12-month period;
 - 5. Guarantees provided to shareholders, actual controllers, and their related parties;
 - 6. Any guarantee provided after the Company's total external guarantees exceed 30% of its most recent audited total assets;
 - 7. Other external guarantees that require approval by the shareholders' meeting in accordance with laws, regulations, stock exchange rules, securities regulatory rules where the Company's Shares are listed, or the Articles of Association.
- (x) to review transactions involving the purchase or sale of assets by the Company, where total assets or transaction amount, calculated cumulatively over a consecutive 12-month period, exceeds 30% of the Company's most recent audited total assets;
- (xi) to review and approve transactions between the Company and related (connected) parties (excluding guarantees) where the transaction amount accounts for more than 1% of the Company's most recent audited total assets or market value, and exceeds RMB30 million;

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

- (xii) to review and approve the Company’s acquisition of its own Shares due to capital reduction or merger with other companies holding the Company’s Shares;
- (xiii) to review and approve changes in the use of raised funds;
- (xiv) to review equity incentive plans or employee stock ownership plans;
- (xv) to review transactions (excluding guarantees) meeting any of the following criteria:
 - 1. The total assets involved in the transaction (based on book value or appraisal value, whichever is higher) exceed 50% of the Company’s most recent audited total assets;
 - 2. The transaction amount exceeds 50% of the Company’s market value;
 - 3. The net assets of the transaction target (such as equity) in the most recent fiscal year exceed 50% of the Company’s market value;
 - 4. The revenue related to the transaction target in the most recent fiscal year exceeds 50% of the Company’s most recent audited operating revenue and exceeds RMB50 million;
 - 5. The profit generated from the transaction exceeds 50% of the Company’s most recent audited net profit and exceeds RMB5 million;
 - 6. The net profit related to the transaction target in the most recent fiscal year exceeds 50% of the Company’s most recent audited net profit and exceeds RMB5 million.

The “market value” mentioned herein refers to the arithmetic average of the closing market value over the 10 trading days preceding the transaction.

The transactions mentioned herein include:

- 1. purchase or sale of assets;
- 2. external investments (excluding low-risk bank wealth management products);
- 3. transfer or acquisition of R&D projects;
- 4. signing of license agreements;
- 5. leasing in or out of assets;
- 6. entrusting or accepting property or business management;
- 7. donation or acceptance of assets;
- 8. restructuring of receivables or payables;
- 9. provision of financial assistance (including interest-bearing or interest-free loans, entrusted loans, etc.);
- 10. waiver of rights (including preemptive rights, subscription rights, etc.);
- 11. other transactions as recognized by the stock exchange.

The above-mentioned purchase or sale of assets does not include transactions related to daily operations, such as the purchase of raw materials, fuel, and energy, or the sale of products or goods.

If the Company conducts asset purchase or sale transactions that, when calculated cumulatively over 12 months, exceed 30% of the most recent audited total assets, such transactions must be submitted to the shareholders’ meeting and approved by at least two-thirds of the voting rights held by shareholders present at the meeting.

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

(xvi) to review and approve the following related (connected) party transactions:

1. Transactions with related (connected) parties (excluding guarantees) where the transaction amount exceeds both 1% of the Company’s most recent audited total assets or market value, and RMB30 million;
2. Where the Company and related (connected) parties sign a written agreement without a specified total transaction amount;
3. Guarantees provided to related (connected) parties;
4. Related (connected) party transactions that may have a significant impact on the Company;

(xvii) to review and approve cumulative external donations exceeding RMB10 million within a fiscal year;

(xviii) to review other matters that shall be decided by the shareholders’ meeting according to laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company’s Shares are listed, or the Articles of Association.

The shareholders’ meeting may authorize the Board of Directors to make resolutions on the issuance of corporate bonds.

The shareholders’ meeting includes annual and extraordinary meetings. The annual shareholders’ meeting shall be held once each year, within six months after the end of the previous fiscal year.

Under any of the following circumstances, the Company shall convene an extraordinary shareholders’ meeting within two months from the date of the event:

- (i) When the number of directors falls below the statutory minimum of 3 or is less than two-thirds of the number prescribed in the Articles of Association;
- (ii) When the Company’s uncovered losses reach one-third of its total share capital;
- (iii) When requested by one or more shareholders holding at least 10% of the Company’s Shares;
- (iv) When the Board of Directors deems it necessary;
- (v) When proposed by the Audit Committee;
- (vi) When proposed by more than half of the independent directors and approved by the Board of Directors;
- (vii) Other circumstances as required by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company’s Shares are listed, or the Articles of Association.

The shareholders’ meeting shall be held at the Company’s registered address or any other venue specified in the shareholders’ meeting notice. The shareholders’ meeting shall be held on-site. The time and location of the on-site meeting shall be convenient for shareholders to attend. The Company shall also provide other means, including but not limited to the Internet, to facilitate shareholder participation.

Convening of Shareholders’ Meetings

The Board of Directors shall convene the shareholders’ meeting on time within the prescribed time limit.

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

With the consent of a majority of all independent Directors, independent Directors are entitled to propose to the Board of Directors to convene an extraordinary shareholders’ meeting. Where independent Directors require to convene an extraordinary shareholders’ meeting, the Board of Directors shall, pursuant to the provisions of laws, administrative regulations, and the Articles of Association, issue a written reply on whether or not it agree to convene the extraordinary shareholders’ meeting within 10 days upon the receipt of the proposal. If the Board of Directors agrees to convene an extraordinary shareholders’ meeting, a notice to convene such meeting shall be issued within 5 days after such resolution of the Board of Directors. If the Board of Directors disagrees to convene an extraordinary shareholders’ meeting, it shall state the reasons in an announcement.

The Audit Committee is entitled to propose to the Board of Directors to convene an extraordinary shareholders’ meeting, and such proposals shall be made in writing to the Board of Directors. The Board of Directors shall, pursuant to the provisions of laws, administrative regulations, the securities regulatory rules of the place where the Company’s Shares are listed, and the Articles of Association, issue a written reply on whether or not it agrees to convene the extraordinary shareholders’ meeting within 10 days upon the receipt of the proposal. If the Board of Directors agrees to convene an extraordinary shareholders’ meeting, a notice to convene such meeting shall be issued within 5 days after such resolution of the Board of Directors. Any changes to the original proposal in the notice require the consent of the Audit Committee. If the Board of Directors disagrees to convene an extraordinary shareholders’ meeting or fails to give a response within 10 days after receipt of such proposal, it shall be deemed that the Board of Directors is unable or fails to fulfill the obligation to convene the shareholders’ meeting, and the Audit Committee may convene and preside over the meeting on its own initiative.

Shareholder(s) severally or jointly holding more than 10% of the Shares of the Company is/are entitled to request the Board of Directors to convene an extraordinary shareholders’ meeting, and such request shall be made in writing to the Board of Directors. The Board of Directors shall, pursuant to the provisions of laws, administrative regulations, the securities regulatory rules of the place where the Company’s Shares are listed, and the Articles of Association, issue a written reply on whether or not it agrees to convene the extraordinary shareholders’ meeting within 10 days upon the receipt of the request. If the Board of Directors agrees to convene an extraordinary shareholders’ meeting, a notice to convene such meeting shall be issued within 5 days after such resolution of the Board of Directors. Any changes to the original request in the notice require the consent of relevant shareholder(s). If the Board of Directors disagrees to convene an extraordinary shareholders’ meeting or fails to give a response within 10 days after receipt of such request, shareholder(s) severally or jointly holding more than 10% of the Shares of the Company shall be entitled to propose to the Audit Committee to convene an extraordinary shareholders’ meeting, and such request shall be made in writing to the Audit Committee.

If the Audit Committee agrees to convene an extraordinary shareholders’ meeting, a notice to convene such meeting shall be issued within 5 days upon receipt of such request. Any changes to the original request in the notice require the consent of relevant shareholder(s). Where the Audit Committee fails to issue a notice of the shareholders’ meeting within the prescribed time limit, it shall be deemed that the Audit Committee fails to convene and preside over the shareholders’ meeting, and the shareholder(s) severally or jointly holding more than 10% of the Shares of the Company for 90 consecutive days or more may convene and preside over the meeting on their own initiative.

Where the Audit Committee or shareholders decide(s) to convene a shareholders’ meeting on its/their own initiative, it/they shall notify the Board of Directors in writing and file with the Shanghai Stock Exchange. The convening shareholder(s) must hold no less than 10% of Shares before the resolution of such meeting is announced. The Audit Committee or convening shareholders shall submit relevant supporting materials to the local office of the CSRC where the Company operates and the Shanghai Stock Exchange when issuing the notice of the shareholders’ meeting and announcing the resolutions of the shareholders’ meeting. For a shareholders’ meeting convened by

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

the Audit Committee or shareholders on its/their own initiative, the Board of Directors and the secretary to the Board of Directors will provide the necessary cooperation, and the Board of Directors shall provide the share register as at the shareholding record date.

Expenses necessary for a shareholders’ meeting convened by the Audit Committee or shareholders on its/their own initiative shall be borne by the Company.

Proposals and Notices of Shareholders’ Meetings

When the Company convenes a shareholders’ meeting, the Board of Directors, the Audit Committee, and shareholder(s) severally or jointly holding more than one percent of the Shares of the Company shall be entitled to put forward proposals to the Company. The shareholder(s) severally or jointly holding more than one percent of the Shares of the Company may raise interim proposals and submit them in writing to the convener 10 days prior to the convening of the shareholders’ meeting. Interim proposals shall have clear subjects and specific matters for resolution. The convener shall, within 2 days after the receipt of such proposals, issue a supplemental notice of the shareholders’ meeting, announce the contents of the interim proposals, and submit the interim proposals to the shareholders’ meeting for discussion; except for a proposal that violates the provisions of any laws, administrative regulations, the securities regulatory rules of the place where the Company’s Shares are listed or the Articles of Association, or fall outside the scope of powers of the shareholders’ meeting. Except for the abovementioned circumstances, the convener, after issuing the announcement of the shareholders’ meeting, shall neither revise the proposals stated in the notice of shareholders’ meeting nor add any new proposals. For the proposal not contained in the notice of the shareholders’ meeting or for those does not meet the provisions of the Articles of Association, the shareholders’ meeting shall not conduct a vote or make any resolution.

The convener shall notify each shareholder by announcement, written notices (including personal delivery, mail, fax, etc.), e-mail, or telephone 20 days before the convening of the annual shareholders’ meeting, and, for special shareholders’ meetings, it shall notify each shareholder by announcement, written notices (including personal delivery, mail, fax, etc.), e-mail, or telephone at 15 days before the convening of the meeting.

The notice of shareholders’ meeting shall include the following contents:

- (i) the time, venue, and duration of the meeting;
- (ii) the matters and proposals presented to the meeting for consideration;
- (iii) a prominent statement stating that all shareholders are entitled to attend the shareholders’ meeting and appoint a proxy by written to attend and vote on his/her behalf, and such proxy need not be a shareholder of the Company;
- (iv) the record date of shareholders entitled to attend the shareholders’ meeting;
- (v) the name and phone number of the contact person in connection with the meeting;
- (vi) where the shareholders’ meeting is convened by other methods, the notice of the shareholders’ meeting shall clearly specify the voting time and voting procedures for such other methods;
- (vii) other content required to be included in the notice as stipulated by relevant laws, regulations, rules, regulatory documents, securities regulatory rules of the place where the Company’s Shares are listed, and the Articles of Association.

After the notice of shareholders’ meeting is issued, the shareholders’ meeting shall not be postponed or cancelled without a proper reason, and the proposals stated in the notice of shareholders’ meeting shall not be cancelled. In the event of any postponement or cancellation, the

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

convener shall issue a notice and state the reasons at least two working days before the original convening date. If the shareholders’ meeting is postponed, the notice shall also specify the rescheduled date.

Holding of Shareholders’ Meeting

All shareholders in the register as at the record date or their proxies shall have the right to attend the shareholders’ meeting and exercise speaking and voting rights pursuant to relevant laws, regulations, the securities regulatory rules of the place where the Company’s Shares are listed, and the Articles of Association, except for individual shareholders who are required by the securities regulatory rules of the place where the Company’s Shares are listed to abstain from voting on specific matters. Shareholders may attend the shareholders’ meeting in person or appoint their proxy/proxies to attend the meeting and exercise their voting and speaking rights on their behalf.

Where the shareholders’ meeting requires the Directors and senior managers to be present, the Directors and senior managers shall be in attendance at the meeting and answer questions from the shareholders.

A shareholders’ meeting shall be chaired by the chairman of the Board of Directors. In the event that the chairman of the Board of Directors is unable to or fails to perform his/her duties, a Director jointly elected by more than half of the Directors shall chair the meeting. A shareholders’ meeting convened by the Audit Committee on its own initiative shall be chaired by the convener of the Audit Committee. In the event that the convener of the Supervisory Committee is unable to or fails to perform his/her duties, a member of the Audit Committee jointly elected by more than half of the members of the Audit Committee shall chair the meeting. A shareholders’ meeting convened by shareholders on their own initiative shall be presided over by the convener or the representative nominated by the convener. If the presider of the shareholders’ meeting breaches the procedural rules during the conduct of the meeting, which makes it unable to proceed with the shareholders’ meeting, subject to the consent of more than half of shareholders with voting rights attending the shareholders’ meeting in person, the shareholders’ meeting may nominate a person to act as the presider of the meeting and such meeting may continue.

The Company shall formulate the rules of procedure for shareholders’ meeting, which shall specify the convening, holding and voting procedures for the shareholders’ meeting, including information in respect of, among others, notice, registration, consideration of the proposals, voting, vote counting, announcement of voting results, the adoption of meeting resolutions, meeting minutes and their signing and announcement, as well as the principles governing the delegation of authority by the shareholders’ meeting to the Board of Directors, which delegation must be specific and in detailed. The rules of procedure for shareholders’ meetings shall be attached as an annex to the Articles of Association, prepared by the Board of Directors and approved by the shareholders’ meeting.

Voting and Resolutions at Shareholders’ Meeting

Resolutions of a shareholders’ meeting shall be classified as ordinary resolutions and special resolutions. Ordinary resolutions shall be passed by votes representing more than half of the voting rights held by the shareholders (including proxies) attending the shareholders’ meeting. Special resolutions shall be passed by votes representing more than two-thirds of the voting rights held by the shareholders (including proxies) attending the shareholders’ meeting.

The following matters shall be approved by ordinary resolutions at the shareholders’ meeting:

- (i) work reports of the Board of Directors;
- (ii) profit distribution plans and loss recovery plans formulated by the Board of Directors;
- (iii) appointment and dismissal of members of the Board of Directors, and their remunerations and the method of payment;

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

- (iv) matters other than those required by laws, administrative regulations, the securities regulatory rule of the place where the Company’s Shares are listed or the Articles of Association to be approved by a special resolution.

The following matters shall be approved by special resolutions at the shareholders’ meeting:

- (i) the increase or decrease in registered capital of the Company;
- (ii) the division, split, merger, dissolution and liquidation (including voluntary winding-up) of the Company;
- (iii) the amendment to the Articles of Association;
- (iv) where the amount involved in the purchase or disposal of material assets, or the provision of guarantee to others, within a single year, exceeding 30% of the latest audited total assets of the Company;
- (v) any equity incentive plans or employee stock ownership plans;
- (vi) acquisition of its own Shares by the Company as a result of reduction of the registered capital of the Company or merger with other companies holding Shares of the Company;
- (vii) consideration and approval of guarantees which, calculated on a cumulative basis over a consecutive 12-month period according to the amount of guarantee, exceed 30% of the audited total assets of the Company in the latest period;
- (viii) the Company’s profit distribution plan for the current year;
- (ix) the issuance of corporate bonds or other securities and listing arrangements;
- (x) other matters which, under applicable laws, administrative regulations, and the securities regulatory rules of the place where the Company’s Shares are listed, or determined by the shareholders’ meeting by an ordinary resolution to have a substantial impact on the Company and therefore, require approval by a special resolution.

Shareholders (including proxies) shall exercise voting rights based on the number of shares with voting rights held by them, and each share shall be entitled to one vote. Where material issues affecting the interests of minority shareholders are considered at the shareholders’ meeting, the votes of minority shareholders shall be counted separately. The separate votes counting results shall be disclosed publicly in a timely manner. The Company’s own Shares held by the Company do not carry voting rights and such shares shall not count towards the total number of Shares with voting rights present at the shareholders’ meeting.

If a shareholder purchases shares with voting rights of the Company in violation of the provisions of Article 63 (i) and (ii) of the Securities Law, the voting rights of such shares in excess of the prescribed proportion shall not be exercised and shall not be counted towards the total number of shares with voting rights present at the shareholders’ meeting for 36 months after the purchase.

The Board of Directors of the Company, its independent Directors, and shareholders who meet the relevant conditions may publicly solicit the voting rights from the shareholders. When soliciting voting rights from the shareholders, the specific voting intention and other information shall be fully disclosed to the solicitation targets. Solicitation of shareholders’ voting rights through paid means, or in any manner disguised as paid, shall be prohibited. Except for the statutory conditions, the Company shall not impose any restrictions on the minimum shareholding required for the solicitation of shareholders’ voting rights.

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

When the shareholders’ meeting considers matters relating to related (connected) transactions, the related (connected) shareholders shall abstain from voting, and the Shares they represent that carry voting rights shall not be included in the total number of valid votes. The announcement of the shareholders’ meeting resolution shall fully disclose the voting results of non-related (connected) shareholders.

When election of more than two Directors is voted at the shareholders’ meeting, the cumulative voting system shall be applied. If the shareholders’ meeting elects directors by cumulative voting, the voting of independent Directors and non-independent Directors shall be conducted separately. Except for the cumulative voting system, all proposals at the shareholders’ meeting shall be voted on separately. Where different proposals are made in respect of the same issue, such proposals shall be put to a vote in the order in which they were submitted. Unless the shareholders’ meeting is suspended or no resolution can be made for special reasons such as force majeure, voting of such proposals shall neither be shelved nor refused at the shareholders’ meeting.

No amendment shall be made to a proposal when it is considered at a shareholders’ meeting. Any such amendments shall be deemed a new proposal and shall not be put to vote at the current meeting. The same voting right shall be exercised in one form only, whether in person, online, or by any other means. Where the same voting right is exercised more than once, the voting result of the first time shall prevail.

BOARD OF DIRECTORS

Directors

Directors of the Company shall be a natural person. Any person involved in any of the following circumstances shall not serve as a Director of the Company:

- (i) lacking or having restricted capacity for civil conduct;
- (ii) for embezzlement, bribery, infringement or misappropriation of property, or for jeopardizing socialist market economic order, or within five years after serving sentence and being deprived of political rights for crime, or who is sentenced to probation and it has not been more than 2 years since the expiration of the probation period;
- (iii) within three years after insolvency and liquidation of such company or enterprise where the person acted as a director, factory manager or business manager and has been held accountable for the insolvency;
- (iv) within three years after such company or enterprise where the person acted as legal representative is revoked of business license and ordered to closed down for violating law on which the person is held accountable;
- (v) a person who is being listed as dishonest persons subject to enforcement by the people’s court for a relatively large amount of debts due and outstanding;
- (vi) having been subject to administrative penalties by the CSRC within the past three years, or having received a public reprimand from a securities exchange within the past year;
- (vii) being prohibited from participating in securities market by the CSRC and such period has not elapsed;
- (viii) a person who has been publicly declared by the stock exchange to be unsuitable for serving as the directors and senior managements of any listed company and the time limit has not expired;
- (ix) under investigation by judicial authorities for suspected criminal offences, or under investigation by the CSRC for suspected violations of laws or regulations, with no definitive conclusion reached as yet;

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

- (x) any other circumstances stipulated in the laws, administrative regulations or departmental rules, the regulatory rules of the securities regulatory authority of the place where the Company’s shares are listed.

Directors shall be elected or replaced at the shareholders’ meeting and may be removed before the expiration of the term of office at the shareholders’ meeting. Each term of office shall be three years, and upon expiry of their term, directors may be re-elected for consecutive terms. If the securities regulatory rules of the place where the Company’s shares are listed have other provisions regarding the re-election of directors, such provisions shall apply.

A director’s term of office commences from the date of appointment to the expiration of the term of office of the current Board. A Director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company’s share are listed and the Articles of Association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiration of his/her term of office.

Manager or other senior executives may serve as directors concurrently, provided that the aggregate number of directors concurrently serving as senior executives, together with directors who are employee representatives may not exceed 50% of the total number of directors of the company.

The shareholders’ meeting may remove any Director through resolutions, effective as of the date when the resolutions take effect. A director may resign before the expiry of his/her term of office. The Director to resign shall submit to the Company a written report in relation to his resignation, and the resignation shall take effect from the date on which the Company receives the resignation report. The Board of Directors shall disclose the relevant information within the period stipulated in relevant laws and administrative regulations and the securities regulatory rules in the place where the Company’s Shares are listed.

If the resignation of a Director result in the Company’s Board of Directors falling below the statutory minimum, the minimum number required by the securities regulatory rules of the place where the Company’s Shares are listed, or the Articles of Association; or if the resignation of an Independent Non-Executive Director results in the number of Independent Non-Executive Directors being less than one-third of the Board members, or there being no accounting professional among the Independent Non-Executive Directors, or no person ordinarily resident in Hong Kong among the Independent Non-Executive Directors, the original Director shall continue to perform the duties of a Director in accordance with the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company’s Shares are listed, and the Articles of Association.

Board of Directors

The Company has established a Board of Directors, comprising five to seven Directors, at least one-third of whom shall be independent Directors. Save for employee representative Directors, all other Directors shall be elected by the shareholders’ meeting.

The Board shall exercise the following duties and powers:

- (i) to be responsible for convening shareholders’ meetings and reporting its work to the shareholders’ meetings;
- (ii) to implement the resolutions of the shareholders’ meetings;
- (iii) to resolve business operation plans and investment plans of the Company;
- (iv) to formulate the profit distribution plans and plans for recovery of losses of the Company;
- (v) to formulate plans of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing issues;

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

- (vi) to draft plans for significant acquisitions of the Company, the purchase of Shares of the Company, merger, division, dissolution or change of the form of the Company;
- (vii) to decide on the acquisition of Shares of the Company for use in an equity incentive scheme and an employee share ownership scheme, for conversion of convertible bonds issued by the Company, or for circumstances necessary to preserve the value of the Company and the rights and interests of the Shareholders;
- (viii) to decide on external investment, asset acquisition or disposal, mortgage of assets, external guarantee, entrusted wealth management and connected (related) transactions, donations, etc. of the Company, within the scope of delegation by the shareholders' meeting;
- (ix) to determine the internal management structure of the Company;
- (x) to appoint or dismiss general manager and secretary to the Board of Directors of the Company, and to decide on their remunerations, awards and punishment; in accordance with the nominations by general manager, to appoint or dismiss deputy general managers, financial officers and other senior management of the Company and to decide on their remunerations, awards and punishment;
- (xi) to formulate the basic management system of the Company;
- (xii) to formulate proposals for any amendment of the Articles of Association;
- (xiii) to propose to the shareholders' meeting for appointment or replacement of the accounting firms which provide audit services to the Company;
- (xiv) to listen to work reports of the general manager of the Company and review his/her work;
- (xv) other duties conferred by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association.

The resolution of the Board of Directors regarding the matter referred to in item (vii) above shall require the attendance of more than two-thirds of the Directors at a meeting of the Board of Directors.

Matters beyond the scope of delegation by the shareholders' meeting shall be submitted to the shareholders' meeting for consideration.

The Board of Directors shall lay down strict procedures to inspect and decide on the approval limit for foreign investment, purchase or sale of assets, pledge of assets, provision of external guarantees, entrusted assets management and connected (related) transactions. For major investment projects, the board of directors shall organize the relevant experts and professional to conduct assessment for approval of the shareholders in a shareholders' meeting.

The Board of Directors shall have one chairman. The chairman shall be elected by a majority vote of all directors. The chairman shall exercise the following functions and powers:

- (i) to preside over shareholders' meetings and to convene and preside over meetings of the Board of Directors;
- (ii) to supervise and inspect the implementation of resolutions of the Board of Directors, to regularly obtain updates from the general manager and other senior management on such implementation, and to promptly inform the other Directors of any relevant matters;
- (iii) to sign important documents of the Board of Directors;

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

- (iv) to exercise certain powers of the Board of Directors on its behalf during intersessional periods, in accordance with the authorization principles and scope as formulated by the Board of Directors and approved by the shareholders’ meeting;
- (v) in the event of a force majeure emergency, such as a major natural disaster, to take special actions regarding the Company’s affairs in compliance with applicable laws and regulations and in the interest of the Company, and to report such actions to the Board of Directors and the shareholders’ meeting immediately thereafter;
- (vi) to be granted approval authority by the board in accordance with relevant laws, administrative regulations, and normative documents, and pursuant to the principle of prudent authorization;
- (vii) to perform other functions and powers as may be delegated by the Board of Directors.

Board meetings are divided into regular meetings and extraordinary meetings. The Board of Directors shall convene no fewer than four regular meetings each year, which shall be called by the chairman. All directors shall be notified of the meeting at least 14 days in advance by written notice (such as by personal delivery, post, or fax), telephone, email, or other means.

Shareholders representing more than one-tenth of the voting rights, more than one-third of the Directors, or the Audit Committee may propose to convene an extraordinary board meeting. Upon receipt of such proposal, the chairman shall convene and preside over the meeting within 10 days.

A board meeting may only be held when more than half of the Directors are present. Resolutions of the Board of Directors must be passed by a majority of all Directors, unless otherwise provided in the Articles of Association. Voting on board resolutions shall follow the principle of one Director, one vote.

Board meetings shall be attended by the Directors in person. Where a Director is unable to attend for any reason, he or she may appoint another Director in writing to attend on his or her behalf. The proxy shall specify the name of the proxyholder, the matters entrusted, the scope of authorization, and the period of validity, and shall be signed or sealed by the principal. A proxyholder shall exercise the Director’s rights within the scope of the authorization.. No Director may act as proxy for more than two Directors to attend any single board meeting on their behalf. A Director who neither attends a board meeting nor appoints a proxy to attend shall be deemed to have waived his or her voting rights at that meeting.

Independent Directors

The Company shall appoint independent Directors. Independent Directors shall be independent from the Company and its substantial Shareholders, and shall comply with the independence requirements for independent non-executive Directors under the Hong Kong Listing Rules. Independent Directors shall not hold any position in the Company other than that of independent non-executive Director. Independent Directors shall diligently perform their duties as required by applicable laws, administrative regulations, the CSRC, the stock exchange, the securities regulatory rules of the place where the Company’s Shares are listed, and the Articles of Association. They shall play an active role in decision-making, oversight and checks and balances, and professional advisory functions at the board level, to safeguard the overall interests of the Company and protect the legitimate rights and interests of minority Shareholders.

Independent Directors must maintain their independence. The following individuals shall not serve as independent Directors:

- (i) individuals employed by the Company or any of its subsidiaries, as well as their spouses, parents, children, and individuals with significant social relationships;

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

- (ii) natural person shareholders who directly or indirectly hold more than 1% of the Company’s issued Shares, or those among the Company’s top ten Shareholders, and their spouses, parents, and children;
- (iii) individuals employed by any Directors who directly or indirectly hold more than 5% of the Company’s issued Shares, or those among the top five Shareholders of the Company, and the spouses, parents, and children of such individuals;
- (iv) individuals employed by subsidiaries of the Company’s controlling Shareholder or ultimate controlling party, and their spouses, parents, and children;
- (v) individuals who have significant business dealings with the Company, its controlling Shareholders, ultimate controlling party, or their respective subsidiaries, or who hold positions in entities that have such dealings, or in their controlling shareholders or ultimate controlling parties;
- (vi) individuals who provide financial, legal, consulting, sponsorship, or other services to the Company, its controlling shareholder, ultimate controlling party, or their respective subsidiaries, including but not limited to all members of the project team of the intermediary providing such services, personnel at all levels of review, signatories of the reports, partners, directors, senior management, and principal responsible persons;
- (vii) individuals who, within the past 12 months, fell within any of the categories listed in items (i) to (vi);
- (viii) any other individuals who do not meet the independence requirements under applicable laws, administrative regulations, rules of the CSRC, business rules of the stock exchange, securities regulatory rules of the place where the Company’s Shares are listed, or the Articles of Association.

For the purposes of items (iv) to (vi) above, subsidiaries of the Company’s controlling shareholder or ultimate controlling party shall not include enterprises that controlled by the same state-owned asset management institution as the Company and that, under the applicable rules, do not constitute related (connected) parties with the Company.

Independent Directors shall conduct an annual self-assessment of their independence and submit the results to the Board of Directors. The Board of Directors shall assess the independence of incumbent independent Directors each year and issue a special opinion, which shall be disclosed concurrently with the annual report.

Board of Directors Committee

The Company’s Board of Directors has established an Audit Committee, which exercises the powers of the board of supervisors as provided under the Company Law and the securities regulatory rules of the place where the Company’s Shares are listed.

The Audit Committee comprises three non-executive Directors who do not hold senior management positions in the Company. Among them, two shall be independent Directors. The committee shall be convened by an accounting professional selected from the independent Directors, and at least one independent Director shall possess appropriate professional qualifications as required by the securities regulatory rules of the place where the Company’s Shares are listed, or have relevant expertise in accounting or financial management.

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

The Audit Committee is responsible for reviewing the Company’s financial information and its disclosure, supervising and evaluating internal and external audit work and internal controls. The following matters shall be submitted to the Board of Directors for deliberation after being approved by a majority of all members of the Audit Committee:

- (i) to disclose financial information and internal control evaluation reports in financial accounting reports and periodic reports;
- (ii) to appoint or dismiss the accounting firm responsible for the Company’s audit work;
- (iii) to appoint or dismiss the Company’s chief financial officer;
- (iv) to make changes to accounting policies or accounting estimates, or to correct material accounting errors, where such changes or errors are not due to changes in accounting standards;
- (v) to consider other matters as required by applicable laws, administrative regulations, the CSRC, the securities regulatory rules of the place where the Company’s Shares are listed, and the Articles of Association.

The Company’s Board of Directors has established the Strategy and Sustainable Development Committee, the Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee. These committees shall perform their duties in accordance with the Articles of Association and the authorization of the Board of Directors. Proposals made by these committees shall be submitted to the Board of Directors for a decision. The working procedures for the committees shall be formulated by the Board of Directors.. The Board of Directors may establish other special committees or adjust the existing committees as needed. Each committee shall have an odd number of members, and not fewer than three. The Audit Committee, the Remuneration and Appraisal Committee, and the Nomination Committee shall each comprises a majority of independent Directors. The Nomination Committee shall include at least one Director of a different gender. The convener of the Nomination Committee shall be an independent Director or the chairman, and the convener of the Remuneration and Appraisal Committee shall be an independent Director.

The Strategy and Sustainable Development Committee is mainly responsible for conducting research and making recommendations on the Company’s long-term development strategy and major investment decisions.

The Nomination Committee is responsible for formulating the selection criteria and procedures for Directors and senior management, identifying and reviewing candidates for Directors and senior management and their qualifications, and making recommendations to the Board of Directors on the following matters:

- (i) to nominate or appoint Directors;
- (ii) to hire or dismiss senior management;
- (iii) to consider other matters as required by laws, administrative regulations, the CSRC, the securities regulatory rules of the place where the Company’s Shares are listed, and the Articles of Association.

The Remuneration and Appraisal Committee is responsible for developing the performance appraisal standards for and evaluating the Directors and senior management, formulating and reviewing the remuneration policies and plans for Directors and senior management, including the remuneration determination mechanism, decision-making procedures, payment and clawback arrangements, and making recommendations to the Board of Directors on the following matters:

- (i) to determine the remuneration of directors and senior management;

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

- (ii) to formulate or revise equity incentive plans and employee stock ownership plans, and to confirm whether the incentive recipients have met the conditions for being granted entitlements or exercising their rights;
- (iii) to arrange shareholding plans for directors and senior management in subsidiaries that are intended to be spun off;
- (iv) to consider other matters as required by laws, administrative regulations, the CSRC, the securities regulatory rules of the place where the Company’s Shares are listed, and the Articles of Association.

Senior Management Members

The Company shall have one general manager, who shall be nominated by the chairman of the Board of Directors and appointed or dismissed by the Board of Directors. Depending on operational and management needs, the Company may appoint several deputy general managers, who shall be appointed or dismissed by the Board of Directors.

The term of office of the general manager shall be three years, and the general manager may be reappointed for consecutive terms. The general manager shall be responsible to the Board of Directors and shall exercise the following powers:

- (i) to preside over the Company’s production and business management activities, implement the resolutions of the Board of Directors, and report work to the Board of Directors;
- (ii) to implement the Company’s annual business plan and investment proposals;
- (iii) to formulate proposals for the establishment of internal management institutions of the Company;
- (iv) to proposals the Company’s basic management systems;
- (v) to formulate specific regulations of the Company;
- (vi) to exercise the authority of the legal representative;
- (vii) to propose to the Board of Directors the appointment or dismissal of deputy general managers, the chief financial officer and other senior management;
- (viii) to decide on the appointment or dismissal of management personnel other than those who should be appointed or dismissed by the Board of Directors;
- (ix) to formulate the remuneration, benefits, rewards, and penalties for the Company’s employees, and to decide on the hiring and dismissal of its employees.
- (x) to approve transactions that do not require approval by the shareholders’ meeting, the Board of Directors, or the chairman of the Board of Directors.
- (xi) other duties and authorities conferred by the Articles of Association and the Board of Directors.

The deputy general manager and the chief financial officer shall be nominated by the general manager and appointed or dismissed by the Board of Directors. The deputy general manager shall assist the general manager in the performance of duties. The procedures for the appointment and removal of the deputy general manager, the relationship between the deputy general manager and the general manager, and the authorities and responsibilities of the deputy general manager shall be stipulated in the working rules of the general manager.

The chief financial officer is in charge of the Company’s financial affairs, is responsible to the Board of Directors, and works under the leadership of the general manager.

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

The Company shall have a secretary to the Board of Directors, who is responsible for the preparation of the Shareholders’ meetings and Board meetings, the safekeeping of corporate documents, the management of shareholders’ information, and other related matters. The secretary to the Board of Directors shall be nominated by the chairman of the Board of Directors and appointed or dismissed by the Board of Directors. The secretary to the Board of Directors shall comply with the relevant provisions of laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company’s Shares are listed, and the Articles of Association. The secretary to the Board of Directors shall possess the requisite professional knowledge and experience. The disqualification provisions applicable to Directors under the Articles of Association shall also apply to the secretary to the Board of Directors.

FINANCIAL ACCOUNTING SYSTEM, DISTRIBUTION OF PROFITS AND AUDIT**Financial Accounting System**

The Company shall establish its financial and accounting system in accordance with laws, administrative regulations, relevant requirements of national authorities, and the securities regulatory rules of the place where the Company’s Shares are listed. The Company shall prepare its annual financial report within four months from the end of each financial year. The financial and accounting reports shall be prepared in accordance with applicable laws, administrative regulations, departmental rules, and the securities regulatory rules of the place where the Company’s Shares are listed.

The Company shall not establish accounting books other than the statutory accounting books. The assets of the Company shall not be deposited in any personal account.

When distributing after-tax profits of the year, the Company shall allocate 10% of its after-tax profits for the Company’s statutory reserve fund. When the aggregate balance in the statutory reserve fund has reached 50% or more of the Company’s registered capital, the Company needs not to make any further allocations to that fund.

Where the Company’s statutory reserve fund is not enough to make up for losses of the Company for the preceding year, the current year’s profits shall be applied firstly to make up for the losses before being allocated to the statutory reserve in accordance with the preceding provision. After making the allocation from the after-tax profits to the statutory reserve fund, the Company may also, upon a resolution of the shareholders’ meeting, make an allocation from its after-tax profits to the discretionary reserve fund. The remaining after-tax profits after the Company has made up its losses and made allocations to its reserve fund shall be distributed in proportion to the Shares held by the shareholders, unless otherwise provided in the Articles of Association.

Where the Company distributes profits to shareholders in violation of laws, regulations, the securities regulatory rules of the place where the Company’s Shares are listed, or the provisions of the Articles of Association, the shareholders shall return any profits distributed in violation of such provisions to the Company. If such distribution causes losses to the Company, the shareholders and the responsible Directors and senior management personnel shall be liable for compensation. Shares of the Company held by the Company itself shall not be entitled to any profit distribution.

The Company’s reserve fund are used to make up for its losses, to expand its production and operations, or to increase its registered capital. When using the reserve fund to make up for losses, the discretionary reserve fund and the statutory reserve fund shall be used first; if they are still insufficient to make up for the losses, the capital reserve may be used in accordance with the regulations. When the statutory reserve fund is converted into increased registered capital, the remaining balance of that reserve shall not be less than twenty-five percent of the Company’s registered capital before the conversion.

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

After the Company pays the income tax, the profit after making up the loss of the previous year shall be distributed in the following order: (i) withdrawal of statutory reserve fund; (ii) withdrawal of optional reserve fund; (iii) distribution to shareholders.

The Company implements an active, continuous, and stable profit distribution policy. Profit distribution should prioritize reasonable returns for investors while taking into account the Company’s actual operating performance and sustainable development for the year. Profit distributions must not exceed the scope of accumulated distributable profits and must not impair the Company’s ability to continue operating. The Company distributes profits in cash, stock, or a combination of cash and stock. The Company will prioritize cash distribution. Based on realistic and reasonable factors such as the Company’s cash flow, business growth, and net asset value per share, the Company may also distribute dividends in stock or a combination of cash and stock.

Internal Audit

The Company shall establish an internal audit system, which clearly stipulates the leadership system, responsibilities and authorities, personnel allocation, funding support, application of audit results and accountability for internal audit. The internal audit system of the Company shall be implemented upon approval by the Board of Directors and disclosed to the public. The Company’s internal audit institution supervises and inspects the Company’s business activities, risk management, internal control, financial information and other matters. The internal audit institution shall maintain its independence, appoint full-time auditors, and shall not be placed under the leadership of the finance department or co-located with the finance department.

Appointment of an Accounting Firm

The Company shall appoint such accounting firm which has complied with the Securities Law, and the securities regulatory rules of the place where the Shares of the Company are listed for carrying out the audit for the accounting statements, net asset verification, and other relevant consultancy services. The term of appointment shall be 1 year and can be re-appointed.

The Company guarantees that it shall provide the appointed accounting firm with true and complete accounting proofs, accounting books, financial and accounting reports and other accounting information, and that it engages without any refusal, withholding, and misrepresentation.

The appointment of accounting firm by the Company shall be subject to the approval of shareholders’ meetings. The Board shall not appoint any accounting firm before the approval of the shareholders’ meeting. The auditing fee of the accounting firm shall be determined by the shareholders’ meeting.

In the event of termination of the appointment or non-renewal of appointment of an accounting firm, the Company shall notify the accounting firm 30 days in advance; when the shareholders’ meeting votes on termination of appointment of an accounting firm, the accounting firm shall be allowed to make its representation. An accounting firm proposing to resign shall state its opinions in the shareholders’ meeting whether the Company has committed any improper act.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase, and Capital Reduction

If the Company is involved in a merger, all parties to the merger shall enter into a merger agreement, and prepare a balance sheet and a property list. The Company shall notify its creditors within 10 days as of the date of the resolution for the merger and shall publish an announcement through a newspaper or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) within 30 days as of the date of such resolution. Creditors may demand the Company to repay its debts or to provide the corresponding guarantee within 30 days from the receipt of the

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

notice or within 45 days from the date of announcement in case where they fail to receive such notice. At the time of merger, the creditor’s rights and debts of all parties to the merger shall be succeeded by the company which survives after the merger or the newly-established company.

Where there is a division of the Company, a balance sheet and a property list shall be prepared. The Company shall notify its creditors within 10 days as of the date of the resolution for the division and shall publish an announcement through a newspaper or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) within 30 days as of the date of such resolution. Unless a written agreement has been entered into, before the division, by the Company and its creditors in relation to the repayment of debts, debts of the Company prior to the division shall be jointly assumed by the surviving companies after the division.

Where the Company needs to reduce its registered capital, it shall prepare a balance sheet and a property list. The Company shall notify its creditors within 10 days as of the date of the resolution for the reduction of its registered capital and shall publish an announcement through a newspaper or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) within 30 days as of the date of such resolution. A creditor may within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, to demand the Company to repay its debts or provide guarantees for such debts. Where the Company reduces its registered capital, the amount of capital contribution or shares shall be reduced correspondingly in proportion to the shares held by its shareholders, unless otherwise provided by law or the Articles of Association.

Where an increase in registered capital of the Company is made by means of issue of new shares, the shareholders do not have any pre-emptive right unless otherwise provided in the Articles of Association or the shareholders’ meeting resolves that the shareholders shall have pre-emptive right.

Dissolution and Liquidation

The Company shall be dissolved upon the occurrence of the following events:

- (i) the cause of dissolution specified in the Articles of Association;
- (ii) a resolution on dissolution is passed by a shareholders’ meeting;
- (iii) dissolution is required due to the merger or division of the Company;
- (iv) the business license of the Company is revoked or the Company is ordered to close down or dissolved in accordance with the laws;
- (v) the Company suffers significant hardships in operation and management, and its continued existence would cause significant losses to shareholders’ interests, and such issues cannot be resolved through other means, shareholders representing 10% or above of the total voting rights of the Company may plead the court to dissolve the Company.

Upon the occurrence of events of dissolution specified in the preceding paragraph, the Company shall publicize the events of dissolution through the National Enterprise Credit Information Publicity System within 10 days.

Upon the occurrence of the situation described in item (i) and (ii) above, and the Company has not distributed any property to its shareholders, the Company may continue to exist by amending the Articles of Association or by resolution of the shareholders’ meeting. Amendments to the Articles of Association pursuant to the preceding paragraph or by resolution of the shareholders’ meeting shall be subject to the approval of more than two-thirds of the voting rights held by the shareholders present at the shareholders’ meeting.

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

If the Company is dissolved due to the provisions mentioned in items (i), (ii), (iv), and (v) above, a liquidation shall be conducted. The Directors shall be responsible for the liquidation and must form a liquidation committee within 15 days from the date the cause for dissolution arises to carry out the liquidation. The liquidation committee shall be composed of Directors or persons determined by the shareholders’ meeting. If the liquidation obligor fails to perform its liquidation obligations in a timely manner and causes losses to the Company or its creditors, it shall be liable for compensation. If the liquidation committee is not established within the prescribed period to conduct the liquidation, or if the liquidation committee is established but fails to conduct the liquidation, interested parties may apply to the People’s Court to appoint relevant personnel to form a liquidation committee to conduct the liquidation.

The liquidation committee shall exercise the following functions and power during the period of liquidation:

- (i) liquidating the properties of the Company, and preparing a balance sheet and a property list separately;
- (ii) informing creditors by a notice or public announcement;
- (iii) disposing of and liquidating the unfinished businesses of the Company;
- (iv) clearing off the outstanding taxes and the taxes incurred from the process of liquidation;
- (v) clearing off credits and debts;
- (vi) distributing the residual properties after settling such debt;
- (vii) participating in the civil litigation on behalf of the Company.

The liquidation committee shall notify the creditors within 10 days from the date of its establishment and announce it through a newspaper or the National Enterprise Credit Information Publicity System within 60 days. Creditors shall declare their claims to the liquidation committee within 30 days from the date of receiving the notice, or within 45 days from the date of the announcement if they have not received the notice. When declaring claims, creditors shall specify the relevant matters of the claims and provide supporting documents. The liquidation committee shall register the claims. During the period for declaring claims, the liquidation committee shall not make repayments to the creditors.

After the liquidation committee has sorted out the company’s assets, prepared the balance sheet and a property list, it shall formulate a liquidation plan and submit it to the shareholders’ meeting or the court for confirmation. The Company’s assets shall be used to pay the liquidation expenses, employees’ wages, social insurance fees, and statutory compensation, to pay the taxes owed, and to repay the Company’s debts. The remaining assets shall be distributed among the shareholders in proportion to their shareholdings. During the liquidation period, the Company shall continue to exist but shall not engage in any business activities unrelated to the liquidation. The Company’s assets shall not be distributed to the shareholders before the aforementioned provisions have been complied with.

Upon the completion of the Company’s liquidation, the liquidation committee shall prepare a liquidation report, submit it to the shareholders’ meeting or the court for confirmation, and file it with the company registration authority to apply for the cancellation of the Company’s registration. If the Company is declared bankrupt in accordance with the law, the bankruptcy liquidation shall be carried out in accordance with the relevant laws on enterprise bankruptcy.

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association in any of the following circumstances:

- (i) after amendments are made to the PRC Company Law or other relevant laws, administrative regulations and regulatory rules at the place where the Shares of the Company are listed, the provisions of the Articles of Association are in conflict with the provisions of the revised laws, administrative regulations and regulatory rules at the place where the Shares of the Company are listed;
- (ii) if certain changes of the Company occur resulting in the inconsistency with certain terms specified in the Articles of Association;
- (iii) the shareholders’ meeting has resolved to amend the Articles of Association.

Where the amendments to the Articles of Association passed by resolutions of the shareholders’ meetings require approval of the competent authorities, the amendments shall be submitted to the relevant authorities for approval. Where the amendments involve registration matters of the Company, the involved changes shall be registered in accordance with the laws. The Board shall amend the Articles of Association in accordance with the resolution of the shareholders’ meetings on amendment to the Articles of Association and the examination and approval opinions from relevant authorities. Any amendment to the Articles of Association that is required to be disclosed in accordance with laws and regulations shall be announced in accordance with provisions thereof.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of Our Company

Our Company was established as a limited liability company in the PRC on June 22, 2001 and converted into a joint stock company with limited liability in December 2019 under the laws of the PRC and completed the listing of our A Shares on the Shanghai Stock Exchange STAR Market (stock code: 688380) in August 2022. As of the Latest Practicable Date, the registered share capital of our Company was RMB400,365,000.

Our Company has established a place of business in Hong Kong at 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and has registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on September 10, 2025. Ms. Wong Hoi Ting (黃凱婷), the joint company secretary of our Company, has been appointed as our authorized representative for the acceptance of service of process in Hong Kong whose correspondence address is the same as our place of business in Hong Kong.

As our Company was established in the PRC, its operations are subject to the relevant laws and regulations of mainland China. A summary of the relevant aspects of laws and regulations of mainland China and the Article of Association is set out in Appendices IV and V to this document, respectively.

2. Changes in Share Capital of Our Company

Save as disclosed in the section headed “History, Development and Corporate Structure — Major Share Capital Changes and Development of our Company” there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this document.

3. Changes in Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants’ Report in Appendix I.

On February 11, 2026, China Micro Zixin was established under the laws of the PRC and with a registered capital of RMB100 million.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries during the two years immediately preceding the date of this document.

4. Resolutions of the Shareholders

Pursuant to the Shareholders’ meeting held on August 7, 2025 and September 10, 2025, the following resolutions, among others, were passed by our Shareholders: (a) the [REDACTED] by our Company of H Shares of nominal value of RMB1.0 each and such H Shares be [REDACTED] on the Hong Kong Stock Exchange be issued; (b) the number of H Shares to be [REDACTED] shall not be more than [REDACTED]% of the total issued share capital of our Company as enlarged by the [REDACTED] and before the exercise of the [REDACTED], and the grant to the [REDACTED] (or their representatives) of the [REDACTED] of not more than [REDACTED]% of the number of H Shares issued pursuant to the [REDACTED]; (c) subject to the completion of the [REDACTED], the adoption of the Articles of Association which shall become effective on the [REDACTED], and the authorization to the Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Listing Rules; and (d) authorization of our Board and its authorized person to handle all relevant matters relating to, among other things, the issue and [REDACTED] of the H Shares.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material:

- (a) [•]; and
- (b) the [REDACTED].

2. Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, we have registered the following trademarks, which we considered to be material to our business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1		9	Our Company	PRC	6278110	March 27, 2030
2		9	Our Company	PRC	74718590	July 6, 2034
3		9	Our Company	PRC	5014696	October 27, 2028
4	Cmsemicon	9	Our Company	PRC	4927007	September 6, 2028
5	Cmsemicon	9	Our Company	PRC	81375007	June 20, 2035
6	Cmsemicon	9	Our Company	PRC	81371920	June 20, 2035
7	中微	9	Our Company	PRC	46309662	September 6, 2031
8	CMSMotion	9	Our Company	PRC	71650967	December 13, 2033
9	CspMOS	42	China Micro (Shanghai)	PRC	51585644	July 27, 2031
10	CspMOS	9	China Micro (Shanghai)	PRC	51588335	August 27, 2031

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
11	CspMOS	35	China Micro (Shanghai)	PRC	51595971	August 13, 2031
12		9	Zhongshan Lianfa	PRC	9812223	March 6, 2034
13		9	Sichuan Xinlianfa	PRC	11826866	June 6, 2034
14		9	Sichuan Xinlianfa	PRC	16588485A	August 13, 2026

Patents

As of the Latest Practicable Date, we have registered the following patents which we consider to be material to our business:

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application
1	Single-Cell thermocouple stove ignition control circuit (單電池熱電偶竈具點火控制電路)	Invention patent	Our Company	PRC	ZL201911243668.8	December 6, 2019
2	A method and circuit for adjusting touch key sensitivity, and touch-switch (一種觸摸按鍵靈敏度調節方法、電路及觸摸開關)	Invention patent	Our Company	PRC	ZL201911079352.X	November 6, 2019
3	A drive-specific integrated circuit and thermostat (一種驅動專用集成電路及恆溫機)	Invention patent	Our Company and Chongqing Zhongke Xinyida Electronic Technology Co., Ltd.* (重慶中科芯億達電子有限公司)	PRC	ZL202010406877.6	May 14, 2020

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application
4	A PWM control circuit with constant power output and implementation method thereof (一種恆功率輸出的PWM控制電路及其實現方法)	Invention patent	Our Company	PRC	ZL202010550345.X	June 16, 2020
5	A current measurement method, circuit, and device employing same (一種電流測量方法、電路以及使用該電路的裝置)	Invention patent	Our Company	PRC	ZL202011434959.8	December 10, 2020
6	A touch-applied interference detection system and method (一種應用於觸摸的干擾檢測系統及方法)	Invention patent	Our Company	PRC	ZL202011436559.0	December 11, 2020
7	Electromagnetic heating control chip (電磁加熱控制芯片)	Invention patent	Our Company	PRC	ZL202110410824.6	April 16, 2021
8	Self-adaptive key value circuit and method for touch keys (觸摸按鍵鍵值自適應電路及方法)	Invention patent	Our Company	PRC	ZL202110725083.0	June 29, 2021
9	A low-dropout NMOS regulator and hysteresis control method thereof (一種低壓差NMOS型穩壓器及遲滯控制方法)	Invention patent	Our Company	PRC	ZL202111287283.9	November 2, 2021
10	A method, system, and computer device for transmitting BMC Code (一種發送BMC碼的方法、系統及計算機設備)	Invention patent	Our Company	PRC	ZL202111352952.6	November 16, 2021
11	Bandgap reference voltage source (帶隙基準電壓源)	Invention patent	Our Company	PRC	ZL202210231882.7	March 9, 2022
12	A method for fabricating reverse-conducting IGBT device (一種逆導型IGBT器件的製備方法)	Invention patent	Our Company	PRC	ZL201210559699.6	December 20, 2012

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application
13	A switch device for Lithium Battery Protection and Method for Fabricating the Same (一種用於鋰電保護的開關器件及其製作方法)	Invention patent	Our Company	PRC	ZL201710046716.9	January 19, 2017
14	A switch device for lithium battery protection and method for fabricating the same (一種用於鋰電保護的開關器件及其製作方法)	Invention patent	Our Company	PRC	ZL201710038841.5	January 19, 2017
15	Column decode circuit and EEPROM circuit incorporating the same (列選電路以及包含該列選電路的EEPROM電路)	Invention patent	China Micro (Sichuan)	PRC	ZL201810980297.0	August 27, 2018
16	Reference current generation circuit for EEPROM memory and method thereof (用於EEPROM存儲器的基準電流生成電路及生成方法)	Invention patent	China Micro (Sichuan)	PRC	ZL201810979922.X	August 27, 2018
17	A demodulation circuit (一種解調電路)	Invention patent	China Micro (Sichuan)	PRC	ZL201810980224.1	August 27, 2018
18	An ASK demodulation circuit and method thereof (一種ASK調幅信號解調電路及解調方法)	Invention patent	China Micro (Sichuan)	PRC	ZL201910007646.5	January 4, 2019
19	Wireless charging gas stove system with bidirectional communication capability (具備雙向通信能力的無線充電燃氣竈系統)	Invention patent	China Micro (Sichuan)	PRC	ZL201910991199.1	October 18, 2019
20	PWM dead time control system (PWM死區時間控制系統)	Invention patent	China Micro (Sichuan)	PRC	ZL201910998646.6	October 18, 2019

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application
21	A scenario-based signal self-adaptive processing method and electronic device for capacitive touch keys (一種電容觸摸按鍵的場景式信號自適應處理方法及電子裝置)	Invention patent	China Micro (Sichuan)	PRC	ZL201910993494.0	October 18, 2019
22	A motor control single-resistor sampling method (一種電機控制單電阻採樣方法)	Invention patent	China Micro (Sichuan)	PRC	ZL201911043120.9	October 30, 2019
23	An ASK Signal filtering method and device (一種ASK信號濾波方法及設備)	Invention patent	China Micro (Sichuan)	PRC	ZL201911063743.2	November 4, 2019
24	A rapid detection method and system for capacitive multi-touch keys (一種電容式觸摸多按鍵的快速檢測方法及系統)	Invention patent	China Micro (Sichuan)	PRC	ZL201911063735.8	November 4, 2019
25	ASK envelope detection system (ASK調幅信號包絡檢測系統)	Invention patent	China Micro (Sichuan)	PRC	ZL201910246455.4	March 28, 2019
26	A wireless power control device for LCD and method therefor (一種用於液晶顯示器的無線供電控制裝置和方法)	Invention patent	China Micro (Sichuan)	PRC	ZL201910577464.1	June 28, 2019
27	An anti-counterfeiting and gray market prevention system and method based on BLE Lite technology (一種基於BLE Lite技術的防偽防串貨系統和方法)	Invention patent	China Micro (Sichuan)	PRC	ZL201910579664.0	June 28, 2019
28	A structure and method using parasitic capacitance as ADC capacitor (一種用寄生電容做ADC電容的結構及方法)	Invention patent	China Micro (Sichuan)	PRC	ZL201910614659.9	July 9, 2019

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application
29	A secure method for arbitrarily switching chip operation modes and chip therefor (一種安全的任意切換芯片工作模式的方法和芯片)	Invention patent	China Micro (Sichuan)	PRC	ZL202010190523.2	March 18, 2020
30	A capacitive touch interference rejection device, system, and method (一種電容式觸摸抗干擾檢測裝置、系統及方法)	Invention patent	China Micro (Sichuan)	PRC	ZL202011347611.5	November 26, 2020
31	A capacitive touch interference rejection device, system, and method (一種電容式觸摸抗干擾檢測裝置、系統及方法)	Invention patent	China Micro (Sichuan)	PRC	ZL202110062720.0	January 18, 2021
32	Capacitance oscillation circuit, capacitance detection circuit, and detection method (電容振盪電路、電容檢測電路及檢測方法)	Invention patent	China Micro (Sichuan)	PRC	ZL202110262970.9	March 11, 2021
33	A touch chip testing method and system (一種觸摸芯片的測試方法和系統)	Invention patent	China Micro (Sichuan)	PRC	ZL202110928892.1	August 13, 2021
34	Testing method, device, computer equipment, and storage medium of touch chip (觸摸芯片的測試方法、裝置、計算機設備和存儲介質)	Invention patent	China Micro (Sichuan)	PRC	ZL202111042252.7	September 7, 2021
35	Motor drive circuit current and average power detection circuit (電機驅動電路的電流和平均功率檢測電路)	Invention patent	China Micro (Sichuan)	PRC	ZL202111563283.7	December 20, 2021
36	A data transmission System (一種數據傳輸系統)	Invention patent	China Micro (Sichuan)	PRC	ZL202210232112.4	March 2, 2022
37	A low-power electronic scale (一種低功耗電子秤)	Invention patent	China Micro (Sichuan)	PRC	ZL202310058264.1	January 17, 2023

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application
38	Chopping timing control method and system for reference voltage generator in sigma-delta ADC (一種用於 sigma-delta ADC 的參考電壓發生器的斬波時序控制方法及系統)	Invention patent	China Micro (Sichuan)	PRC	ZL202310056896.4	January 17, 2023
39	A microcontroller unit for enhancing CPU execution efficiency (一種提高中央處理器執行效率的單片機)	Invention patent	China Micro (Beijing)	PRC	ZL202010059657.0	January 19, 2020
40	A scalable function MCU architecture (一種可擴展功能的 MCU 架構)	Invention patent	China Micro (Beijing)	PRC	ZL202011422929.5	December 8, 2020
41	A three-phase current sampling method and system (一種三相電流採樣方法和系統)	Invention patent	China Micro (Chongqing)	PRC	ZL202110046255.1	January 14, 2021

Domain Name

As of the Latest Practicable Date, we have registered the following domain name which we consider to be material to our business:

Domain Name	Registered Owner	Expiry Date
mcu.com.cn	Our Company	December 24, 2030

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of our Directors, and the chief executive of our Company

Save as disclosed below, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), so far as our Directors are aware, none of our Director and chief executive has any interest or short positions in our Shares, underlying Shares or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Name	Position	Nature of interest	Class of Shares	Number of Shares	Approximate percentage interest in Shares of our Company immediately after the [REDACTED] ⁽¹⁾
Mr. Yang	Executive Director, Chairman of the Board	Beneficial Owner Interest of a party to an agreement ⁽²⁾	A Shares A Shares	126,000,000 97,292,700	[REDACTED]% [REDACTED]%
Mr. Zhou Yan (周彦)	Executive Director	Beneficial Owner Interest of a party to an agreement ⁽²⁾	A Shares A Shares	83,792,700 139,500,000	[REDACTED]% [REDACTED]%

Note:

- (1) The calculation is based on the total number of 400,365,000 A Shares and [REDACTED] H Shares in issue immediately following the completion of the [REDACTED], without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED].
- (2) Mr. Yang, Mr. Zhou Yan and Mr. Zhou Fei are parties to the Act-in-Concert Agreement, according to which Mr. Yang, Mr. Zhou Yan and Mr. Zhou Fei confirmed and agreed that they have acted and will continue to act in concert and collectively for all material management affairs and the arrival and/or execution of all commercial decisions, including but not limited to financial and operational matters, of our Group since date of the Act-in-Concert Agreement, and they have casted and will continue to cast unanimous vote collectively for or against all resolutions in all Board and Shareholders' meetings and discussions of the Group. Therefore, Mr. Yang, Mr. Zhou Yan and Mr. Zhou Fei are deemed to be jointly interested in the aggregate number of Shares held by each other.

(b) Interests of the Substantial Shareholders

For the information on the persons who will, immediately following the completion of the [REDACTED], have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, please refer to the section headed “Substantial Shareholders.”

2. Service Contracts

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

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

3. Remuneration of Directors and Supervisors

Save as disclosed in the section headed “Directors and Senior Management” and “Appendix I — Accountants’ Report — Notes to The Historical Financial Information — Directors’ and Supervisors’ Emoluments and Five Highest Paid Individuals”, for the years ended December 31, 2023, 2024 and 2025, none of our Directors received other remunerations of benefits in kind from us.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

4. Disclaimers

- (a) Save as disclosed in this document, none of the Directors or any of the experts referred to in “Other Information — Qualifications and Consents of Experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this Document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of our Group;
- (b) Save as disclosed in this document, none of the Directors or any of the experts referred to in “Other Information — Qualifications and Consents of Experts” below, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group;
- (c) None of our Directors is a director or employee of a company that has an interest in the share capital of the Company which, once the H Shares are [REDACTED] on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO;
- (d) So far as is known to the Directors, none of the Directors or their close associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the five largest customers or the five largest suppliers of the Group.

OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to be imposed on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in the sections headed “Business” and “Financial Information” in this document, as of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration or claim of material importance, and, so far as we are aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of our Group, which would have a material adverse effect on our financial condition or results of operations, taken as a whole.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Hong Kong Stock Exchange for the [REDACTED] of, and permission to [REDACTED] in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules, and the Sole Sponsor will receive a fee of RMB2.0 million to act as the sponsor to our Company in connection with the [REDACTED].

4. Preliminary expenses

As of the Latest Practicable Date, our Company has not incurred material preliminary expenses.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

5. Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions and/or advice in this document are as follows:

Name	Qualifications
China Securities (International) Corporate Finance Company Limited	A corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO
Grandway Law Offices	PRC legal advisor
BDO Limited	Certified Public Accountants
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
BDO Tax Limited	Independent Transfer Pricing Tax Consultant

6. Consents

Each of the experts as referred to in the paragraph headed “5. Qualifications of Experts” of this Appendix has given and has not withdrawn its respective written consents to the issue of this document with the inclusion of certificates, letters, opinions or reports and the references to its name included herein in the form and context in which it respectively included.

7. Taxation of Holders of H Shares

(1) Hong Kong

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further details in relation to taxation, please refer to the section headed “Appendix III — Taxation and Foreign Exchange” to this document.

(2) Consultation with professional advisers

Potential [REDACTED] in the [REDACTED] are urged to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or [REDACTED] in our H Shares (or exercising rights attached to them). None of our Company, our Directors, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], or any other person or party involved in the [REDACTED] accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, [REDACTED] in or the exercise of any rights in relation to our H Shares.

8. No Material Adverse Change

Except as otherwise disclosed in this document, our Directors confirm that, as of the date of this document, there has been no material adverse change in the financial or trading position of our Company since December 31, 2025 (being the date to which the latest condensed consolidated financial statements of our Company were prepared).

9. Promoters

Our Promoters at the time of our Company’s conversion into a joint stock company were Mr. Yang, Mr. Zhou Yan (周彦), Mr. Luo Yong (羅勇), Mr. Jiang Zhiyong (蔣智勇), Mr. Zhou Fei (周飛), Shunwei Xinhua and Shunwei Zhiyuan.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Save as disclosed in this document, within the two years preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the [REDACTED] and the related transactions described in this document.

10. Restrictions on Repurchase

For details, please refer to the sections headed “Appendix IV — Summary of Principal Legal and Regulatory Provisions” and “Appendix V — Summary of Articles of Association” to this document.

11. Binding Effect

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Bilingual Document

The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Miscellaneous

Save as otherwise disclosed in this document:

- (a) within the two years preceding the date of this document, (i) no share or loan capital of the Company or any of its subsidiary has been issued or has been agreed to issued fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted or agreed to be granted in connection with the issue or sale of any shares or loan capital of our Company or any of our subsidiaries;
- (b) no Share or loan capital of our Company of any of our subsidiary is under option or is agreed conditionally or unconditionally to be put under option;
- (c) there are no founder, management or deferred shares in the Company or any of its subsidiaries;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) there is no arrangement under which future dividends are waived or agreed to be waived;
- (f) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months;
- (g) save for our A Shares which are listed on the Shanghai Stock Exchange, our Company is not presently listed on any stock exchange or traded on any trading system; and
- (h) our Company is a joint stock limited company and is subject to the PRC Company Law.

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND ON DISPLAY

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

- (i) a copy of each of the material contracts referred to in the paragraph headed “Appendix VI — Statutory and General Information — Further Information about the Business of our Company — 1. Summary of Material Contracts” in this document; and
- (ii) the written consents referred to in the paragraph headed “Appendix VI — Statutory and General Information — Other information — 6. Consents” in this document.

B. DOCUMENTS AVAILABLE ON DISPLAY

Electronic Copies of the following documents will be available on display on the website of our Company at www.mcu.com.cn and on the website of the Stock Exchange at www.hkexnews.hk up to and including the date which is 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the accountants’ report prepared by BDO Limited, the text of which is set out in Appendix I to this document;
- (c) the audit consolidated financial statements of our Group for the financial years ended December 31, 2023, 2024 and 2025;
- (d) the report prepared by BDO Limited on the unaudited [REDACTED] financial information of our Group, the text of which is set out in Appendix II to this document;
- (e) the industry report issued by Frost & Sullivan referred to in the section headed “Industry Overview”;
- (f) the PRC legal opinions issued by Grandway Law Offices, our PRC Legal Advisor, in respect of, among other things, the general matters and property interests of our Group under the PRC laws;
- (g) the transfer pricing review memorandum issued by BDO Tax Limited, our Transfer Pricing Tax Consultant;
- (h) the service contracts between each of the Directors and the Company referred to in “Appendix VI — Statutory and General Information — Further Information About Our Directors — Particulars of the Service Contracts”;
- (i) the material contracts referred to in “Appendix VI — Statutory and General Information — Further Information About Our Business — Summary of Material Contract”;
- (j) the written consents referred to in “Appendix VI — Statutory and General Information — Other Information — Qualifications and Consents of Experts”; and
- (k) the Company Law of the People’s Republic of China, the Securities Law of the PRC, the Overseas Listing Trial Measures and the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》), together with unofficial English translations thereof.