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Application Proof of

Shanghai Fullhan Microelectronics Co., Ltd. 上海富瀚微电子股份有限公司

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

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Shanghai Fullhan Microelectronics Co., Ltd.

上海富瀚微电子股份有限公司

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

[REDACTED]

Number of [REDACTED] under the : [REDACTED] H Shares (subject to the
[REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to
reallocation)
Number of [REDACTED] : [REDACTED] H Shares (subject to
reallocation and the [REDACTED])
[REDACTED] : HK\$[REDACTED] per H Share, plus
brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of
0.00015% and Stock Exchange trading
fee of 0.00565% (payable in full on
[REDACTED] in Hong Kong dollars and
subject to refund)
Nominal value : RMB1.00 per H Share
[REDACTED] : [REDACTED]

Sole Sponsor, [REDACTED]



[REDACTED]

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[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

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EXPECTED TIMETABLE⁽¹⁾

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EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

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	Page
Expected Timetable	iv
Contents	vii
Summary	1
Definitions	14
Glossary of Technical Terms	23
Forward-looking Statements	29
Risk Factors	30
Waivers and Exemption	54
Information about this Document and the [REDACTED]	63
Directors and Parties Involved in the [REDACTED]	66
Corporate Information	70
Industry Overview	72

CONTENTS

Regulatory Overview	84
History, Development and Corporate Structure	96
Business	107
Directors and Senior Management	160
Substantial Shareholders	170
Share Capital	172
Financial Information	175
Future Plans and [REDACTED]	203
[REDACTED]	207
Structure of the [REDACTED]	216
How to Apply for [REDACTED]	224
Appendix I – Accountants’ Report	I-1
Appendix II – Unaudited [REDACTED] Financial Information	II-1
Appendix III – Summary of the Articles of Association	III-1
Appendix IV – Statutory and General Information	IV-1
Appendix V – Documents Delivered to the Registrar of Companies and Available on Display	V-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. Moreover, there are risks associated with any investment. Some of the particular risks of investing in the [REDACTED] are set out in “Risk Factors.” You should read the entire document carefully before you decide to invest in the [REDACTED]. Various expressions used in this section are defined in “Definitions” and “Glossary of Technical Terms.”

OVERVIEW

We are a key fabless chip designer and provider in China specializing in smart vision technologies. We focus on the design of vision processing ICs for security cameras, video recorders, and other vision devices in video, IoT and mobility applications.

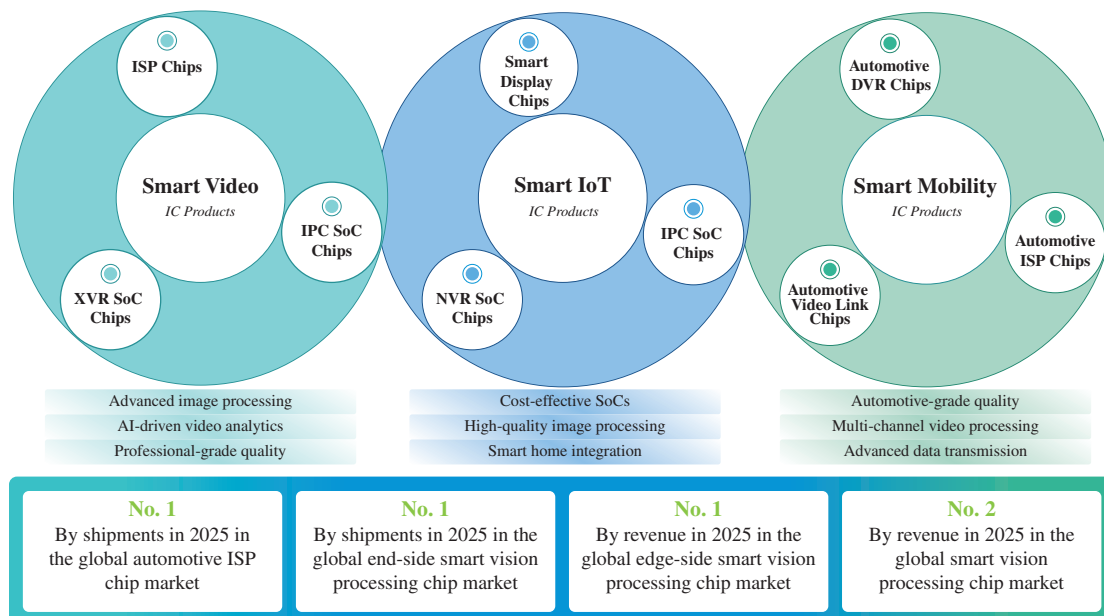
We are dedicated to powering an intelligent world with advanced vision technologies. According to Frost & Sullivan:

- We ranked No. 1 globally in terms of shipments in 2025 in the global end-side smart vision processing chip market, with a market share of over 20%.
- We ranked No. 1 globally in terms of shipments in 2025 in the global automotive ISP chip market, with a market share of over 50%.
- We ranked No. 2 globally in terms of revenue in 2025 in the global smart vision processing chip market, with a market share of 18.6%.

Our comprehensive offerings from end-side (such as security cameras) to edge-side (such as NVRs) chips combine advanced vision processing ICs with integrated on-chip AI capabilities, enhanced by bundled software development kits, application software and AI algorithms. These integrated solutions enable our customers to accelerate product development, facilitate seamless system integration, and address a wide spectrum of application requirements.

Through continuous investment in technological innovation, stringent quality assurance processes, and a prioritized focus on customer needs, we have fostered a virtuous cycle of technology advancement, product enhancement, network expansion, and constructive feedback. Our commitment to excellence is underscored by our ISO9001 certification, reflecting our dedication to the highest quality standards. These ongoing efforts have strengthened our market position in key specialized market segments. We have established ourselves as an established provider of smart vision processing chips and are rapidly emerging as a prominent player in the vision chip markets for smart IoT and smart mobility applications.

Below diagram illustrates our three IC product lines: (i) smart video; (ii) smart IoT; and (iii) smart mobility.



SUMMARY

The application scenarios of our IC products are set forth below:

Product Lines	End-side Devices	Edge-side Devices
Smart Video	IP cameras, video conferencing cameras, industrial cameras	DVRs/NVRs, AI boxes
Smart IoT	Home cameras, video doorbells, home appliances, wearable video products (sports cameras, smart watches, AI glasses), AI toys	Home NAS, home NVRs
Smart Mobility	Automotive cameras (such as DMS, OMS, AVM, CMS), dashboard displays	Automotive DVRs

We are committed to delivering value to our customers and building a strong, long-term global partnership network. We plan to leverage the growth opportunities created by AI-driven advancements in smart vision technologies to further strengthen our leadership in the vision processing chip market.

In 2023, 2024 and 2025, our total revenue was RMB1,822.4 million, RMB1,790.0 million and RMB1,688.2 million, respectively; while our net profit during those years was RMB252.4 million, RMB232.0 million and RMB120.3 million, respectively.

OUR COMPETITIVE STRENGTHS

We believe that we possess the following key competitive strengths that differentiate us from our competitors: (i) an established and prominent player in the smart vision chip market; (ii) a diverse product matrix creating technological synergy and integrated competitive barriers; (iii) anchored by key customer relationships, a diverse and collaborative customer ecosystem; (iv) building a competitive moat through AI innovation with technological expertise and insight; and (v) an outstanding management and R&D team with deep industry expertise.

OUR STRATEGIES

By focusing on the smart vision processing chip industry, we are committed to creating value for our customers through continuous R&D efforts and investment, on our path to becoming a leading global provider of smart vision IC solutions. To achieve this goal, we intend to implement the following business strategies: (i) capitalizing on a historic industry shift by integrating AI technologies; (ii) continuous investment in core technologies to lead the next generation of vision IC evolution; (iii) strengthening global footprint, exploring M&A opportunities, and charting a long-term growth trajectory; (iv) building a smart ecosystem with key customers to jointly expand our commercial footprint; and (v) enhancing talent pool to drive organizational vitality.

MARKET OPPORTUNITIES

With rapid advancements in AI, security cameras, NVRs and IoT devices are evolving into intelligent terminals capable of real-time decisions. This shift is driving upgrades in smart video, IoT, and mobility applications, creating sustained demand for high-performance vision IC. The industry is moving from function-oriented to scenario-driven innovation. Our broad product portfolio offers integrated, video-centric solutions that capitalize on this trend, with continuous technological updates to meet emerging AI application needs and advance vision IC development.

According to Frost & Sullivan, measured by shipment volume, the global vision AI SoC market grew from 77.1 million units in 2021 to 364.7 million units in 2025, representing a CAGR of 47.5%. The market is expected to further expand to 1,116.1 million units by 2030, with a projected CAGR of 22.8% from 2026 to 2030. In terms of revenue, the global smart device AI SoC market grew from US\$15.7 billion in 2021 to US\$45.0 billion in 2025, representing a CAGR of

SUMMARY

30.1% from 2021 to 2025. It is projected that by 2030, the market will further expand to US\$143.8 billion from US\$61.6 billion in 2026, with a CAGR of 23.6% from 2026 to 2030. From a development perspective, as AI applications in smart devices continue to deepen, the smart device AI SoC market is expected to enjoy broad and sustained growth potential in the future.

COMPETITION

We operate in a competitive market characterized by rapid technological evolution and diverse customer demands. The top three players in the global smart vision processing chip market occupied 58.3% of the global market share by the revenue in 2025. The competitive landscape is shaped by factors such as technological advancement, industry growth, production capacity and overall economic conditions. Our competition mainly centers on product innovation, performance, cost-efficiency and market responsiveness. We have developed a comprehensive product portfolio and solution capabilities covering core products such as IPC SoC chips, ISP chips and XVR SoC chips, forming a complete technology chain that supports our continued competitiveness.

We have established a strong position in the global smart vision IC market. According to Frost & Sullivan, in 2025, in the end-side smart vision processing chip market, we ranked first globally by shipments with 153.5 million units, first by revenue in China’s market for end-side smart vision processing chips and we ranked as the world’s second provider of smart vision processing chips in terms of revenues with a market share of 18.6%.

OUR PRODUCT LINES

We design and develop a broad range of ICs mainly for video processing. Our offerings include high-performance video SoCs and ISP which are designed to address the growing needs of the smart vision chips market. The table below shows the average price range and sales volume of our products by product line:

Product lines	Year ended December 31,					
	2023		2024		2025	
	Sales volume	ASP ⁽¹⁾	Sales volume	ASP ⁽¹⁾	Sales volume	ASP ⁽¹⁾
<i>Sales volume in thousands; ASP in RMB</i>						
Smart Video	79,781.6	15.3	90,815.9	13.3	93,281.0	10.8
Smart IoT	27,115.1	11.6	28,870.3	9.6	38,598.6	8.8
Smart Mobility	33,175.8	5.7	39,875.5	6.0	46,269.3	6.0

(1) Average selling price (“ASP”) is calculated through dividing revenue by the relevant sales volume during the same year/period, which represented the average price at which our products were sold to our customers.

See “Business — Our Products” for reasons of fluctuations.

Smart Video

We offer a broad portfolio of professional video chip solutions, ranging from analog to digital video technology and supporting both front-end cameras and back-end recorders. Our representative commercial video processing products comprise IPC SoCs chips, ISP chips, XVR SoC chips, and video link chips:

End-side/Edge-side	Applications	Representative Products
End-side	Network security cameras, Analog security cameras	IPC SoC chips: FH865X series, FH885X, FH8856v500 ISP chips: FH8536H, FH8556A

SUMMARY

End-side/Edge-side	Applications	Representative Products
Edge-side	Security DVR/NVR	XVR SoC chips: MC6670, MC6870, MC6880

Smart IoT

We have invested in developing lightweight intelligent camera chips for the smart IoT market. These products make AI chips more accessible and easier to adopt in daily life worldwide. Our representative smart IoT IC products comprise IPC SoCs, smart display SoC chips and NVR SoC chips:

End-side/Edge-side	Applications	Representative Products
End-side	IP cameras, Video doorbell, Home appliance camera	IPC SoC chips: FH862X series
	Wearable video products (sports cameras, smart watches, and AI glasses) AI toys	IPC SoC chips: MC6350
Edge-side	Home NAS, and wireless NVRs	NVR SoC chips: MC6810
	Digital photo album, Home appliance display	Smart display SoC chips: MC331X

Smart Mobility

We not only provide cost effective aftermarket ISP chips but also provide factory installed automotive-grade ISP chips meeting the technical specifications and reliability requirements of tier-1 suppliers and automotive manufacturers. Our products cover in-cabin and external camera systems, transmission links, and video recording platforms. Our representative smart mobility products are summarized below:

End-side/Edge-side	Application verticals	Representative Products
End-side	Factory installed automotive cameras: DMS, OMS, AVM, and CMS	Automotive-grade ISPs: FH832X series and FH833X series
	Aftermarket cameras: DMS, OMS, AVM, and CMS	Industrial-grade ISPs: FH8323, FH8333, FH8536H series, and FH8550M series
Edge-side	Automotive DVRs	Video link chips: FH6210M DVR Chips: MC6357AT, MC6630

OUR CORE TECHNOLOGY PORTFOLIO

Our business is built on a foundation of deeply integrated core technologies. With years of experience in technical innovation and talent development, we have mastered image signal processing, video encoding, and decoding, NPU, and fully customized chip design. This comprehensive technology stack enables us to create powerful, efficient, and highly optimized SoCs. The diagram below showcases our technology matrix:

SUMMARY



Our technologies work in synergy: our imaging signal processing technology creates a visual foundation; our video encoding technology manages data transmission with high efficiency; our NPU technology functions as the AI “brain”, with our neural network compilers technology acting as the crucial translator between software and hardware; and our custom chip design technology brings it all together on one chip. This comprehensive approach allows for integrated solutions with combined capabilities.

OUR MAJOR CUSTOMERS

Our customers include major IoT companies and reputable distributors. In 2023, 2024 and 2025, sales to our five largest customers amounted to RMB1,660.1 million, RMB1,582.5 million and RMB1,393.2 million, respectively, accounting for 91.1%, 88.4% and 82.5% of our total sales in the respective years. In 2023, 2024 and 2025, sales to our largest customer amounted to RMB1,301.6 million, RMB1,193.9 million and RMB951.0 million, accounting for 71.4%, 66.7% and 56.3% of our total sales in the respective years. See “Risk Factors — Risks Relating to Our Business and Industry — A substantial portion of our revenue has been derived from a small number of customers. The loss of, or significant reduction in the purchases by, one or more of such customers could materially and adversely affect our business, financial condition and results of operations.” One shareholder of our Single Largest Shareholder Group held approximately 13.2%

SUMMARY

of the issued share capital of our Company as of the Latest Practicable Date. She and her spouse respectively held approximately 1.6% and 10.5% of the equity interest in one of our customers, which was one of our five largest customers during the Track Record Period. According to the Listing Rules, this customer is not a connected person of our Company. Save as disclosed above, to the best knowledge of our Directors, all of our top five customers during the Track Record Period were Independent Third Parties and none of our Directors, their close associates or any Shareholder (who, to the knowledge of the Directors, owns more than 5% of the issued shares of our Company) had any interest in any of our five largest customers during the Track Record Period.

OUR MAJOR SUPPLIERS

Our suppliers include chip foundries and manufacturers of various components and parts used in the production of our chip products. In 2023, 2024 and 2025, purchases from our five largest suppliers amounted to RMB842.3 million, RMB1,094.3 million and RMB1,031.4 million, respectively, accounting for 79.6%, 80.6% and 85.5% of our total purchases in the respective years. In 2023, 2024 and 2025, purchases from our largest supplier amounted to RMB386.1 million, RMB619.5 million and RMB595.3 million, accounting for 36.5%, 45.6% and 49.4% of our total purchases in the respective years.

RISK FACTORS

We face risks including those set out in the section headed “Risk Factors.” As different investors may have different interpretations and criteria when determining the significance of risks, you should read the “Risk Factors” section in its entirety before you decide to invest in our H Shares. Some of the major risks that we face include: (i) the semiconductor industry is highly competitive and rapidly evolving. If we are unable to compete effectively with existing or new competitors, our sales, market share and profitability could be adversely affected; (ii) price pressures from market competition and fluctuating market conditions may negatively impact our revenue and gross profit margin; (iii) any industry downturn may in the future materially and adversely affect our business, results of operation and financial condition; (iv) a substantial portion of our revenue has been derived from a small number of customers. The loss of, or significant reduction in the purchases by, one or more of such customers could materially and adversely affect our business, financial condition and results of operations; (v) our R&D efforts are not guaranteed to yield the results we anticipate; (vi) we rely on a small number of suppliers. The loss of, or significant reduction in the selling from one or more of such suppliers could materially and adversely affect our business, financial condition and results of operations; and (vii) if we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.

SUMMARY OF KEY FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information during the Track Record Period. The summary financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements as set out in the Accountants’ Report in Appendix I to this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

Consolidated Statements of Profit or Loss

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB in thousands, except for percentages</i>					
Revenue	1,822,382	100.0%	1,790,007	100.0%	1,688,230	100%
Cost of Sales	(1,136,711)	(62.4)%	(1,123,382)	(62.8)%	(1,070,902)	(63.4)%

SUMMARY

	Year ended December 31,					
	2023		2024		2025	
	RMB in thousands, except for percentages					
Gross Profit	685,671	37.6%	666,625	37.2%	617,328	36.6%
Other income and gains	82,570	4.5%	116,053	6.5%	95,976	5.7%
Selling expenses.	(20,943)	(1.1)%	(27,318)	(1.5)%	(48,058)	(2.8)%
Administrative expenses	(128,430)	(7.0)%	(126,409)	(7.1)%	(138,090)	(8.2)%
Research and development expenses	(334,815)	(18.4)%	(349,898)	(19.5)%	(351,419)	(20.8)%
Reversal of impairment losses/(impairment losses) on financial assets, net	(1,095)	(0.1)%	(228)	0.0%	739	0.0%
Other expenses	(1,306)	(0.1)%	(23,006)	(1.3)%	(26,484)	(1.6)%
Finance costs	(33,149)	(1.8)%	(29,830)	(1.7)%	(31,343)	(1.9)%
Share of loss of associates	(1,429)	(0.1)%	(1,794)	(0.1)%	(3,522)	(0.2)%
Profit/(loss) before tax	247,074	13.6%	224,195	12.5%	115,127	6.8%
Income tax (expense)/credit	5,293	0.3%	7,765	0.4%	5,213	0.3%
Profit for the year/period	252,367	13.8%	231,960	13.0%	120,340	7.1%

Revenue

During the Track Record Period, our revenue, primarily derived from IC sales of our smart video, smart IoT, and smart mobility products. We also generate revenue from providing technical services and other ancillary activities.

Revenue by Product Line

The following table sets forth a breakdown of our revenue by major product lines, in absolute amounts and as a percentage of total revenue, for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB in thousands, except for percentages					
Smart Video	1,218,584	66.9%	1,203,950	67.3%	1,003,933	59.5%
Smart IoT	313,798	17.2%	278,057	15.5%	338,833	20.1%
Smart Mobility	188,045	10.3%	237,107	13.2%	279,520	16.6%
Others ⁽¹⁾	101,955	5.6%	70,893	4.0%	65,944	3.8%
Total	1,822,382	100.0%	1,790,007	100.0%	1,688,230	100.0%

(1) Primarily included technical and other ancillary service fees, which we mainly provided customized chip solutions for our customers.

See “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2025 Compared to Year Ended December 31, 2024 — Revenue” and “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2024 Compared to Year Ended December 31, 2023 — Revenue” for reasons of material fluctuations.

SUMMARY

Revenue by Geographical Location

The following table sets forth a breakdown of our revenue by geographical location, in absolute amounts and as a percentage of total revenue, for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
<i>RMB in thousands, except for percentages</i>						
Chinese Mainland	1,656,414	90.9%	1,652,472	92.3%	1,516,951	89.9%
Overseas	165,968	9.1%	137,535	7.7%	171,279	10.1%
Total	1,822,382	100.0%	1,790,007	100.0%	1,688,230	100.0%

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by product line and geographical location 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
<i>RMB in thousands, except for percentages</i>						
<i>By product line and service</i>						
Smart Video	445,709	36.6%	449,228	37.3%	358,720	35.7%
Smart IoT	96,627	30.8%	74,113	26.7%	70,024	20.7%
Smart Mobility	82,966	44.1%	113,182	47.7%	130,715	46.8%
Others	60,369	59.2%	30,102	42.5%	57,869	87.8%
<i>By geographic location</i>						
Chinese Mainland	618,640	37.3%	607,495	36.8%	528,678	34.9%
Overseas	67,030	40.4%	59,130	43.0%	88,650	51.8%
Total	685,671	37.6%	666,625	37.2%	617,328	36.6%

See “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2025 Compared to Year Ended December 31, 2024 — Gross Profit and Gross Profit Margin” and “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2024 Compared to Year Ended December 31, 2023 — Gross Profit and Gross Profit Margin” for reasons of material fluctuations.

Summary of Consolidated Statements of Financial Position

	As of December 31,		
	2023	2024	2025
<i>RMB in thousands</i>			
Total current assets	2,686,192	2,967,837	3,223,902
Total non-current assets	991,146	914,073	923,857
Total assets	3,677,338	3,881,910	4,147,759

SUMMARY

	As of December 31,		
	2023	2024	2025
	<i>RMB in thousands</i>		
Total current liabilities	317,026	327,816	446,684
Total non-current liabilities	576,107	582,296	602,047
Total liabilities	893,133	910,112	1,048,731
Net current assets	2,369,166	2,640,021	2,777,218
Net assets	2,784,205	2,971,798	3,099,028
Share Capital	230,587	231,807	232,533
Treasury shares	–	(70,624)	(70,624)
Reserves	2,315,037	2,597,855	2,749,131
Non-controlling interests	238,581	212,760	187,988
Total Equity	2,784,205	2,971,798	3,099,028

During the Track Record Period, our total net assets increased steadily from RMB2,784.2 million as of December 31, 2023, to RMB2,971.8 million as of December 31, 2024, and further to RMB3,099.0 million as of December 31, 2025. The fluctuations in our net assets during the Track Record Period were a result of our organic profit accumulation, the strategic use of equity incentives, and our proactive capital management through share repurchases and dividends.

Our total net assets increased from RMB2,784.2 million as of December 31, 2023, to RMB2,971.8 million as of December 31, 2024. This increase was primarily attributable to our profit for the year of RMB232.0 million and the implementation of our equity incentive plans. Specifically, the exercise of share options by our employees and the recognition of equity-settled share-based payments resulted in an increase in our equity of RMB45.0 million and RMB8.6 million, respectively. These increases were partially offset by our repurchase of treasury shares of RMB70.6 million and our dividend distributions to shareholders of RMB27.4 million in 2024.

Our total net assets further increased to RMB3,099.0 million as of December 31, 2025, compared to RMB2,971.8 million as of December 31, 2024. This growth was primarily driven by our profit for the year of RMB120.3 million. In addition, the exercise of employee share options and the recognition of equity-settled share-based payments contributed RMB31.7 million and RMB3.1 million to our total equity, respectively. These growth factors were partially offset by our dividend distributions of RMB27.6 million in 2025.

Cash Flows

The following table sets forth selected cash flow statement information for the period indicated:

	Years ended December 31,		
	2023	2024	2025
	<i>RMB in thousands</i>		
Net cash flows from operating activities . .	453,202	283,566	444,054
Net cash flows used in investing activities	(39,125)	(112,935)	(75,368)
Net cash flows from/(used in) financing activities	(51,976)	(106,282)	8,610
Net increase/(decrease) in cash and cash equivalents	362,101	64,349	377,296

SUMMARY

	Years ended December 31,		
	2023	2024	2025
	<i>RMB in thousands</i>		
Cash and cash equivalents at beginning of the period	1,316,680	1,682,654	1,746,378
Cash and cash equivalents at end of the period	1,682,654	1,746,378	2,102,034

Key Financial Ratios

The following table sets forth our key financial ratios for the period/as of the date indicated:

	As of/Year ended December 31,		
	2023	2024	2025
Gross profit margin ⁽¹⁾	37.6%	37.2%	36.6%
Current ratio ⁽²⁾	8.47	9.05	7.22
Gearing ratio ⁽³⁾	23.1%	21.4%	22.0%

- (1) Gross profit margin is calculated as gross profit for the period divided by revenue for the corresponding period and multiplied by 100%.
- (2) Current ratio is calculated as current assets divided by current liabilities as of the end of the relevant period.
- (3) Gearing ratio is calculated as total debts, comprising borrowings, convertible bonds and lease liabilities, divided by total equity as of the end of the relevant period.

[REDACTED]

FUTURE PLANS AND [REDACTED]

We estimate that the [REDACTED] from the [REDACTED] will be approximately HK\$[REDACTED] million, assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the [REDACTED] of HK\$[REDACTED] per Share to HK\$[REDACTED] per Share, after deducting [REDACTED] and estimated [REDACTED] expenses paid and payable by us in the [REDACTED], taking into account any additional discretionary incentive fee.

SUMMARY

We intend to use the [REDACTED] from the [REDACTED] for the following purposes:

- approximately [REDACTED], or HK\$[REDACTED], will be used for the expansion of our R&D team and capabilities in the next three years;
- approximately [REDACTED], or HK\$[REDACTED], will be allocated to expanding our product portfolio and enriching applications in the next three years;
- approximately [REDACTED], or HK\$[REDACTED], will be used to expand our domestic and overseas marketing and technical support in the next three years starting with Southeast Asia. These funds will help set up R&D and marketing centers abroad and improve regional technical services to drive global growth;
- approximately [REDACTED], or HK\$[REDACTED], will be allocated for strategic investments and acquisitions over the next three to five years, targeting core video, audio, and transmission technologies that complement our existing portfolio. These funds may support further investment in current portfolio companies or the acquisition of assets or businesses with synergistic technologies, intellectual property, products, or solutions relevant to emerging applications; and
- approximately [REDACTED], or HK\$[REDACTED], will be used for working capital and general corporate purposes.

See “Future Plans and [REDACTED]” for further details.

[REDACTED]

SUMMARY

[REDACTED]

DIVIDEND POLICY

In 2023, 2024 and 2025, we declared and paid final dividends in respect of the previous year of RMB41.4 million, RMB27.4 million and RMB27.6 million. Subject to 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 pursuant to our dividend policy under the Articles of Association, if we record profit and positive accumulated undistributed profits for a given year, we will distribute no less than 10% of the distributable profits realized in that year (calculated based on the lower of the distributable profits in the consolidated financial statements or the parent company’s financial statements), except for under special circumstances as stipulated in our Articles of Association. Our future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of both. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders’ meetings as well as our Articles of Association and the relevant PRC laws.

We do not have a fixed dividend distribution ratio. Our Board may recommend dividend distributions after considering factors such as industry characteristics, stage of development, business model, profitability, debt repayment capacity, significant capital expenditure plans, investor returns, and any other matters deemed relevant. Subject to applicable PRC laws and regulations and in accordance with our Articles of Association, provided the conditions for cash dividend distribution are satisfied, we shall distribute not less than 10% of the lower of distributable profits between the consolidated financial statements and the parent company for the relevant fiscal year as cash dividends annually.

SUMMARY

LISTING ON THE CHINEXT OF THE SHENZHEN STOCK EXCHANGE

Since February 2017, our Company has been listed on the Shenzhen Stock Exchange. As of the Latest Practicable Date, our Directors confirmed that we had no instances of material non-compliance with the rules of the Shenzhen Stock Exchange and other applicable securities laws and regulations of the PRC in any material respects since our A-Share Listing, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors’ attention in relation to our compliance record on the Shenzhen Stock Exchange. As advised by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, our Company has not been subject to any material administrative penalties or regulatory measures imposed by the CSRC, the Shenzhen Stock Exchange or other PRC securities regulatory authorities. Based on the independent due diligence conducted by the Sole Sponsor and our PRC Legal Adviser’s view above, no material matter 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 our Company on the Shenzhen Stock Exchange.

RECENT DEVELOPMENT

Based on our unaudited management accounts, we recorded a substantial increase in both revenue and net profit for the three months ended March 31, 2026 as compared to the corresponding period in 2025. This growth was primarily underpinned by a robust increase in total sales volume of over 55% and an expansion in blended ASP of more than 10%. Specifically, our smart video segment saw revenue growth exceeding 65% period-on-period, supported by a volume increase of nearly 60% and a relatively stable ASP. Our smart mobility segment recorded revenue growth of over 65%, fueled by a volume surge of more than 70% and a relatively stable ASP. This steady upward trend reflects the overall resilience of end-market demand and our continued successful market penetration. Furthermore, our smart IoT segment achieved a remarkable revenue jump of over 140%, resulting from a volume increase of above 85% and a significant ASP expansion of more than 30%, primarily attributable to overall resilience of end-market demand.

Our 2026 first quarterly report was published on the Shenzhen Stock Exchange in April 2026.

On April 27, 2026, we adopted the 2026 Restricted Stock Incentive Plan to incentivize our key senior management and employees, which is subject to subsequent implementation by our Board within 60 days of such approval. As of the Latest Practicable Date, no shares have been granted under this plan. See “History — Major Shareholding Changes of Our Company” and “Appendix IV — Statutory And General Information — C. Further Information About Our Directors And Substantial Shareholders — 6. Share Incentive Plans” for details.

Our Directors confirmed that, as of the date of this document, there has been no material adverse change in our financial position since December 31, 2025, and there has been no event since December 31, 2025 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set forth below. Certain technical terms are explained in “Glossary of Technical Terms.”

“2021 Convertible Bonds”	the publicly issued convertible bonds in the aggregate principal amount of RMB581,190,000 by our Company in August 2021, which were listed on the Shenzhen Stock Exchange (bond code: 123122) on August 24, 2021
“2021 Stock Option Incentive Plan”	the stock option incentive plan adopted by our Company on February 4, 2021, to attract and retain our key employees
“2022 Stock Option Incentive Plan”	the stock option incentive plan adopted by our Company on March 23, 2022, to attract and retain our key employees
“2026 Restricted Stock Incentive Plan”	the restricted incentive plan adopted by our Company on April 27, 2026, to attract and retain our key employees
“A Share(s)”	ordinary shares issued by our Company, with a nominal value of RMB1.0 each, which are listed on the ChiNext of the Shenzhen Stock Exchange and traded in Renminbi
“A Shareholder(s)”	holder(s) of A Share(s)
“Accountants’ Report”	the accountants’ report of our Company for the Track Record Period, as included in Appendix I to this document
“Acting in Concert Agreement”	the concert party agreement entered into by and among Mr. Yang, Ms. Chen, Mr. Gong, and Quick Talent on December 9, 2016
“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 of Hong Kong
“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 III to this document
“Board” or “Board of Directors”	the board of Directors of our Company
“business day”	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
“CAGR”	compound annual growth rate

DEFINITIONS

[REDACTED]

“China,” “Chinese Mainland” or “PRC”	the People’s Republic of China, excluding, for the purpose of this document (unless otherwise indicated), the Hong Kong Special Administrative Region, the Macau Special Administrative Region, and the Taiwan Province
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“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
“Company,” “our Company,” or “the Company”	Shanghai Fullhan Microelectronics Co., Ltd., a joint stock company with limited liability incorporated in China on April 16, 2004 (including its predecessor, Shanghai Fullhan Microelectronics Co., Ltd. (上海富瀚微電子有限公司)), the A shares of which have been listed on the ChiNext of the Shenzhen Stock Exchange (stock code: 300613)
“Compliance Adviser”	Altus Capital Limited (浩德融資有限公司)
“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”	enterprise income tax
“EIT Law”	PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》)
“ESG”	environmental, social and governance
“Exchange Participant(s)”	a person (a) who, in accordance with the Rules of the Stock Exchange, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange

DEFINITIONS

“Extreme Conditions” 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

“FVTPL” fair value through profit and loss

[REDACTED]

“F&S” or “Frost & Sullivan” Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant and an Independent Third Party

“F&S Report” an independent market research report prepared by F&S, which was commissioned by our Company for the purpose of this document

[REDACTED]

**“Group,” “our Group,”
“the Group,” “we,” “us,”
or “our”** our Company and its subsidiaries, or our Company and any one or more of its subsidiaries, as the context may require

“Guide for New Listing Applicants” or “Guide” the Guide for New Listing Applicants issued by the Stock Exchange in December 2023, with effect from January 1, 2024, as amended, supplemented, or otherwise modified from time to time

“H Share(s)” shares in the share capital of our Company with a nominal value of RMB1.0 each, which are to be subscribed for and traded in HK dollars and to be [REDACTED] on the Stock Exchange

“H Shareholder(s)” holder(s) of H Share(s)

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars,” “HKD,” or “HK\$”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

[REDACTED]

“IAS”	International Accounting Standards
“IATF”	International Automotive Task Force

DEFINITIONS

“IFRSs” International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee

“Independent Third Party(ies)” any entity(ies) or person(s) who, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules

[REDACTED]

“ISO” International Organization for Standardization

“Latest Practicable Date” April 20, 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

“Legend Holdings” Legend Holdings Corporation, a company listed on the Stock Exchange (stock code: 3396)

[REDACTED]

“Listing Rules” or “Hong Kong Listing Rules” the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

DEFINITIONS

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange
“MOF”	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)
“Molchip Technology”	Molchip Technology (Shanghai) Co., Ltd. (眸芯科技(上海)有限公司), a limited liability company established in China on March 29, 2018, and one of our major subsidiaries
“Mr. Gong”	Mr. Gong Chuanjun (龔傳軍先生), a member of the Single Largest Shareholders Group
“Mr. Yang”	Mr. Yang Xiaoqi (楊小奇先生), our Director, Chairman and chief executive officer, a founding shareholder of our Company, and a member of the Single Largest Shareholders Group
“Ms. Chen”	Ms. Chen Chunmei (陳春梅女士), a founding shareholder of our Company and a member of the Single Largest Shareholders Group

[REDACTED]

“Orient Qihui”	Tibet Orient Qihui Investment Co., Ltd. (西藏東方企慧投資有限公司), an investment company established in China on September 22, 2014, and one of our Shareholders

[REDACTED]

DEFINITIONS

[REDACTED]

“PRC Company Law” or “Company Law”	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
“PRC Legal Adviser”	King & Wood, the PRC legal adviser to our Company
“PRC Securities Law” or “Securities Law”	Securities Law of the People’s Republic of China (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time

[REDACTED]

“Quick Talent”	Quick Talent Holdings Ltd (杰智控股有限公司), a private limited company established in Hong Kong on September 22, 2010, which is a member of the Single Largest Shareholders Group
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency of Chinese Mainland
“SAC”	Securities Association of China (中國證券業協會)
“SAFE”	State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
“SAT”	State Administration of Taxation of the PRC (國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time

DEFINITIONS

“Shanghai YG”	Shanghai YG Electronics Technology Co., Ltd. (上海仰歌電子科技有限公司), a limited liability company established in China on May 11, 2015, and one of our major subsidiaries
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB1.0 each
“Shareholder(s)”	holder(s) of our Share(s)
“Share Incentive Plans”	the 2026 Restricted Stock Incentive, the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan
“Single Largest Shareholders Group”	the group of our single largest shareholders as described in “History, Development and Corporate Structure — Our Single Largest Shareholders Group”
“SOE(s)”	state-owned enterprise(s)
“Sole Sponsor” or “[REDACTED]”	Huatai Financial Holdings (Hong Kong) Limited
“sq.m.”	square meter(s)
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Stock Option Incentive Plans”	the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan
“Strategy and ESG Committee”	the strategy and ESG committee of the Board
“SZSE”	Shenzhen Stock Exchange
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the years ended [December 31, 2023, 2024 and 2025]
	[REDACTED]
“United States,” “U.S.,” or “US”	the United States of America, its territories, its possessions, and all areas subject to its jurisdiction

DEFINITIONS

“U.S. dollars,” “US dollars,” “USD,” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“VAT”	Value-Added Tax

[REDACTED]

“%” per cent

In this document, the terms “associate,” “close associate,” “connected person,” “core connected person,” “connected transaction,” and “subsidiary” shall have the meanings ascribed to such terms under the Listing Rules, unless the context otherwise requires.

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. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, companies, natural persons or other entities (including certain of our subsidiaries) have been included in this document in both the Chinese and English languages. In the event of any inconsistency, the Chinese version shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this document. These terms and their meanings may not correspond to standard industry meanings or usage, and may not be comparable to similar terms adopted by other companies.

“4K”	image or display resolution of 800w with 3840 horizontal pixel and 2160 vertical pixel
“8K”	image of display resolution of 1600w with 7680 horizontal pixel and 4320 vertical pixel
“AEC-Q100”	failure mechanism based stress test qualification for integrated circuits in automotive applications, an automotive electronics council standard
“AES encryption”	the advanced encryption standard, a widely adopted symmetric-key encryption algorithm that encrypt and decrypt data blocks of a fixed size of 128 bits by using the same secret key. AES supports multiple key lengths such as 128, 192, and 256 bits to provide different levels of security strength
“AI-BOX”	an edge computing product deployed in customer data centers. It features wide adaptability, low deployment and maintenance costs, and edge computing cloud-edge collaboration
“Analog Camera”	camera for video signal transmission in analog mode
“AR”	augmented reality, a technology that overlays digital information, such as images, sounds and other data, onto the real-world environment in real-time, enhancing the user’s perception and interaction with the surroundings
“AVM”	around view monitor, a driving assistance system that captures environmental images through multiple cameras around the vehicle to create a 360-degree panoramic images through image processing technology
“BOM”	bill of materials, a comprehensive, hierarchical list of all raw materials, sub-assemblies, intermediate assemblies, and parts, along with their quantities, needed to manufacture a finished product
“CFA”	color filter array, a mosaic of tiny color filters placed over the pixel sensors of an image sensor to capture color information
“CMOS”	complementary metal oxide semiconductor, a widely used semiconductor technology and manufacturing process for integrated circuits that combines p-type and n-type MOSFETs to create low-power, high-reliability circuits for digital devices like processors, memory, and sensors

GLOSSARY OF TECHNICAL TERMS

“CMS”	camera monitor system, an indirect vision device that obtains a specified vision through a system composed of a camera and a monitor, and is mainly used to replace the traditional exterior rearview mirror of automobiles
“CPU”	central processing unit, an integrated circuit that serves as the computational and control core of an electronic product
“die”	an individual chip obtained from a wafer after it has undergone cutting and extraction processes
“DDR”	double data rate synchronous dynamic random-access memory
“DMS”	driver monitor system, which uses interior cameras and sensors to track a driver’s alertness and focus, detecting signs of drowsiness or distraction through eye movements, head position, and facial expressions
“DSP”	digital signal processor/processing, the process of using digital computers to analyze, modify, or improve real-world signals like sound or images that have been converted from analog to digital form
“DVR/NVR/XVR”	digital video recorder records analog cameras using coaxial cables; network video recorder records IP cameras over a network; extended video recorder can freely switch between the working modes of the traditional digital video recorder and the network video recorder, and supports various video stream formats
“EDA”	electronic design automation, the process and industry that uses specialized software, hardware, and services to automate the design, simulation, verification, and manufacturing of electronic systems like integrated circuits and printed circuit boards
“eMMC”	embedded multi-media card, a type of integrated, non-volatile storage that combines NAND flash memory and a controller on a single chip, soldered directly to a device’s circuit board
“Fabless”	a business model in the semiconductor industry where a company designs and sells hardware devices and semiconductor chips but outsources the fabrication of the devices to a specialized manufacturer called a foundry
“FLASH”	flash memory, a type of non-volatile semiconductor memory IC, which retains stored information even when powered off, featuring the ability to be repeatedly read, erased and written, and is considered a major category of memory products

GLOSSARY OF TECHNICAL TERMS

“ Foundry ”	factories and enterprises specializing in wafer processing and contract manufacturing
“ Gigabit Ethernet ”	a computer network technology with a standard transmission rate of 1 gigabit per second
“ H.264/AVC ”	a video compression standard, also known as Advanced Video Coding, which is proposed by the joint video group composed of ITU-T video expert group (VCEG) and ISO/ISE moving picture expert group (MPEG) and is widely used for encoding and decoding video data
“ H.265/HEVC ”	new generation of video compression standard following H.264
“ H.266/VVC ”	the latest generation of video compression standard
“ H3A ”	the functions of AE, AF and AWB are completed by hardware
“ HD ”	high definition, a high degree of detail in an image or screen, with a resolution of 720p or above
“ HDMI ”	high-definition multimedia interface, a digital interface for transmitting high-quality video and audio signals between devices like TVs, computers, and gaming consoles using a single cable
“ IC ”	integrated circuit, a set of electronic circuits on a small semiconductor chip, typically made of silicon, that functions as the essential building block for most electronic devices. In the semiconductor industry, ICs are designed, manufactured, and assembled to enable a wide range of applications, including computers, mobile phones, and various digital and analog devices
“ IoT ”	internet of things, a network of interconnected devices that communicate and exchange data with each other over the internet
“ IPC ”	IP camera, a type of digital video camera that receives control data and sends image data via an IP network
“ IR-CUT FREE ”	a technical solution to resolve the problem of day and night image switching, which is used to save traditional mechanical IR-CUT filters and achieve all-day output of natural color and sufficient brightness monitoring images without relying on physical switching filters
“ ISP ”	image signal processing, a specialized processor used to convert raw image data captured by a camera sensor into a high-quality, viewable image

GLOSSARY OF TECHNICAL TERMS

“KGD”	known good die, unpackaged chips that are fully tested and confirmed to meet the standards of packaged products in terms of functionality, performance, and reliability
“LiDAR”	light detection and ranging, an option technology that measures distances by sending and receiving laser light
“Mask”	the graphic negative used for the process steps that are realized by photolithography technology in the manufacture of IC
“MIPI”	a set of open standards developed by the MIPI Alliance, which defines a series of high-speed serial interface specifications
“NAS”	network-attached storage, a dedicated centralized storage device that provides data access over a network. It uses file-level protocols to provide a centralized shared storage space for authorized users and client computers on the network
“NPU”	neural-network processing unit, a specialized processor designed to accelerate AI and machine learning tasks, especially those involving neural networks, by efficiently handling the complex matrix and vector arithmetic required by these algorithms
“ODM”	original design manufacturer, which designs and produces a product that a client then sells under their own brand, often with only minor customizations
“OEM”	original equipment manufacturer, which produces a product using another company’s design and specifications
“OMS”	occupant monitoring system, which uses sensors and AI to detect and interpret the presence, position, and behavior of people inside a vehicle to enhance safety and convenience
“ONNX”	an open model format standard, which defines a universal intermediate representation that enables seamless conversion and deployment of deep learning models across different frameworks such as PyTorch and TensorFlow, and hardware platforms, thereby addressing the fragmentation of the AI ecosystem and improving model interoperability and deployment efficiency
“Packaging”	the course that assembles the integrated circuit into the final product of the chip, including the process course of chip installation, fixing, sealing, etc.
“PCIe”	peripheral component interconnect express, a high-speed standard used to connect hardware components inside computers

GLOSSARY OF TECHNICAL TERMS

“PHY”	physical layer, the lowest level of a network, responsible for the actual transmission of raw data bits over a physical medium like cables or radio waves
“PyTorch”	an open source Python machine learning library, based on Torch library, and the bottom layer is implemented by C++, which is applied to AI fields such as CV and natural language processing
“P&R”	place and route
“RGBIR/RGB-IR”	red/green/blue and infrared sensor, an image sensing technology that replaces some pixels in the traditional Bayer filter array with filters that specifically sense infrared light, simultaneously capturing color images and infrared information on a single chip
“RISC-V”	an open standard instruction set architecture based on established reduced instruction set computer principles
“RTOS”	real time operating, a specialized operating system designed for applications with critical timing constraints
“RTL Freeze”	finalization of register-transfer level code functionality and interfaces
“SaaS”	software as a service, a cloud-based software delivery model in which providers host application and make them available to users over the internet
“SATA”	serial advanced technology attachment, a computer bus interface that connects host bus adapters to mass storage devices such as hard disk drives, optical drives, and solid-state drives
“Semiconductor”	refers to materials with conductivity between conductor and insulator at normal temperature. Semiconductor is the foundation of integrated circuit. Semiconductor Industrials belongs to electronic information industry and hardware industry
“SDK”	software development kit, a package of tools, including libraries, APIs, code samples, and documentation, that developers use to build applications for a specific platform or system, such as an operating system, hardware, or programming language
“smart IoT”	artificial intelligence of things, a deep convergence of AI and IoT, where everything is connected through the IoT by collecting data and AI is used to analyze, process and intelligently utilize the massive data, enabling autonomous decision making, optimize control and predictive maintenance for equipment

GLOSSARY OF TECHNICAL TERMS

“SoC(s)”	system on chip(s), a single integrated circuit that combines most or all of the main components of a computer or electronic system onto one microchip
“SYN&DFT”	SYN is the process of converting high level, behavioral level descriptions into low level, structural level gate circuit netlists. DFT is the process of pre-inserting special hardware structures during the chip design phase so that fault detection can be performed efficiently after the chip is manufactured
“Tape out”	the crucial final step in designing an integrated circuit, where the completed and verified design data is sent to a manufacturing facility, i.e., foundry, to produce physical chips or boards
“TensorFlow”	an open source software library for machine learning of various perceptual and language understanding tasks
“USB”	universal serial bus, an industry-standard interface for connecting electronic devices, enabling both high-speed data transfer and power delivery
“VGA”	video graphics array, an analog display interface standard that uses a 15-pin connector to connect computers to displays like monitors and TVs
“VR”	virtual reality, a simulated, three-dimensional, computer-generated environment that immerses a user in a virtual world using specialized electronic devices like headsets and controllers, creating a sense of “being there” through sensory stimuli like sights and sounds
“Wafer”	a silicon semiconductor integrated circuit wafer with specific circuit functions can be manufactured into an IC finished product after being processed by specific processes such as cutting, packaging and the like
“WDR”	wider dynamic range, is to optimize the overexposure and underexposure in the picture by corresponding technical means, thus providing a panoramic image with both brightness and darkness in the above environment

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets, and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by, or that include the words “believe,” “expect,” “estimate,” “predict,” “aim,” “target,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties, and other factors, some of which are beyond our control, which 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. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our ability to successfully implement our business plans and strategies;
- future developments, trends, and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the rules, regulations and policies of the relevant governmental authorities relating to any aspect of our business and our business plans;
- general political and economic conditions in the jurisdictions in which we have or intend to have business operations;
- changes or volatility in interest rates, foreign exchange rates, equity prices, or other rates or prices, including those pertaining to the industry and markets in which we operate;
- various business opportunities that we may pursue; and
- changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause our actual performance or achievements to differ materially include, but are not limited to, those discussed in “Risk Factors” and elsewhere in this document. We caution you not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. In light of these risks, uncertainties, and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

An [REDACTED] in our H Shares involves various risks. You should carefully consider all the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our H Shares. These risks could materially and adversely affect our business, financial condition, and results of operations. The [REDACTED] of our H Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your [REDACTED]. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given will not be updated after the date hereof and is subject to the cautionary statements in the section headed “Forward-looking Statements” in this document. You should seek professional advice from relevant advisers regarding your prospective [REDACTED] in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The semiconductor industry is highly competitive and rapidly evolving. If we are unable to compete effectively with existing or new competitors, our sales, market share and profitability could be materially and adversely affected.

The semiconductor industry is highly competitive and we compete directly with a wide range of organizations that vary in size, technical proficiency, and financial strength. Many of these competitors benefit from longer operational track records, greater brand recognition, and well-established strategic partnerships. Additionally, they may possess superior financial resources, as well as more developed sales, and technical capabilities. Some competitors also operate proprietary manufacturing facilities, allowing them to offer more competitive pricing, and manage fluctuations in product demand with greater efficiency. Furthermore, pricing pressure in the industry could hinder our growth and profitability. New entrants may offer similar products and services at significantly lower prices, which could further depress market pricing and limit our ability to achieve favorable pricing for our products.

Competitors may engage in acquisitions, partnerships, or other strategic relationships to enhance their market positions. Companies not currently in competition may also enter the market through similar means. Industry consolidation can result in competitors with expanded product portfolios or greater pricing flexibility owing to increased scale and financial resources. Additionally, some customers may choose to develop their own semiconductor products, introducing additional competition for existing offerings.

The competitive nature of the semiconductor industry also drives rapid and continuous technological iterations, evolving standards, declining selling prices, and accelerated product obsolescence. Our inability to address these challenges effectively could prevent us from sustaining or expanding our business. Failure to compete successfully may adversely affect our operational performance and weaken our financial position.

Price pressures from market competition and fluctuating market conditions may negatively impact our revenue and gross profit margin.

We have been experiencing, and may expect to continue facing, downward pressure on our product prices due to increasing competition within our market sectors. If we do not achieve higher sales volumes or successfully launch products with greater value, revenue from current offerings may decrease. We have maintained a high level of R&D investments and intend to maintain this strategy to create innovative products that offer advanced features, enabling higher pricing or

RISK FACTORS

reduced production costs. However, if these objectives are not met in a timely manner, or we are unable to develop more cost-effective technologies, our financial performance could be negatively impacted. Sustained pricing pressure may affect gross profit margins, and failure to offset declining prices through cost reductions or product enhancements could adversely affect profitability and materially influence our business, financial condition, and operating results.

Any industry downturn may in the future materially and adversely affect our business, results of operation and financial condition.

According to Frost & Sullivan, the global market size of edge-side smart vision processing chips dropped from US\$168.0 million in 2021 to US\$152.0 million in 2025, reflecting a CAGR of -2.5%, and is projected to grow slightly to remain at US\$218.4 million by 2030, with a CAGR of 7.1% from 2026 to 2030. We cannot guarantee that the semiconductor industry as a whole, or our major customers’ market segments, especially IP cameras and IoT devices, will avoid downturns. Such declines may weaken IC product demand, create overcapacity, increase inventories, and lower prices. Economic pressures, including market volatility, geopolitical issues, and inflation, have already affected the industry, and the timing or extent of these cycles remains unpredictable. Any future decline could significantly impact our business and financial results.

The cyclical nature of the semiconductor industry and cyclical mismatch in the industry make our business and operating results particularly vulnerable to economic downturns.

The semiconductor industry has traditionally demonstrated significant cyclical trends and has experienced pronounced downturns characterized by fluctuations in end user demand, reduced integrated circuit demand, rapid declines in ASP, and periods of production overcapacity. In times of robust demand, companies within the sector often expand operations aggressively to secure capacity for anticipated future growth. However, when actual demand does not rise as expected or recedes, or when expansion outpaces genuine demand growth, the industry frequently transitions into an environment where capacity exceeds demand. The excess capacity can intensify competitive pressures on our operations, potentially resulting in adverse outcomes such as increased pricing competition and underutilized resources. Additionally, a deceleration in demand growth or ongoing declines in selling prices for semiconductor devices may reduce demand for our products and compress profit margins. Failure to implement timely and effective countermeasures, such as adequate cost reduction strategies, during future downturns could negatively impact our business and operational results.

A substantial portion of our revenue has been derived from a small number of customers. The loss of, or significant reduction in the purchases by, one or more of such customers could materially and adversely affect our business, financial condition and results of operations.

Historically, a relatively small number of customers have generated a significant portion of our revenue. In 2023, 2024 and 2025, revenue generated from our five largest customers amounted to RMB1,660.1 million, RMB1,582.5 million and RMB1,393.2 million, respectively, accounting for 91.1%, 88.4% and 82.5% of our total revenue in the respective years. In particular, in 2023, 2024 and 2025, revenue generated from our largest customer amounted to RMB1,301.6 million, RMB1,193.9 million and RMB951.0 million, accounting for 71.4%, 66.7% and 56.3% of our total revenue in the respective years.

Any substantial delay, alteration, cancellation, or reduction of purchase orders from these customers, or changes in their purchasing patterns, which may in turn be attributable to changes in their respective customers’ demand and purchasing patterns, could have a material and adverse impact on our business, financial condition and results of operations.

Our business results, financial condition, operational performance, and outlook are affected by our ability to retain current customers and attract new ones, as well as the stability and success of our clients, including their capacity to maintain and expand their own customer relationships.

RISK FACTORS

Furthermore, key customers may exercise considerable bargaining power during contract negotiations. These clients have consistently pursued advantageous pricing and commercial terms, and may request that we develop additional product features. As a result, we could be required to reduce ASP and/or incur higher production costs, which may negatively affect our gross profit margins. The loss of one or more significant customers, or an inability to maintain present revenue and profit levels from these relationships, could materially impact our business, financial health, and operating results.

Our lengthy and complex product cycle including designing, taping out, fabricating, packaging and testing, in addition to our customers’ qualification and design cycle, may result in uncertainty in revenue generation.

The production of our designs involves a lengthy manufacturing and packaging process. Additional time may elapse before a customer begins receiving volume shipments of our products. Even when a manufacturer agrees to integrate our products into its offerings, there is no guarantee that it will deliver final products that incorporate our semiconductor components.

Due to this lengthy cycle, we may face time gaps between the time we incur expenses for R&D and sales and marketing efforts and the time we generate revenue, if any, from these investments. The time gap complicates the forecasting of customer demand, introducing uncertainty into the manufacturing planning process, which could negatively impact our business, financial condition, and operational results. Furthermore, the life cycle of certain semiconductor products designed for specific applications can be relatively short. If we do not effectively manage the manufacturing and packaging process, our products may become obsolete before they can be integrated into our customers’ offerings, preventing us from realizing a return on the investments made in designing, developing, and producing these products.

Our R&D efforts are not guaranteed to yield the results we anticipate.

In order to maintain our competitive position and continue to grow our business, we need to continuously develop and introduce innovative products for our existing and potential customers. The markets of IC design are characterized by continuous technological developments and innovation to address increasingly complex and diverse market needs. Accordingly, we emphasize our R&D activities, which require considerable human resources and capital investment. In 2023, 2024 and 2025, our R&D expenses amounted to RMB334.8 million, RMB349.9 million and RMB351.4 million, accounting for 18.4%, 19.5% and 20.8% of our total revenue in the respective years. However, we cannot assure you that these efforts will be successful or produce our anticipated results.

Even if our R&D efforts are successful, we may not be able to apply the technologies we developed to introduce new products in time to capture the first mover advantage, or at all.

If we fail to manage and expand our relationships with our upstream suppliers, or otherwise fail to procure products on favorable terms, our business and gross profit margin may suffer.

Our major suppliers include both domestic and international manufacturers and foundries. Maintaining strong relationships with these suppliers is crucial for the growth of our business, particularly as we rely heavily on procuring semiconductor components at favorable pricing terms. We cannot guarantee that our current suppliers will continue to sell semiconductor components to us on commercially acceptable terms, or at all. Even with good relationships, their ability to supply components in sufficient quantities and at competitive prices may be negatively impacted by various factors, including economic conditions, labor disputes, regulatory or legal changes, customs and import restrictions, natural disasters, and other unforeseen events.

RISK FACTORS

Additionally, our inventory management poses risks, especially concerning products sourced from third-party suppliers. Managing inventory levels can become increasingly complex due to limited visibility into end market demand, which may lead to excess or obsolete inventory. Weak supplier relationships could limit access to high quality electronic components at favorable terms, affecting our ability to meet demand and remain competitive. Adverse supplier developments or disputes may harm our business, finances, reputation, and result in legal liabilities. For further information, see “— If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.”

Extended collection cycles for trade receivables and unpredictable inventory turnover, especially when relying on downstream distributors, may negatively impact our cash flow.

We rely on a small number of suppliers. The loss of, or significant reduction in the selling from one or more of such suppliers could materially and adversely affect our business, financial condition and results of operations.

A significant portion of our procurement was derived from a limited number of suppliers during the Track Record Period. In 2023, 2024 and 2025, purchases from our five largest suppliers amounted to RMB842.3 million, RMB1,094.3 million and RMB1,031.4 million, respectively, accounting for 79.6%, 80.6% and 85.5% of our total purchases in the respective years. In particular, in 2023, 2024 and 2025, purchases from our largest supplier amounted to RMB386.1 million, RMB619.5 million and RMB595.3 million, accounting for 36.5%, 45.6% and 49.4% of our total purchases in the respective years. There is no assurance that we will continue to obtain contracts from our major suppliers in the future. If there is a significant decrease in the number of procurements awarded by our major suppliers, our financial condition and operating results would be adversely affected.

We may be unable to adequately forecast demand for our semiconductor products due to the numerous factors that influence the sales cycle. If we fail to manage our inventory effectively as a result, our business, financial condition, results of operations and liquidity may be materially and adversely affected.

Although we rely on demand forecasts from our clients or distributors for manufacturing and inventory decisions, a portion of our customer agreements lack long-term or minimum purchase commitments. Although customers have no contractual right to cancel or reschedule orders, industry norms require us to accommodate such requests to maintain relationships and for commercial reasons. Demand can change significantly between ordering inventory and selling products due to factors like new product launches, product life cycle changes, pricing shifts, defects, and customer purchasing patterns. Customers may buy less than expected. Launching new products also poses challenges in supplier relationships, product selection, and accurate market forecasting. Cancellations, reductions, or rescheduling of customer orders could lead to the loss of expected sales, without providing us adequate time to adjust our inventory and operating expenses. This is particularly concerning as a significant portion of our expenses are fixed, at least in the short term.

As of December 31, 2023, 2024 and 2025, our inventories were valued at RMB353.1 million, RMB485.7 million and RMB439.0 million, respectively. As we aim to expand our product offerings, we may increase our inventory levels, which could complicate our inventory management and exert additional pressure on our warehousing systems. To address rising manufacturing costs and supply constraints, we may increase inventory levels, which could strain cash flow and heighten risks related to price changes and obsolescence. Mismanagement may require price reductions, harming margins and tying up capital needed elsewhere. Conversely, underestimating demand or supplier issues could cause shortages, lost sales, and reduced brand loyalty. These factors may negatively affect our business and financial performance.

RISK FACTORS

If the sales of our customers’ products decline or if their products do not achieve market acceptance, our business and results of operations could be materially and adversely affected.

Our revenue depends partially on our customers’ ability to commercialize their products successfully. The markets for our customers’ products are extremely competitive and are characterized by rapid technological change. Our customers’ products may not achieve market success or may become obsolete. We cannot assure you that our customers are able to dedicate the resources necessary to promote and commercialize their products. Moreover, our customers may develop internally, or in collaboration with our competitors, technology that they may utilize instead of the technology available to them through us. Our customers’ failure to achieve market success for their products, including as a result of general declines in our customers’ markets or industries, could negatively affect their willingness to utilize our products, which may result in a decrease in our revenue and negatively affect our business and results of operations.

Our revenue also depends partially on the timely introduction, quality and market acceptance of our customers’ products that incorporate our products. Our customers’ products can be very complex and subject to design complexities that may result in design flaws, as well as potential defects, errors and bugs. If our customers discover design flaws, defects, errors or bugs in their products, or if they experience changing market requirements, failed evaluations or field trials, or issues with other vendors, they may delay, change or cancel a project, which could adversely affect our business and financial results.

We depend on a few third-party foundries, which reduces our ability to control our manufacturing process.

We employ a fabless manufacturing strategy, concentrating on the design and sales of semiconductor products while partnering with world leading suppliers for wafer fabrication, packaging, and testing. We have established long-term partnerships with world leading foundries, collaborating closely to utilize their advanced facilities. Historically, we have depended on a limited number of third-party foundries.

We rely on demand forecasts from our clients or distributors for inventory decisions. The third-party foundries are generally not obligated to supply us with products for any specific duration, in any specific quantity, or at any specific price, except as outlined in a particular purchase order. Overall, our dependence on third-party foundries entails several significant risks, including: (i) reduced control over delivery schedules, quality assurance, manufacturing yields and production costs; (ii) lack of guaranteed production capacity or product supply; (iii) unavailability of, or delayed access to, next generation or key process technologies; (iv) failure by us or our customers to qualify a selected supplier; (v) capacity shortages during periods of high demand; (vi) shortages of materials; (vii) misappropriation of our IP; (viii) limited warranties on IC or products supplied to us; and (ix) financial difficulties or disruptions in the operations of third-party foundries due to causes beyond our control, including geopolitical uncertainties. See also “— Changes in international trade policies and investment restrictions, including imposition of additional trade restrictions and sanctions, may materially and adversely impact our reputation, business, investments, financial condition and results of operations.”

As our foundry partners also fulfill requests from other companies, increased demand from us or their other clients may result in an inability to meet our required quantities, the prioritization of other clients’ requests over ours, or potential price increases. In recent years, the global semiconductor industry, including our Company, has experienced wafer supply limitations. Under such constraints, industry participants may allocate available products among customers or adjust pricing upward. Continued supply constraints or insufficient delivery of wafers by our foundry partners, whether in terms of quantity, timeliness, yields, or cost, could impede our capacity for future growth and materially affect our revenue, gross profit margin, and overall financial performance.

RISK FACTORS

Current global economic and geopolitical circumstances may significantly influence our foundry partners, potentially limiting their capacity to deliver essential services. Should any foundry partner become unable to manufacture wafers in the required quantities, qualities, yields, costs, or timeframes, it may be necessary for us to identify and qualify alternative suppliers. This transition could prove complex and time consuming, which may adversely affect revenues in the short term, increase operational costs, or introduce unforeseen manufacturing challenges. Furthermore, heightened competition for foundry capacity could necessitate paying higher prices for manufacturing services.

Our foundry partners may experience upstream supply constraints. For example, the supply and cost of raw materials used in wafer fabrication can be influenced by supply conditions, regulations, macroeconomic factors, and other unpredictable elements. If the costs of raw materials for our third-party foundry partners increase or if availability declines, we may need to adjust the prices for our customers. This could result in lower sales, and if we are unable to offset these increased costs, it may lead to reduced profits or losses.

Transferring semiconductor production between foundries may disrupt manufacturing and cause delivery delays. As we seek advanced process technologies, we evaluate moving products to improve performance and cut costs, which sometimes requires modifying manufacturing or redesigning products. Adopting new processes means adding more R&D costs, features and intellectual property, but achieving higher integration or timely delivery of new products is not guaranteed. We may face challenges, delays, and cost increases during these transitions.

Larger suppliers may possess enhanced leverage to negotiate more favorable terms, such as increased pricing, extended contract periods, substantial deposits, and stricter breach of contract penalties for their products and services. These conditions have the potential to result in elevated costs or additional penalty expenditures for our organization. Furthermore, any change of control at our third-party foundries could disrupt established rapport and have an adverse effect on our supply chain efficiency.

We mainly rely on third-party service providers for package testing and other back-end processes, which reduces our control over delivery schedules, product quality and costs.

We depend on third-party service providers for nearly all of our semiconductor packaging processes. Additionally, we rely on several specialized service providers for other essential processes. If any of these service providers become unable or unwilling to deliver services of acceptable quality, at reasonable costs, or in a timely manner, our ability to supply products to our customers could be significantly compromised. We would need to identify and qualify alternative service providers, a process that could be time consuming and challenging, potentially leading to unforeseen operational issues. Furthermore, substitute service providers may not be available, or if they are, they might be unwilling or unable to provide services on acceptable terms or at reasonable prices.

Moreover, if competition among fabless companies for testing, reliability certification and chip failure analysis or other outsourced services intensifies, we may need to invest significant resources to secure access to these services, which could negatively impact our operational results. If our current providers refuse or are unable to continue providing these services, we may struggle to obtain them from alternative providers. Additionally, if customer demand for our products rises, we might not be able to secure enough additional capacity from our current service providers on commercially reasonable terms, if at all. These factors could lead to unexpected product shortages or increased manufacturing costs, adversely affecting our business, financial condition, and operational results.

RISK FACTORS

Our sales through third-party distributors increase the complexity of our business and may reduce our ability to forecast revenue.

In addition to direct sales to major customers, we also utilize distributors to increase sales coverage and facilitate transaction logistics with medium and small end user customers. Our sales to distributors may introduce additional risks, including channel conflicts and inventory misalignment. Revenues from sales of our products to distributors accounted for approximately 19.0%, 21.2% and 26.9% of our total revenues in 2023, 2024 and 2025, respectively. Our business, results of operations and financial condition for the foreseeable future may continue to concentrate on a relatively small number of distributors.

Indirect distribution introduces several operational and financial complexities, making our ability to manage these relationships effectively crucial for maintaining accurate forecasting, stable cash flows, and healthy gross margins.

Selling through distributors reduces our ability to accurately forecast sales and increases the complexity of our business, and may require us to, among other matters: (i) manage a more complex supply chain; (ii) monitor the level of inventory at each distributor; (iii) negotiate credits terms, return policies and pricing with each distributor; (iv) evaluate the impact of credit terms, return policies, pricing and unsold inventory associated with each distributor; and (v) assess the financial condition and creditworthiness of our distributors.

Any failure to effectively manage these challenges could lead to inaccurate sales forecasts and result in either excess or insufficient inventory, negatively impacting our business, financial condition, and operational results. Specifically, a lack of robust distributor management systems and controls, such as real time inventory tracking, regular audits, contract enforcement, and financial oversight, could lead to inaccurate revenue projections, excess or obsolete inventory, write downs, unexpected returns, or even legal disputes. These consequences could materially and adversely affect our business, financial health, operational results, and stock price performance.

Any product defects, delays in delivery and adverse performance reliability could negatively affect our business, financial condition and results of operations, and may expose us to contractual liabilities, litigation risks and regulatory actions.

Due to ongoing technological advancements and the integration of multiple functions onto a single chip, our products are inherently complex. This complexity contributes to an increased risk of latent defects being identified by customers or end users after significant quantities have been distributed, which may necessitate product replacements or recalls. For example, trace levels of contaminants in the manufacturing environment or challenges in wafer fabrication can render certain components non-functional. Such issues are often difficult to detect early in the manufacturing process and can be both time consuming and costly to address.

Occasional challenges related to product quality, performance, and reliability may arise. For example, the delivery of products with defects or issues concerning reliability, quality, or compatibility can negatively impact our reputation, making it more difficult to retain existing customers and attract new ones. Should defects or failures occur, we may experience loss of revenue and increased expenses, including warranty claims and customer support costs, as well as potential order cancellations, shipment rescheduling, product returns, or the necessity for discounts. These outcomes could have an adverse effect on our business, financial condition, and operational results. Furthermore, product defects and failures may lead to litigation or regulatory action. For additional details, see “— If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.”

RISK FACTORS

Furthermore, we cannot assure that we will consistently achieve acceptable yields at third-party foundries, which may lead to delays in the availability of components. Additionally, an increase in the rejection rate of these components or of our products that incorporate them during the quality control process, whether before, during, or after manufacturing, may result in lower yields and margins, as well as disruptions to our delivery schedule.

In addition, modifications to our manufacturing processes due to shifts in product specifications, evolving customer demands, and the launch of new business lines may lead to a significant decline in manufacturing yields. This decline could negatively impact our gross profit margin, at least in the short term. Extended periods of poor manufacturing yields may hinder our ability to deliver products promptly, affect our gross profit margin, and disrupt our stable relationships with customers. Such outcomes could materially and adversely impact our business, financial condition, and operational results.

We may be subject to product liability claims if our products contain defects.

Products in this industry, including those from our Company, are highly complex and may have errors, defects, security risks, or software problems that are difficult to find and fix, especially during early launches or after updates. When this happens, we may face extra costs to recall, repair, or redesign products. Customer contracts with warranty and indemnity clauses could result in claims for financial losses due to product defects. Resolving these claims can take significant time and resources, possibly distracting management and negatively impacting our financial health and operations. Customers might also end their business relationships, which could hurt future opportunities. Additionally, such claims and customer departures could damage our reputation and operating results through negative publicity.

Our success depends on our ability to convince our current and prospective customers to integrate our semiconductor products into their product offerings.

Our success relies heavily on customers integrating our semiconductor products into their products. Our ability to secure purchase orders is subject to several risks, including competition from alternative products, compatibility of our products with newly developed technologies or designs used in end products, and delays in our product development cycle. Even if our products meet the necessary requirements, we may still fail to achieve a purchase order due to factors beyond our control, such as a customer's existing relationship with a competitor or other business considerations. If we do not secure a purchase order with a prospective customer, it may become challenging to sell our semiconductor products to them in the future. Moreover, there is no assurance that we will continue to achieve purchase orders with customers who have previously selected our products. Consequently, failing to secure purchase orders with key customers who embed semiconductors in their products could adversely affect our market share and revenue. Additionally, if our competitors succeed in securing design wins, our future business growth may be hindered.

The selection process for semiconductors to be included in our customers' products is typically lengthy and may require significant investments in R&D and time for product evaluation and qualification, all in pursuit of a purchase order without any guarantee of selection. If we fail to continue achieving enough purchase orders, our revenue in subsequent years may decline.

The development of new and more complex products and technologies can also increase our cost of R&D and materially and adversely affect our gross profit margin.

Our competitiveness and future success hinge on our ability to predict and adapt to rapidly evolving market demands. We must develop, introduce, market, and sell our new products and technologies in a timely and cost-effective manner. Any failure to introduce these innovations, obtain purchase orders, or attain market acceptance in a timely fashion and on commercially reasonable terms could adversely affect our business, financial condition, and results of operations.

RISK FACTORS

The development of new semiconductor products and technologies is highly complex, and we may encounter unexpected challenges and delays in their development and introduction. As customer expectations for the sophistication of semiconductor products continue to rise, the number of consumer and industrial products utilizing semiconductors is also growing. This trend compels us to design and develop semiconductors with advanced technologies suitable for a wide range of applications. As our semiconductor products incorporate new and more advanced technologies and functions, they become increasingly complex and challenging to design, develop, and produce. Successful product development and technological enhancements depend on several factors, including: (i) accurate prediction of market requirements and evolving technical standards; (ii) development of advanced technologies and capabilities; (iii) timely development completion and introduction of new semiconductor products that satisfy our customers' and their customers' requirements and specifications; (iv) development of semiconductor products that maintain technological advantages over the products of our competitors; and (v) market acceptance of our new semiconductor products.

Accomplishing all of these factors is difficult, time consuming, and expensive. If our competitors develop new products or technologies more quickly than we do or are successful in creating products that gain market acceptance more rapidly and broadly than ours, we could lose market share. Matching or surpassing the technological advances developed by our competitors may require an extended period. Furthermore, our key customers may decide to develop their own semiconductor products, which would directly reduce their demand for our products and potentially have a material adverse effect on our business.

Additionally, our products could become obsolete sooner than anticipated due to rapid changes in one or more technologies related to our products or the reduced life cycles of consumer and industrial products. Even if we succeed in developing new semiconductor products and obtaining purchase orders, we may initially face lower manufacturing yields from these products compared to our more established offerings, potentially impacting our gross profit margin, at least in the short term. These new products and technologies often have a higher cost structure than our existing ones, as we invest more time and effort into their development. Furthermore, our suppliers and manufacturers may incur additional costs to acquire new equipment or components to meet our design specifications and capacity requirements. Consequently, our own costs may also increase.

If our key R&D employees terminate their relationships with us or develop relationships with a competitor or delay their delivery of adequate research results, our R&D and our ability to protect our IP could be materially and adversely affected.

Our business and future growth depend significantly on the expertise, knowledge, and contributions of our research collaborators and key R&D employees. If any of these collaborators or employees terminate their relationships with us, join competitors, or fail to deliver adequate research results on time, our ability to conduct effective R&D activities could be severely impacted. Such disruptions may lead to delays in product development, reduced efficiency in innovation, and potential loss of proprietary technologies, which are essential for maintaining our competitive edge in the industry.

Furthermore, the loss of key R&D personnel may result in a significant knowledge gap or intellectual property leakage, which could weaken our ability to develop new products or enhance existing ones. In addition, developing relationships with new collaborators or hiring qualified R&D personnel to replace those lost may require substantial time and resources, further delaying our R&D programs and increasing operational costs. If we are unable to mitigate these risks effectively, our business operations, competitive position, and financial performance could be adversely affected.

RISK FACTORS

A failure of our internal processes and IT systems, data breaches, cyber-attacks, or cyber fraud may cause business disruptions, compromise our intellectual property or other sensitive information, litigation or government actions, or result in losses.

The effective operation of our business relies on the continuous and reliable performance of sophisticated information technology applications, systems, and networks. Ensuring the security and dependability of our IT infrastructure and software, as well as maintaining the capacity to enhance and update these technologies in line with changing demands, is essential to achieving our objectives. Any major disruption whether resulting from new system deployments, malware, cyberattacks, security incidents, facility challenges, or power outages has the potential to significantly and negatively impact our operations, financial standing, and overall results.

Cyber-attacks targeting access to our computer systems and networks may result in the misappropriation of proprietary information and technology, and there can be no guarantee that future breaches or incidents will not materially affect our operations or financial performance. The current landscape presents a range of evolving cybersecurity and privacy risks, including threats from criminal hackers, state-sponsored entities, industrial espionage, employee misconduct, and human or technological errors. In the event of a breach, we, our customers, or other third parties could incur liability, litigation, regulatory actions, as well as potential loss of current or prospective clients, reputational harm, and other financial impacts. Moreover, the expenses and operational challenges associated with addressing breaches and implementing remediation efforts may be considerable.

Additionally, we may face theft, loss, or misuse of personal and confidential data concerning our employees, customers, and suppliers, which is routinely collected, used, stored, and transferred to operate our business. Such incidents could result in significantly higher business and security costs, as well as expenses related to defending against legal claims. Although we have implemented measures to comply with current privacy related and data protection laws and regulations in each applicable jurisdiction, any material changes to these laws and regulations could lead to increased compliance costs for us.

If we are unable to recruit, train and retain qualified personnel or sufficient workforce while controlling our labor costs, our business may be materially and adversely affected.

Our ability to achieve future success is closely linked to our effectiveness in recruiting, training, and retaining qualified personnel, especially scientists, engineers, technicians, and sales and marketing professionals with significant semiconductor industry experience. The expertise of our mid-level managers is vital for executing business strategies, implementing operational plans, and supporting both organizational operations and growth initiatives. The performance and commitment of our management team and employees underpin the smooth operation of our R&D, management systems, sales and marketing functions, and other critical areas. Given the strong competition for talent within the industry, there is no assurance that we will consistently attract or retain the highly skilled employees required to meet our strategic objectives.

Moreover, our cost structure is susceptible to increases in labor costs. For example, in September 2025, the Supreme People’s Court of the People’s Republic of China promulgated the Supreme People’s Court’s Interpretation (II) on Several Issues Concerning the Application of Law in Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) (the “**Interpretation II**”), which introduces more stringent requirements on social insurance contributions and labor compliance. Although our PRC Legal Adviser is of the view that the Interpretation II is not expected to have a material adverse effect on our financial condition or business operations, see “Regulatory Overview — Regulations on Employment and Social Welfare” for more details, these enhanced requirements may lead to an increase in our employment-related costs. In addition, failure to continuously comply with such heightened standards may expose us to the risk of being required to make additional payments or being subject to administrative penalties. If the compensation packages we offer are not competitive within the market, we may struggle to

RISK FACTORS

provide sufficient incentives to attract and retain a stable and dedicated talent pool. Any failure to address these risks and uncertainties could materially and adversely impact our business and operational results. Additionally, our ability to train and integrate new employees into our operations may be limited, potentially failing to meet the demands of our business growth in a timely manner, or at all. Rapid expansion could also hinder our ability to maintain our corporate culture.

Non-compliance on the part of our Directors, employees, our business partners, or other third parties involved in our business could materially and adversely affect our business.

We face the risk of non-compliance or misconduct by our Directors, employees, business partners, or other third parties. Despite our ongoing efforts to provide regular training, it is not always feasible to identify and prevent such misconduct. The measures we implement to detect and mitigate these risks may not effectively control unknown or unmanaged threats or losses, nor protect us from governmental investigations or lawsuits arising from non-compliance with applicable laws and regulations. Any actual or alleged illegal or improper actions by our Directors and employees, including senior management, could expose us to liability and negative publicity, regardless of whether these activities are directly connected to our Company. Such incidents and allegations may also impact the willingness or ability of our Directors and employees to continue their service or fully commit to our Company, ultimately harming our brand and reputation and adversely affecting our business, financial condition, and operational results.

Our business partners and other third parties with whom we have established relationships may face regulatory penalties or sanctions due to their non-compliance with regulations, which could disrupt our operations, either directly or indirectly. We cannot guarantee that we will be able to detect irregularities or non-compliance in the practices of our business partners or other third parties, nor can we ensure that any identified issues will be addressed promptly and appropriately, if at all.

If we face governmental investigations, lawsuits, or other actions due to actual or alleged illegal or improper conduct by our Directors, employees, business partners, or other third parties associated with our business, and we are unable to successfully defend ourselves or assert our rights, we may incur significant civil, criminal, and administrative penalties. These could include damages, monetary fines, individual imprisonment, disgorgement of profits, contractual damages, reputational harm, and reduced profits and future earnings, all of which could profoundly affect our business. Regardless of the outcome of such actions or investigations, we may face substantial costs, including legal fees, and our management’s attention could be diverted as we defend against these claims or inquiries.

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

We maintain insurance policies required by the laws and administrative regulations of the jurisdictions in which we operate, as well as those based on our assessment of operational needs and industry practices. In compliance with applicable PRC laws and regulations, we provide social security insurance to our employees, which includes pension insurance, unemployment insurance, work-related injury insurance, maternity insurance, and medical insurance. Furthermore, we offer certain types of commercial insurance for our employees. However, we do not have coverage for business interruptions, nor do we maintain product liability insurance or key person insurance. We cannot assure you that our insurance coverage is sufficient to address all our risk exposures or prevent us from incurring losses. There is also no guarantee that we will be able to successfully claim our losses under our current insurance policies in a timely manner, or at all. If we experience any loss not covered by our insurance policies, or if the compensation received is significantly less than our actual loss, our business, financial condition, and operational results could be materially and adversely affected. Any liability or damage to, or caused by, our facilities or personnel beyond our insurance coverage may lead to substantial costs and a diversion of resources.

RISK FACTORS

We may be subject to fines for failure to register some of our leases, and our legal right to use certain properties could be challenged or restricted, which may materially and adversely affect our operations.

We lease properties primarily to be used as office premises. As of the Latest Practicable Date, eight of our lease agreements had not been registered with the relevant real estate administration bureaus in China. Although failure to do so does not in itself invalidate the leases, the lessors and the lessees may be exposed to potential fines if they fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner once we are required to do so. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. See “Business — Properties” for details.

If we are unable to protect, maintain or enforce our intellectual property rights adequately, our patents and other non-patented intellectual properties may be stolen or compromised, which could materially and adversely affect our results of operations, financial condition, business and prospects.

Our success depends in part on our ability to obtain and maintain trade secrets and patent protection for our technologies, processes and products as well as to successfully enforce our intellectual property rights and to defend our intellectual properties against third-party challenges. Our inability to adequately protect these rights could materially and adversely affect our competitive position, business, financial condition, and results of operations.

Proprietary trade secrets and unpatented know-how are also vital to our business. As our technologies involve unpatented, proprietary technologies, processes, know-how or data, we primarily rely on trade secret protection and agreements to safeguard our interests. However, our employees, consultants, contractors, outside collaborators, and other advisers may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure. Enforcing a claim that a third-party has illegally obtained and is using our trade secrets may be expensive and time consuming and may not be successful. Furthermore, our competitors may independently develop equivalent knowledge, methods, and know-how. Failure to obtain or maintain trade secret protection could adversely affect our competitive position.

We may encounter future litigation by third parties based on claims that our technologies, processes or products infringe the intellectual property rights of others or that we have misappropriated the trade secrets of others. We may also initiate lawsuits to defend the ownership of our inventions and our trade secrets. We may not be able to prevail in any such litigation or proceeding. A determination in an intellectual property litigation or proceeding that results in a finding of non-infringement by others to our intellectual property or an invalidation of our patents may result in the use by competitors of our technologies or processes and sale by competitors of products that resemble our products. The costs associated with litigating patent infringements, or defending against patent infringement actions brought by others, could be substantial and, if incurred, could materially affect our business and financial condition. See “— If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.”

RISK FACTORS

We may be subject to intellectual property infringement claims, which could be time consuming or costly to defend and may result in diversion of our financial and management resources, and indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement and other losses.

We may face claims from third parties alleging that our products, services, or technologies infringe upon their intellectual property rights. Defending against such claims can be time consuming, costly, and uncertain, regardless of the merit of the allegations. These claims may result in legal proceedings, which could divert significant financial and management resources away from our core business operations. If we are unable to successfully defend against such claims, we may be required to pay substantial damages, enter into costly settlement agreements, or cease the use of certain technologies or products, which could materially and adversely affect our business, financial condition, and results of operations.

Additionally, indemnity provisions in various agreements we have entered into with customers, suppliers, and other business partners may expose us to substantial liability in the event of intellectual property infringement claims or other losses. If a third-party successfully asserts an infringement claim against us or our business partners, we may be obligated under such agreements to indemnify them for damages incurred, which could significantly increase our financial burden. Furthermore, resolving such disputes may require us to expend additional resources to modify our products, secure licenses, or develop alternative technologies, all of which may increase costs and delay product development. These risks could negatively impact our reputation, customer relationships, and overall competitiveness in the market.

We may not be able to achieve our anticipated benefits and synergistic effects from strategic alliances, investments and acquisitions.

We may form strategic alliances with third parties, including customers and suppliers, to implement our business strategies. These alliances present certain risks, such as sharing proprietary information, possible non-performance by partners, and higher costs related to establishing new relationships. If these partners receive negative publicity or their reputations are affected due to operational events, our reputation may also be impacted through our association with them.

Additionally, we have previously acquired or invested in assets, technologies, or businesses that complement our existing operations. For example, we acquired 51% of equity of Shanghai YG in 2015 and additional 32.4% of equity of Molchip Technology in 2021, bringing our total equity to 51% and making it our controlling subsidiary. We anticipate to keep assessing and exploring a diverse range of potential strategic transactions as part of our overall business strategy. This includes potential acquisitions of businesses, technologies, services, products, and other assets, along with strategic investments, joint ventures, and alliances. Investments or acquisitions, along with the subsequent integration of new assets and businesses into our operations, will demand significant attention from our management and may divert resources from our existing business, potentially adversely affecting our operations. The costs associated with identifying and completing investments and acquisitions can be substantial. Furthermore, investments and acquisitions may require considerable cash outlays, potentially dilutive issuances of equity securities, and exposure to unforeseen liabilities from the acquired business. The costs and duration of integrating newly acquired businesses may also exceed our expectations significantly. We could encounter challenges in international acquisitions, including compliance with local laws and regulations, limited access to target companies, and difficulties in cultural assimilation. Such investments or acquisitions might not deliver the expected strategic or financial benefits, such as cost savings, revenue growth, or technological advancements. Any negative outcomes from these activities could materially and adversely impact our business, financial condition, and operational results.

In addition, our financial results could be adversely affected by our investments or acquisitions. The investments and acquired assets or businesses may not generate the financial results we expect. They could result in occurrence of significant investments and goodwill

RISK FACTORS

impairment charges, and amortization expenses for other intangible assets. As of December 31, 2025, we had investments in associates of RMB67.4 million and goodwill of RMB250.7 million. We performed impairment tests for our goodwill and long-term equity investments. See note 2.3 of Appendix I of this Document. Moreover, we share the results of the investments in associates which we account for as equity accounted investments, although we have limited control on the factors and risks that affect their business, results of operations and financial condition. We may not always be able to obtain gains from the equity accounted investments. If our equity accounted investments were in a loss position, we would also pick up their loss in our consolidated statement of operations. We may in the future incur losses or impairment charges in connection with our investments or acquisitions and pick up the losses of our equity accounted investments, which could depress our profitability and have a material and adverse impact on our financial results. In addition, changes in accounting principles relating to recognition and measurement of our investments may have a significant impact on our financial results.

From time to time, we may also divest under-performing businesses, or businesses that no longer fit our overall strategy. Such divestitures may have a negative impact on our financial performance for the relevant period.

Other risks associated with strategic alliances, investments, acquisitions and divestitures include: (i) difficulty in realizing the potential technological benefits of the transaction; (ii) problems integrating the acquired key employees, operations, technologies or products into our existing business; (iii) difficulty in maintaining uniform standards, controls, procedures and policies; (iv) adverse effects on existing business relationships with employees, customers, suppliers and strategic partners as a result of integration of new businesses and management personnel; (v) risks associated with entering markets in which we lack experience; and (vi) negative publicity, litigation, government inquiries, investigations or actions against the companies we invest in or acquire, or even against our other businesses.

Our failure to address these risks successfully could have a material and adverse effect on our business, financial condition and results of operations.

We may grant options and other types of awards which may result in increased share-based payment expenses and shareholder dilution.

To attract, retain and incentivize key personnel, we have granted and may continue to grant equity awards, including restricted shares, options and other share-based incentives, under our share incentive plans. Granting such awards increases our share-based payment expenses, which could adversely affect our profitability and financial condition. Under applicable accounting standards, we recognize share-based compensation over the vesting period based on the best estimate of awards expected to be assessed at each balance sheet date. During the Track Record Period, we recognized share-based payment expenses of RMB27.5 million, RMB8.6 million and RMB3.1 million in 2023, 2024 and 2025. These amounts may fluctuate based on factors such as grant timing and size, service and performance conditions, employee turnover, fair value assumptions including volatility, risk-free rates and expected life, and modifications or cancellations.

Issuance of shares to satisfy current or future equity awards will dilute the ownership interests of existing shareholders and could depress the trading price of our shares. There is no assurance that the number of shares currently reserved for issuance under our share incentive plans, if adopted or as amended, will be sufficient to meet our talent needs. If we increase the share reserve or issue additional equity to new or existing employees, shareholders may experience further dilution. Conversely, constraints on our ability to grant competitive equity awards could impair our ability to recruit, retain and motivate employees and other service providers, which could harm our business and growth prospects.

RISK FACTORS

RISKS RELATING TO LEGAL AND COMPLIANCE

Changes in international trade policies and investment restrictions, including imposition of additional trade restrictions and sanctions, may materially and adversely impact our reputation, business, investments, financial condition and results of operations.

Activities in other regions may also affect our reputation, business, financial condition, and results of operations due to potential exposure to sanctions or other regulatory actions.

Furthermore, we may encounter challenges in managing our foundry partners, third-party packaging service providers, distributors, and other business partners. Any adverse developments in the global geopolitical landscape could significantly impact our ability to secure stable or comparable supplies from our foundry partners and, more broadly, hinder our business operations. The following are some risks inherent in conducting business that may not apply to companies concentrated in a single geographic market: (i) difficulties in developing, staffing and simultaneously managing an overseas operation as a result of distance, language and cultural differences; (ii) challenges in formulating effective local sales and marketing strategies targeting users from various jurisdictions and cultures; (iii) geopolitical turmoil and instability in the regions and sectors where we operate, and any resulting disruption, instability or volatility in the global markets and industries resulting from such conflicts; (iv) political or social unrest or economic instability within a country or region; (v) transportation and communication delays; (vi) longer customer payment cycles; (vii) the adverse effects of tariffs, duties, price controls, embargoes or other restrictions that impair trade; (viii) currency exchange rate fluctuations; (ix) decreased visibility as to future demand; (x) difficulties in trade receivables collections; (xi) uncertainties brought by unexpected changes in foreign laws or regulations; and (xii) claims and lawsuits, including class actions, brought against us from courts or regulators of other jurisdictions, which could materially and adversely affect our reputation, business and results of operations. See also “— If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.”

Recent trade tensions, particularly the ongoing U.S. and China trade dispute, have resulted in potentially high tariffs, heightened export controls, and other restrictive measures aimed at 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 China, which saw a reduction to 30% until August 14, 2025, following the joint statement issued by China and the U.S. on May 12, 2025. China removed the additional tariffs it announced since April 4, 2025, and suspended its initial 34% tariff on the U.S. it announced on April 4, 2025 for 90 days, but retained a 10% tariff during the period of the pause. On February 20, 2026, the U.S. Supreme Court ruled out the broad tariffs imposed under IEEPA in 2025, though the administration promptly introduced a new temporary 10% global tariff. A significant degree of uncertainty persists regarding U.S. tariff policy, its implementation, and the reactions of other countries. It remains unclear whether heightened tariffs and trade tensions will further disrupt international trade or contribute to a downturn in the global economy. Should new tariffs, legislation, or regulations be enacted, or if existing trade agreements undergo renegotiation, such changes could adversely affect our business, financial condition, and results of operations.

In recent years, the United States has strengthened its export control restrictions on China by implementing enhancements to the Export Administration Regulations (“**EAR**”), administered by the Bureau of Industry and Security (“**BIS**”) under the Department of Commerce. Under the EAR, a non-U.S.-produced item is subject to the EAR if it incorporates or bundles U.S.-origin controlled items valued at a certain ratio or utilizes certain U.S.-controlled software or technologies during the production process.

RISK FACTORS

The BIS maintains the Entity List, a catalog of individuals and entities subject to specific licensing requirements for the export, re-export, or transfer of certain products and technology subject to the EAR. In recent years, BIS has added numerous Chinese entities to the Entity List, including some of our customers. After consulting with our international sanctions counsel, we believe that our transactions with these listed entities during the Track Record Period were not in violation of applicable export control regulations.

As a fabless IC design company based in China, we have implemented comprehensive compliance measures to fulfill our export control obligations, such as: conducting routine compliance reviews; requesting customers to sign export control compliance commitments; engaging our compliance and technical teams to assess export control classifications of our final products; and confirming trade compliance obligations in agreements with suppliers and contract manufacturers to ensure compliance with export control obligations. Nevertheless, BIS regulations continue to evolve, and future sanctions or export controls may have a significant impact on our relationships with certain key customers and suppliers. If we are unable to promptly secure alternative customers or sources of supply on acceptable terms, our business could be materially and adversely affected. Furthermore, engaging with customers and suppliers on the Entity List may expose us to additional risks under the EAR and Entity List designations, especially given the focus of U.S. government enforcement on the Chinese semiconductor industry. These restrictions, together with potential future regulations enacted by the United States or other jurisdictions, could impede our ability to obtain technologies or components critical to our technological infrastructure, product development and sales, and business operations. Any changes to existing or prospective restrictions may adversely affect our business, results of operations and reputation.

We are exposed to risks associated with U.S. Executive Order 14105 and the Outbound Investment Rules.

On August 9, 2023, the President of the United States issued Executive Order 14105, “Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern” (the “**Executive Order**”). To implement the Executive Order, the U.S. Department of the Treasury issued final regulations (the “**Outbound Investment Rules**”), which become effective on January 2, 2025. The Outbound Investment Rules prohibit or require notification for a wide range of investments in entities associated with China (including Hong Kong and Macau) that are engaged in specific activities related to semiconductors and microelectronics, quantum information technologies, and artificial intelligence (collectively defined as “covered national security technologies and products”) by “U.S. persons”. Given the scope and timing of the Outbound Investment Rules may be subject to interpretation or future expansion by the U.S. government, our industry, including the IC design business, could be directly or indirectly implicated. Any such restrictions, whether current or future, could: (i) limit or prohibit U.S. investments in our Company or affiliates, or impose notification and approval requirements that may deter potential investors or partners; (ii) restrict our engagement with U.S. investors, private equity funds, or participation in cross-border development, licensing, or commercialization with U.S. entities; (iii) constrain access to U.S. technology or specialized design services; (iv) disrupt our supply chain or product roadmap if controls expand to advanced nodes, AI technologies, codecs, or specific microelectronic functions relevant to our chip products and future development plans; or (v) lead counterparties to terminate or limit transactions with us due to perceived risks, even if we are not directly targeted.

The Outbound Investment Rules are new and subject to significant uncertainty regarding interpretation, application, and enforcement. The U.S. government may issue further guidance, amend the rules, or expand their scope to cover additional technologies or activities with little notice. This evolving regulatory landscape creates compliance challenges and uncertainty for us. The broader geopolitical tensions between the U.S. and China could also lead to further restrictive measures. We cannot predict the ultimate scope, timing, interpretation or enforcement of the Outbound Investment Rules or any related restrictions, nor the actions of other jurisdictions that

RISK FACTORS

may adopt similar measures. If these policies limit U.S. investment in our sector, restrict our access to U.S. technologies or counterparties, or otherwise impede our financing, operations or growth initiatives, our business, financial condition, results of operations and prospects could be materially and adversely affected.

If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.

From time to time, we may face various forms of litigation, legal or contractual disputes, investigations, or administrative proceedings that arise in the normal course of our business. This includes potential disputes and claims from our employees, shareholders, suppliers, customers, contractors, business partners, and other third parties involved in our operations. We may also encounter litigation and regulatory actions related to third-party and principal intellectual property infringement claims, contract disputes, employment-related issues, cross border payment and settlement disputes, and other matters typical of our business activities.

As our business grows, particularly across different jurisdictions and through the acquisition of new ventures, we may face a range of claims, including those arising under anti-monopoly or unfair competition laws, potentially involving significant amounts of alleged damages. Moreover, in relation to litigation or regulatory matters in various jurisdictions, we might be restricted by laws, regulations, or government authorities in one jurisdiction from complying with subpoenas, orders, or other requests from courts or regulators in another jurisdiction. Our inability or failure to respond to these subpoenas, orders, or requests could expose us to fines, penalties, or other legal liabilities, which could materially and adversely impact our reputation, business operations, financial results, and overall financial condition.

We may encounter exposure to claims and lawsuits, including securities law class actions. Defending against these lawsuits, including any appeals if our initial defense is successful, will require significant resources. There is no guarantee that we will prevail in any of these cases, and any unfavorable outcomes could significantly harm our reputation, business, financial condition, and operational results. As we have not obtained directors’ and officers’ liability insurance, there may not be sufficient coverage to fulfill our obligations to indemnify our directors and officers, fund settlements, or pay adverse judgments in litigation. Additionally, some of our directors may face alleged class actions due to their current or former roles in other publicly listed companies or proceedings that are unrelated to their roles within our Company. Such litigation could adversely affect our public image and reputation.

Moreover, the use of products in the smart IoT and smart mobility sectors could lead to unsafe conditions, injuries, or even fatalities due to several factors, including component failures, manufacturing defects, design flaws, or insufficient disclosure of product related risks and information. These issues could result in product liability claims seeking damages for personal injury if they are caused by the quality problems of our products, with us potentially named as defendants in such lawsuits. Given the unpredictable nature of product liability claims and the challenges in assessing or quantifying their outcomes, we cannot guarantee that these claims will not have a material and adverse impact on our business or tarnish the reputation of our products or our Company.

Holders of our H Shares may be subject to PRC income tax obligations.

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares by them. Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the dividends or gain from share transfer derived in China under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations. Accordingly, we are required to

RISK FACTORS

withhold such tax from dividend payments, unless applicable tax treaties between the PRC and the jurisdiction in which the foreign individual or enterprise resides reduce or exempt the relevant tax obligations. Pursuant to the Arrangement between the Chinese Mainland and the Hong Kong Special Administrative Region (“HKSAR”) 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》) signed on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a resident of the HKSAR (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable by the Chinese company. If an HKSAR resident directly holds 25% or more of the equity interest in a PRC company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of 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>第五議定書》) issued by the SAT effective on December 6, 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above mentioned tax benefits are not subject to the above mentioned provisions. For non-PRC resident enterprises that do not have establishments or premises in China, and for those who have establishments or premises in China but whose income is not related to such establishments or premises, under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), and its implementation regulations, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are typically subject to PRC enterprise income tax at a 10% rate. The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《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》) issued by SAT, also stipulates that the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares shall be 10%, subject to a further reduction under a special arrangement or an applicable treaty between China and the jurisdiction of the residence of the relevant non-PRC resident enterprise. Despite the arrangements mentioned above, the interpretation and application of applicable PRC tax laws and regulations are subject to the then relevant laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our H Shares may be materially affected.

It may be difficult to effect service of process upon our Directors or executive officers or to enforce certain judgments against us.

The ability to enforce foreign judgments differs across the world. The recognition and enforcement in China of a court judgment obtained in other jurisdictions related to any matter that is not subject to a binding arbitration provision may be difficult or impossible. We are established under the laws of China, and most of our assets are located in China. In addition, most of our Directors and senior management reside within China. As a result, if a foreign legal action is brought against us, our Directors or senior management, there is no guarantee that such foreign judgment will be enforceable in China. On January 18, 2019, the Supreme People’s Court of China and Hong Kong entered into the 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 (《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 “**2019 Arrangement**”), which took effect in January 2024 and afford greater clarity and certainty for reciprocal recognition and enforcement of judgments in civil and commercial matters.

Although we will be subject to the Hong Kong Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases upon the [REDACTED] of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis

RISK FACTORS

of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. The Hong Kong Listing Rules and Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law in Hong Kong.

RISKS RELATING TO OUR FINANCIAL CONDITION

We must maintain effective internal control over financial reporting, and if we are unable to do so, the accuracy and timeline of our financial reporting may be materially and adversely affected.

In the future, we may identify areas within our internal controls that require enhancement. Should we fail to establish or maintain an effective internal control system over financial reporting, we risk material misstatements in our financial statements, which could hinder our ability to fulfill our reporting obligations. Such failures are likely to erode investor confidence in our financial disclosures, potentially restricting our access to capital markets and adversely affecting our business, financial condition, and operational results. Furthermore, inadequate internal control over financial reporting may increase our vulnerability to fraud or the misappropriation of corporate assets, exposing us to possible penalties, regulatory investigations, and civil or criminal liabilities.

Fair value change of investments measured at fair value through profit or loss may affect our results of operations, financial condition and prospects.

Our investments measured at fair value through profit or loss primarily consist of bank structured deposits and debt investments. As of December 31, 2023, 2024 and 2025, we had investments measured at fair value through profit or loss of RMB178.4 million, RMB188.0 million and RMB175.0 million, respectively. The methodology that we use to assess these financial assets involves a significant degree of management judgment and is inherently uncertain. We cannot assure you that market conditions and regulatory environment will create fair value gains on those financial assets or that we will not incur any fair value losses on those financial assets in the future. If we incur such fair value losses, our results of operations and financial condition may be adversely affected.

We may be required to record a significant charge to earnings if our goodwill, intangible assets or other long-term assets become impaired.

Under IFRS, most long-term assets are tested for impairment only when negative market or economic indicators arise. However, goodwill and indefinite-life intangibles require mandatory annual testing. All of our intangible assets have finite useful lives and therefore do not require mandatory annual testing. In all cases, an impairment loss is recorded if an asset's carrying value exceeds its recoverable amount. We may be required to record a significant charge to earnings in our financial statements during the period in which we determine that our intangible assets or other long-term assets have been impaired. Any such charge would adversely impact our results of operations. As of December 31, 2025, we had intangible assets of RMB166.6 million, goodwill of RMB250.7 million and investments in associates of RMB67.4 million. Our investments or acquisitions and acquired assets or businesses may also result in occurrence of significant investments and goodwill impairment charges, and amortization expenses for other intangible assets. See “— We may not be able to achieve our anticipated benefits and synergistic effects from strategic alliances, investments and acquisitions.”

We may not guarantee the continued growth of our net profit in the future.

Our net profit may fluctuate from period to period due to a variety of factors, many of which are beyond our control. In 2023, 2024, and 2025, our net profit amounted to RMB252.4 million, RMB232.0 million and RMB120.3 million, respectively. Our net profit is affected by, among other things, changes in market demand for our products, fluctuations in gross margins, increases in our

RISK FACTORS

R&D expenses and other operating costs, as well as changes in the macroeconomic and industry environment. We cannot assure you that our net profit will not decrease in future periods. Any significant decrease in our net profit may materially and adversely affect our results of operations, financial condition and prospects.

If we need additional capital in the future, it may not be available to us on favorable terms, or at all. Our ability to raise additional funds depends on a variety of factors, including our credit ratings and anticipated results of operations.

Our cash, cash equivalents, and short term investments are primarily sourced from cash generated through operating activities. However, potential obstacles, such as difficulties in inventory sales or delays in collecting trade receivables could require us to seek additional capital via equity or debt financing. Such financing may not be accessible on favourable terms, or at all, which could materially and adversely affect our business, financial condition, operating results, and prospects. Should we issue additional equity, convertible debt securities, or other equity-linked instruments, existing shareholders may incur substantial dilution and any new securities may possess rights senior to those of our common shares. Additionally, our credit ratings assigned by independent agencies play a critical role; any reduction could elevate our cost of capital and restrict our ability to secure further funding, thereby adversely affecting our growth and business operations.

Fluctuations in exchange rates could have an adverse effect on our business, financial condition and results of operations. Conversion between Renminbi and other currencies may affect our business and operations, our ability to pay dividends and meet our financial obligations, and the value of your investment.

Our Group has significant exposure to foreign exchange rate fluctuations, as our quoted price is dominated in U.S. dollars, while our revenue and costs are dominated in Renminbi. Fluctuations in foreign exchange rates against the Renminbi can affect our reported revenue and operational results due to the foreign exchange impact of translating these transactions into Renminbi. Currency fluctuations may decrease our revenue while increasing our cost of sales.

The conversion of Renminbi into foreign currencies, including U.S. dollars, relies on rates set by the People’s Bank of China. The Renminbi may experience significant and unpredictable fluctuations against the U.S. dollar. Its value relative to the U.S. dollar and other currencies is influenced by global political and economic conditions, as well as foreign exchange policies of different countries and regions. We cannot guarantee that the Renminbi will not experience significant appreciation or depreciation against the U.S. dollar or other currencies in the future. Predicting how market forces, international relations, or policies will affect the exchange rate between the Renminbi and the U.S. dollar or other currencies is challenging. Any substantial appreciation or depreciation of the Renminbi could materially and adversely impact our revenue, earnings, financial position, and the value of any dividends we may distribute. For example, if we need to convert U.S. dollars into Renminbi to cover our operating expenses, an appreciation of the Renminbi against the U.S. dollar could negatively affect the amount of Renminbi we receive from such conversions. Conversely, a significant depreciation of the Renminbi against the U.S. dollar could substantially reduce the U.S. dollar equivalent of our earnings.

We may be exposed to credit risk due to customer defaults, which could harm our business, financial condition, results of operations and cash flows.

As of December 31, 2023, 2024 and 2025, our trade receivables were RMB443.1 million, RMB477.7 million and RMB426.1 million, respectively. If the volume of our trade receivables grows in the future, it increases our exposure to credit risk. We cannot guarantee that we will be able to recover all trade receivables in the future. If we are unable to collect these receivables, it could negatively impact our business, financial condition, and operational results. Although we typically do not agree to extend payment terms for our customers, we cannot rule out the possibility

RISK FACTORS

of having to do so in specific situations moving forward. Any loss or significant decline in our customers’ sales, defaults on payments, prolonged delays in receiving trade receivables, or extensions of payment terms could adversely affect our cash flow, liquidity, and overall financial health.

We may not be able to enjoy certain government grants and incentives we received in the past.

We have historically received government grants in the form of subsidies received from local government intended to support our business operations. In 2023, 2024 and 2025, we recognized government grants under other net income of RMB33.9 million, RMB38.9 million and RMB23.0 million, respectively. For details, see “Financial Information — Principal Components of Consolidated Statements of Profit or Loss — Other Income and Gains.” Our eligibility for government grants depends on various factors, including the VAT additional input tax credit policy and qualification as a Key Integrated Circuit Design Enterprise. In addition, the policies according to which we historically received government grants may be halted by the relevant government entities at their sole discretion. There is no assurance that we will continue to receive such government grants or receive similar level of government grants, or at all, in the future.

If we are unable to continuously obtain or maintain certain preferential tax treatments, our effective tax rate may increase, which could have a material and adverse impact on our financial performance and profitability.

During the Track Record Period, we were entitled to several preferential PRC corporate income tax policies. During the Track Record Period, our Company was qualified as a key integrated circuit design enterprise encouraged by the PRC and entitled to a preferential EIT rate of 10% in 2023 and 2024, and was qualified as a High-New Technology Enterprise and entitled to a preferential tax rate of 15% during 2025. Our key subsidiaries were also entitled to preferential rates: Shanghai YG was qualified as a Small and Micro Enterprise, enjoying a preferential EIT rate of 20%, and Molchip Technology was qualified as a High-New Technology Enterprise, benefiting from the relevant preferential policy of a 15% EIT rate. We cannot assure that we will be able to meet the requirements to maintain these preferential tax policies in the future. Furthermore, the tax treatments may be amended, revoked or applied more restrictively by the authorities. If we fail to obtain such treatments, our effective tax rate would increase significantly. Any of these would materially and adversely affect our net income, cash flow and profitability.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to laws and regulatory requirements of Chinese Mainland and Hong Kong.

As a company incorporated in China, we are subject to the tax laws and regulations of the PRC. Any violations could lead to fines, penalties, or other actions and proceedings that may adversely impact our business, financial condition, and operational results.

As we are listed on the ChiNext of the Shenzhen Stock Exchange and will be [REDACTED] on the Main Board of the Stock Exchange, we will be required to comply with the listing rules (where applicable) and other applicable 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 both sets of listing rules in the two jurisdictions.

RISK FACTORS

We are listed on the Shenzhen Stock Exchange and failure to comply with evolving laws and regulations on corporate governance and public disclosure, among other matters, may lead to penalties, disciplinary actions and other negative consequences.

As a publicly traded company in China, we face heightened scrutiny regarding corporate governance and public disclosure related to the supervision of listed companies in China. This increased oversight may lead to higher costs. For instance, we are under the supervision of the CSRC, which is responsible for investor protection and the oversight of publicly traded companies in China. We must also adhere to new and evolving regulatory measures under applicable laws. Additionally, the ongoing evolution of the laws, regulations, and standards governing our operations may create challenges regarding compliance matters and lead to additional costs associated with continuously updating our disclosure and governance practices.

Our A Share(s) are listed on the Shenzhen Stock Exchange, and the characteristics of the A Share(s) and H share markets may differ.

Our A Shares are listed on the Shenzhen Stock Exchange. Following the [REDACTED], our A Shares will continue to be traded on the Shenzhen Stock Exchange and our H Shares will be traded on the Stock Exchange. Under the current PRC laws and regulations, 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 trading 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 price of our H Shares, and vice versa. Furthermore, 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, and there can be no assurance that an active market will develop or be sustained after the [REDACTED].

Prior to this [REDACTED], there was no public market for our H Shares. The [REDACTED] is the result of negotiations between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]) and may differ significantly from the market price of our H Shares following the [REDACTED]. We have applied for the [REDACTED] of, and permission to deal in, our H Shares on the Stock Exchange. A [REDACTED] on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, will be sustained following the [REDACTED] or that the market price of our H shares will not drop below the [REDACTED] at any time after the completion of the [REDACTED].

You will incur immediate and substantial dilution and may experience further dilution if we issue additional H Shares in the future.

As the [REDACTED] of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the [REDACTED], purchasers of our H Shares in the [REDACTED] may experience an immediate dilution in the [REDACTED] consolidated net tangible asset value. To expand our business, we may consider [REDACTED] and issuing additional H Shares in the future. Purchasers of the [REDACTED] may also experience dilution in the net tangible asset value per Share of their H Shares if we issue additional H Shares in the future at a price lower than the net tangible asset value per Share at that time.

RISK FACTORS

Future sales or the market perception of sales of a substantial number of our H Shares on the public market and potential conversion of our A Shares into H shares, in the [REDACTED] could materially and adversely affect the trading price of our H Shares.

After the completion of the [REDACTED], future sales of a substantial number of our H Shares or other securities relating to our H Shares on the public market, the issuance of new H Shares or other securities relating to our H Shares, or the market perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could adversely affect the market price of our H Shares and our ability to raise future capital at a favorable time and price. We cannot predict the effect of any future sales or market perception of sales of a substantial number of our H Shares on the public market on the market price of our H Shares. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New Shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

We cannot guarantee the accuracy of our facts, forecasts, and other statistics obtained from official government sources contained in this document.

Certain facts, forecasts, and other statistics in this document are derived from various official government 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], 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. Furthermore, we cannot assure you 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, you should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED] and you may not necessarily agree with how we use them.

Our management may spend the [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return. See “Future Plans and [REDACTED]” for details. However, our management will have discretion as to the actual application of our [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific use we will make of the [REDACTED] from this [REDACTED].

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance whether and when we will pay dividends in the future.

We have declared dividends in the past. We protect our Shareholders’ interest by ensuring a consistent dividend policy. However, there is no assurance that we will be able to declare or distribute dividends of any amount in any year in the future. Under the applicable PRC laws and regulations, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under IFRS Accounting Standards. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors, including but not limited to our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at Shareholders’ meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the

RISK FACTORS

applicable PRC laws and regulations. See “Financial Information — Dividend Policy” for more details of our dividend policy. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, 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 Renminbi is to be converted into foreign currency and remitted out of 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 Renminbi into or out of China.

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

As our A Shares are listed on the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in China. As a result, from time to time, we publicly release information relating to us on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in 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 Shenzhen Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document. Therefore, prospective investors in our H Shares should be reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this document. By applying to purchase our 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].

You should read the entire document carefully and only rely on the information included in this document to make your investment decision. We strongly caution you not to rely on any information contained in press articles or other media coverage relating to us of the [REDACTED].

We strongly caution our investors not to rely on any information contained in press articles or other media coverage regarding us or the [REDACTED]. Prior to the publication of this document, there may be press and media coverage regarding us, our business, our industry, and the [REDACTED]. 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 you should not rely on such information.

WAIVERS AND EXEMPTION

In preparation for the [REDACTED], our Company has applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong, which normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. As of the Latest Practicable Date, none of our executive Directors resided in Hong Kong.

Pursuant to Rule 19A.15 of the Listing Rules, the requirement in Rule 8.12 may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Stock Exchange.

Since our principal business and operations are primarily in China, all of our executive Directors are based in China as the Board believes it would be more effective and efficient for its executive Directors to be based in a location where our operations are conducted. It would be practically difficult and commercially unnecessary for us to relocate two of our executive Directors to Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. Therefore, we do not and, for the foreseeable future, will not have executive Directors who are ordinarily resident in Hong Kong for the purposes of satisfying the requirements of Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has] granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the following conditions. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- (i) **Authorized representatives:** we have appointed Mr. Yang and Ms. Leung Hoi Yang (“**Ms. Leung**”) as the authorized representatives (the “**Authorized Representatives**”) for the purpose of Rule 3.05 of the Listing Rules. Our Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. Accordingly, our Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. Our Company will also inform the Stock Exchange promptly in respect of any change in our Authorized Representatives. Each of the Authorized Representatives is authorized to communicate on behalf of our Company with the Stock Exchange;
- (ii) **Directors:** to facilitate communication with the Stock Exchange, we have provided our Authorized Representatives and the Stock Exchange with the contact details (such as mobile phone numbers, office phone numbers, facsimile number and e-mail addresses, to the extent possible) of each of our Directors such that our Authorized Representatives would have the means to contact all our Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. In the event that any Director expects to travel or otherwise be out of office, they will provide their phone number of the place of their accommodation to our Authorized Representatives. To the best of our knowledge and information, each Director who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period upon request of the Stock Exchange;

WAIVERS AND EXEMPTION

- (iii) **Compliance adviser:** we have appointed Altus Capital Limited as our Compliance Adviser (the “**Compliance Adviser**”) upon [REDACTED] pursuant to Rules 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]. Pursuant to Note to Rule 3A.23 of the Listing Rules, our Compliance Adviser will have access at all times to our Authorized Representatives, our Directors and the other senior management and act as the additional channel of communication with the Stock Exchange and answer enquiries from the Stock Exchange. The contact details of our Compliance Adviser have been provided to the Stock Exchange. We will also inform the Stock Exchange promptly in respect of any change in our Compliance Adviser;
- (iv) meetings between the Stock Exchange and our Directors could be arranged through our Authorized Representatives or our Compliance Adviser, or directly with our Directors within a reasonable time frame;
- (v) we will also appoint professional advisers (including legal advisers and accountants) after the [REDACTED], if necessary, to assist us in dealing with any questions or queries raised by our Company and to ensure that there will be efficient communication with the Stock Exchange; and
- (vi) the Compliance Adviser will also advise on the on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the [REDACTED].

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint an individual as our company secretary, who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, the Stock Exchange will consider the following factors in assessing the individual’s “relevant experience”:

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

WAIVERS AND EXEMPTION

We have appointed Mr. Wan Jianjun (萬建軍) (“**Mr. Wan**”), our executive Director, deputy general manager and secretary to the Board, as one of our joint company secretaries. He has a thorough understanding of the operations of the Board and our Company and has gained experience in handling corporate governance and general administrative matters relating to our Company. Although he presently does not possess the qualifications required under Rules 3.28 and 8.17 of the Listing Rules, we would like to appoint him as our joint company secretary due to his past experience within our Group and his thorough understanding of the internal administration and business operations of our Group. In addition, we have appointed Ms. Leung as the other joint company secretary to assist Mr. Wan in discharging the duties of a company secretary. Ms. Leung is an associate member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute. Ms. Leung therefore 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.

Our joint company secretaries will be jointly discharging the duties and responsibilities of a company secretary. Ms. Leung will be assisting Mr. Wan in gaining the relevant experience required under Rules 3.28 and 8.17 of the Listing Rules. Mr. Wan will also be assisted by (i) our Compliance Adviser for the first full financial year starting from the [REDACTED], particularly in relation to Hong Kong corporate governance practice and compliance matters; and (ii) the Hong Kong legal adviser of our Company, on matters regarding our Company’s ongoing compliance with the Listing Rules and the applicable Hong Kong laws and regulations. In addition, Mr. Wan will endeavor to attend relevant trainings and familiarize himself with the Listing Rules and duties required of a company secretary of an issuer [REDACTED] on the Stock Exchange. We have applied to the Stock Exchange for, and the 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. Wan may be appointed as a joint company secretary of our Company.

Pursuant to the Chapter 3.10 (Directors, Supervisors and Senior Management) of the Guide, the waiver will be for a fixed period of time not exceeding three years (the “**Waiver Period**”) and on the following conditions: (i) 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 (ii) the waiver will be revoked if there are material breaches of the Listing Rules by the issuer. The waiver is valid for three-year period from the [REDACTED] on the condition that Ms. Leung, as a joint company secretary of our Company, will work closely with, and provide assistance to, Mr. Wan in the discharge of his duties as a joint company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. The waiver will be revoked immediately if Ms. Leung ceases to provide assistance to Mr. Wan as the joint company secretary for the three-year period after [REDACTED]. Before the end of the three-year period, we must demonstrate and seek the Stock Exchange’s confirmation that Mr. Wan, having had the benefit of Ms. Leung’s assistance during the three-year period, has attained the relevant experience under note 2 to Rule 3.28 and is capable of discharging the functions of company secretary so that a further waiver would not be necessary.

Our Company will further ensure that Mr. Wan has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer [REDACTED] on the Stock Exchange, and to receive updates on the latest changes to the applicable Hong Kong laws, regulations and the Listing Rules. Prior to the end of the three-year period, the qualifications and experience of Mr. Wan and the need for on-going assistance of Ms. Leung will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Mr. Wan, having benefited from the assistance of Ms. Leung for the preceding three years, will have acquired the skills necessary to carry out the duties of 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.

See “Directors and Senior Management” for further information regarding the qualifications of Mr. Wan and Ms. Leung.

WAIVERS AND EXEMPTION

WAIVER IN RESPECT OF ACQUISITION AFTER THE TRACK RECORD PERIOD

Rules 4.04(2) and 4.04(4) of the Listing Rules require that the new applicant includes 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 the [REDACTED] document.

Pursuant to note (4) of Rule 4.04(4) of the Listing Rules, the Stock Exchange may consider an application for a waiver from strict compliance with 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 public [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 Rules 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 Takeovers Code 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 listing document 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).

In March 2026, our Group, through our wholly-owned subsidiary Jiangyin Xincheng Electronic Technology Co., Ltd (江陰芯誠電子科技有限公司), entered into an investment agreement in respect of our strategic investment into Moxin (Hangzhou) Technology Co., Ltd. (魔芯(杭州)科技有限公司) (the “**Target**”). The Target is a technology company focusing on physical AI and spatial intelligence, with specialized technologies in 3D spatial reconstruction and physical environment simulation. Pursuant to the agreement, our Group agreed to subscribe for the increased registered capital of the Target for a consideration of RMB20,000,000 (the “**Investment**”). Upon completion of the investment, our Group will hold 2.3781% equity interest in the Target and the Target will not become a subsidiary of our Group. Save that our related party, Jiangyin Hanlian Zhixin Equity Investment Partnership (Limited Partnership) (江陰瀚聯智芯股權投資合夥企業(有限

WAIVERS AND EXEMPTION

合夥)), agreed to subscribe for 1.1891% of the increased registered capital of the Target for a consideration of RMB10,000,000, to the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, the Target is an Independent Third Party.

The consideration for the investment was determined based on market-based valuation, taking into account the Target’s industry standing, core technology value, and future market prospects. Our Company believes that the investment into the Target will facilitate our Group’s further diversification of its industrial layout and aligns with our long-term development strategy. Our Directors considered that the Investment is on a normal commercial term, fair and reasonable and in the interest of our Company and the Shareholders as a whole.

Our Company has 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)(a) of the Listing Rules in respect of the Investment on the following grounds:

- (i) Under Rule 14.04(9) of the Listing Rules, all the applicable percentage ratios in relation to the Investment are below 5% by reference to the most recent audited financial year of the Track Record Period. Therefore, we consider the Investment to be immaterial in the context of our Company’s operations as a whole and will not result in any significant change to our financial position since December 31, 2025. All information that is reasonably necessary for the potential investors to make an informed assessment of our Company’s activities or financial position has been included in this document. As such, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules would not prejudice the interests of the investing public.
- (ii) It would require considerable time and resources for our Company and its reporting accountants to fully familiarize themselves with the management accounting policies of the Target and compile the necessary financial information and supporting documents for disclosure in this document. In addition, having considered the Investment to be immaterial and that our Company does not expect the Investment to have any material effect on its business, financial condition or operations, we believe that it would not be meaningful and would be impractical for us to disclose the audited financial information of the Target as required under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules and include the financial information of the Target during the Track Record Period in this document.

Our Company has provided alternative information about the Investment in this document. Such information includes that which would be required for a discloseable transaction under Chapter 14 of the Listing Rules that our Directors consider to be material, including, for example, descriptions of the Target’s principal business activities, the consideration for the Investment, and a statement whether each counterparty is an Independent Third Party. Since the relevant percentage ratios of the Investment is less than 5% by reference to the most recent fiscal year of our Track Record Period, the current disclosure is adequate for potential investors to form an informed assessment of our Company. Our Company will not use any [REDACTED] from the [REDACTED] to fund the Investment.

WAIVER AND EXEMPTION IN RELATION TO THE 2021 STOCK OPTION INCENTIVE PLAN AND THE 2022 STOCK OPTION INCENTIVE PLAN

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribes certain disclosure requirements in relation to the share options granted by our Company:

- (a) Rule 17.02(1)(b) of the Listing Rules requires a listing applicant to, *inter alia*, disclose in this document full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options or awards.

WAIVERS AND EXEMPTION

- (b) Paragraph 27 of Appendix D1A to the Listing Rules requires a listing applicant to disclose, *inter alia*, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a Share(s) option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.
- (c) Under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this document must state the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.
- (d) Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (i) the period during which it is exercisable; (ii) the price to be paid for shares or debentures subscribed for under it; (iii) the consideration (if any) given or to be given for it or for the right to it; and (iv) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in this document.
- (e) Pursuant to paragraphs 6 to 7 of Chapter 3.6 of the Guide for New Listing Applicants, the Stock Exchange would normally grant waivers from disclosing the names and addresses of certain grantees if the applicant could demonstrate that such disclosures would be irrelevant or unduly burdensome, subject to certain conditions specified therein.

As of the Latest Practicable Date, we have granted outstanding options to 30 grantees under the 2021 Stock Option Incentive Plan and 174 grantees under the 2022 Stock Option Incentive Plan to subscribe for an aggregate of 150,956 A Shares and 219,935 A Shares, respectively, representing approximately [REDACTED] and [REDACTED] of the total number of issued Shares immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised, and no other changes are made to the total issued share capital of our Company between the Latest Practicable Date and the [REDACTED]).

Among the outstanding options granted pursuant to the 2021 Stock Option Incentive Plan, all 30 grantees are employees of our Group and are not Directors, members of senior management, consultants or connected persons of our Company, and they were granted options to subscribe for 150,956 A Shares.

Among the outstanding options granted pursuant to the 2022 Stock Option Incentive Plan, all 174 grantees are employees of our Group and are not Directors, members of senior management, consultants or connected persons of our Company, and they were granted options to subscribe for 219,935 A Shares.

No options under the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan will be further granted after [REDACTED] and all granted options have been granted to specific individuals under the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan.

We have applied to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules and (ii) the SFC for an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule pursuant to section 342A of the Companies (Winding Up and Miscellaneous

WAIVERS AND EXEMPTION

Provisions) Ordinance in connection with the disclosure of certain details relating to the options and certain grantees in this document on the ground that the waiver and the exemption will not prejudice the interest of the investing public and strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

- (a) given that 30 grantees and 174 grantees are involved for the grant of outstanding options under the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan respectively, our Directors consider that it would be unduly burdensome to disclose in this document full details of all the options granted by us to each of the grantees, which would significantly increase the cost and time required for information compilation and document preparation for strict compliance with such disclosure requirements as our Company would need to collect and verify the addresses of a large number of the grantees to meet the disclosure requirement;
- (b) the disclosure of the personal details of each grantee, including their names, addresses of the grantees and the number of options granted, may require obtaining consent from all the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for our Company to obtain such consents given the number of the grantees;
- (c) the grant and exercise in full of the options under each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan will not cause any material adverse impact to the financial position of our Group;
- (d) there will not be any new H Shares issued under the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan as the foregoing plan is an A-share incentive scheme;
- (e) our Directors consider that non-compliance with the above disclosure requirements would not prevent our Company from providing potential investors with sufficient information for an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Group;
- (f) material information on the outstanding options under each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan has been disclosed in “Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 6. Share Incentive Plans” to provide prospective investors with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the options in making their investment decision, and such information includes:
 - (i) a summary of the terms of each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan;
 - (ii) the aggregate number of A Shares subject to the outstanding options and the percentage in our total issued Shares of which such number represents;
 - (iii) the potential dilutive effect and the impact on earnings per Share upon full exercise of the outstanding options and the issue of new A Shares in respect of the outstanding options immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no other changes are made to the total issued share capital of our Company between the Latest Practicable Date and the [REDACTED]); and

WAIVERS AND EXEMPTION

- (iv) the details of the outstanding options granted under each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan by the range of underlying A Shares, including date of grant, vesting period, exercise price and the percentage of our Company’s total issued share capital represented upon completion of the [REDACTED].

In light of the above, our Directors believe that the grant of the waiver and exemption sought under this application and the non-disclosure of the required information will not hinder potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the public investors.

The Stock Exchange [has granted] to us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules with respect to the options granted under the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan, subject to the conditions that:

- (a) the grant of a certificate of exemption from strict compliance with the relevant Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements by the SFC;
- (b) on an individual basis, full details of the outstanding options granted by our Company under each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan to (i) each of the Directors, members of the senior management and other connected persons of our Company and (ii) other grantees who were granted options to subscribe for an aggregate number of 20,000 or more A Shares, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be disclosed in this document;
- (c) in respect of the outstanding options granted by our Company under each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan to grantees other than those referred to in sub-paragraph (b) above, disclosure will be made on an aggregate basis, categorized into a lot based on the number of A Shares underlying each individual grantee, being less than 10,000 A Shares. The following details are disclosed in this document, including (1) the aggregate number of the grantees and the number of A Shares subject to the outstanding options granted to them under each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan, (2) the consideration paid for the grant of the options granted under each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan, and (3) the exercise period and the exercise price for the options granted under each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan;
- (d) the aggregate number of A Shares underlying the outstanding options and the percentage of our Company’s total issued share capital represented by such number of A Shares as of the Latest Practicable Date will be disclosed in this document;
- (e) the potential dilutive effect and the impact on earnings per Share upon full exercise of the options and the issue of new A Shares in respect of the options will be disclosed in this document;
- (f) a summary of the principal terms of each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan will be disclosed in the section headed “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 6. Share Incentive Plans” in Appendix IV to document;

WAIVERS AND EXEMPTION

- (g) the particulars of this waiver are set out in this document; and
- (h) a full list of all the grantees with outstanding options over A Shares under each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan, containing all details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with “Documents Delivered to the Registrar of Companies and Available on Display — C. Document Available for Inspection” in Appendix V to this document.

The SFC [has granted] us a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance with respect to the outstanding options granted under, the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan, subject to the conditions that:

- (a) on an individual basis, full details of the outstanding options granted by our Company under each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan to (i) each of the Directors, members of the senior management and other connected persons of our Company and (ii) other grantees who were granted options to subscribe for an aggregate number of 20,000 or more A Shares, will be disclosed in the section headed “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 6. Share Incentive Plans” in Appendix IV to this document as required by paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the options granted under each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan to grantees other than those referred to in sub-paragraph (a) above, disclosure will be made on an aggregate basis, categorized into a lot based on the number of A Shares underlying each individual grantee, being less than 10,000 A Shares. The following details are disclosed in this document, including (1) the aggregate number of the grantees and the number of A Shares subject to the options granted to them under each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan, (2) the consideration paid for the grant of the outstanding options granted under each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan, and (3) the exercise period and the exercise price for the options granted under each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan;
- (c) a full list of all the grantees of each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan, containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be made available for physical public inspection in accordance with “Documents Delivered to the Registrar of Companies and Available on Display — C. Document Available for Inspection” in Appendix V to this document; and
- (d) the particulars of this exemption will be disclosed in this document and that this document will be issued on or before [REDACTED].

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality

Executive Directors

Mr. Yang Xiaoqi (楊小奇)	Room 701 Building 5, Gubei Great Mansion Minhang District Shanghai, China	Chinese

Mr. Wan Jianjun (萬建軍)	Room 301 No. 63, Lane 1881 Dongfang Road Pudong New Area Shanghai, China	Chinese

Mr. Li Yuan (李源)	Room 1704 No. 15, Lane 580 Wanyuan Road Minhang District Shanghai, China	Chinese

Mr. Gao Houxin (高厚新)	Room 303 No. 18, Lane 89 Tianlin Road Xuhui District Shanghai, China	Chinese

Non-executive Directors

Mr. Ning Min (寧旻)	No. 1805 Longwan Villa Houshayu Town Shunyi District Beijing, China	Chinese

Mr. Yang Xiaohe (楊曉河)	Room 501 No. 4, Lane 777 Meihua Road Pudong New Area Shanghai, China	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality

Independent Non-executive Directors

Ms. Fang Ying (方瑛)	Room 831, No. 255 Xinjinqiao Road Pudong New Area Shanghai, China	Chinese
Mr. Zhang Zhanping (張占平)	Room 503 No. 52, Lane 51 Boshan Road Pudong New Area Shanghai, China	Chinese
Mr. Chiu Ngam (趙岩)	Flat F, 17/F, Tower 10 Island Harbourview Kowloon Hong Kong	Chinese

For details with respect to our Directors, see “Directors and Senior Management” in this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor and [REDACTED]

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen’s Road Central
Hong Kong

[REDACTED]

Legal Advisers to our Company

As to Hong Kong and U.S. laws:

King & Wood
13/F, Gloucester Tower
The Landmark
15 Queen’s Road Central
Central
Hong Kong

As to PRC laws:

King & Wood
17th Floor, One ICC, Shanghai ICC
999 Middle Huai Hai Road, Xuhui District
Shanghai
PRC

Legal Advisers to the Sole Sponsor and
[REDACTED]

As to Hong Kong laws:

Han Kun Law Offices LLP
Rooms 4301-10, 43/F
Gloucester Tower
The Landmark
15 Queen’s Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

As to PRC laws:

Global Law Offices

36th Floor
Shanghai One ICC
No. 999 Middle Huai Hai Road
Xuhui District
Shanghai, China

Auditor and Reporting Accountants

Ernst & Young

*Certified Public Accountants and Registered
Public Interest Entity Auditor*
27/F, One Taikoo Place
979 King’s Road
Quarry Bay
Hong Kong

Industry Consultant

**Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.**

Suite 2504 Wheelock Square
1717 Nanjing West Road
Shanghai, China

Compliance Adviser

Altus Capital Limited

21 Wing Wo Street
Central, Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office in China	Floor 6 No. 717 Yishan Road Xuhui District Shanghai, China
Headquarters and Principal Place of Business in China	Floor 6 No. 717 Yishan Road Xuhui District Shanghai, China
Principal Place of Business in Hong Kong	46th Floor, Hopewell Centre 183 Queen’s Road East Wan Chai, Hong Kong
Company’s Website	<u>www.fullhan.com</u> <i>(Information contained on this website does not form part of this document)</i>
Joint Company Secretaries	Mr. Wan Jianjun Room 301 No. 63, Lane 1881 Dongfang Road Pudong New Area Shanghai, China Ms. Leung Hoi Yan <i>(an associate member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute)</i> 46th Floor, Hopewell Centre 183 Queen’s Road East Wan Chai, Hong Kong
Authorized Representatives	Mr. Yang Xiaoqi Room 701 Building 5, Gubei Grand Mansion Minhang District Shanghai, China Ms. Leung Hoi Yan 46th Floor, Hopewell Centre 183 Queen’s Road East Wan Chai, Hong Kong
Audit Committee	Ms. Fang Ying <i>(Chairperson)</i> Mr. Zhang Zhanping Mr. Chiu Ngam
Remuneration and Evaluation Committee	Ms. Fang Ying <i>(Chairperson)</i> Mr. Chiu Ngam Mr. Li Yuan

CORPORATE INFORMATION

Nomination Committee

Mr. Zhang Zhanping (*Chairperson*)
Ms. Fang Ying
Mr. Wan Jianjun

Strategy and ESG Committee

Mr. Yang Xiaoqi (*Chairperson*)
Mr. Wan Jianjun
Mr. Ning Min

[REDACTED]

Principal Banks

**Bank of Ningbo Co., Ltd.,
Shanghai Branch**
No. 8 Yin Cheng Middle Road
Pudong New Area
Shanghai, China

**China Merchants Bank Co., Ltd., Shanghai
Branch**
CMB Shanghai Building
No. 1088 Lujiazui Ring Road,
China (Shanghai) Pilot Free Trade Zone,
Shanghai, China

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from the F&S Report, which was commissioned by us and from various official government publications and available resources from public market research. We engaged Frost & Sullivan to prepare the F&S Report in connection with the [REDACTED]. The information from official government sources has not been independently verified by any of the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED] (other than Frost & Sullivan), and no representation is given as to its accuracy. For discussion or risks related to the Group’s industry, see “Risk Factors — Risks Relating to Our Business and Industry” in this document.

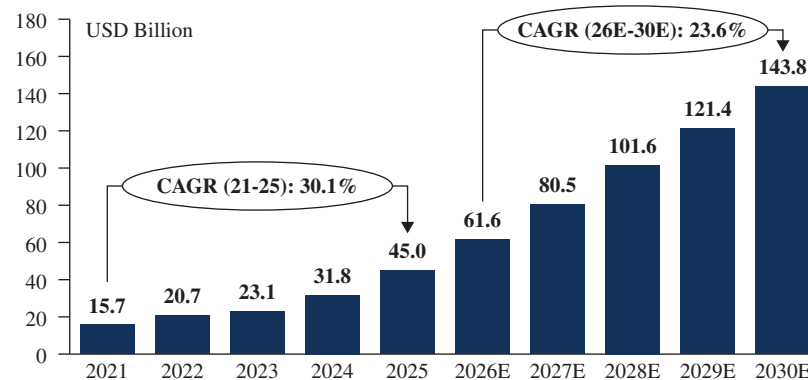
GLOBAL SMART VISION CHIP MARKET ANALYSIS

Global Smart Device AI SoC Market Overview

Smart devices refer to equipment equipped with operating systems, data processing capabilities, and network connectivity, capable of running various applications and interacting with users. Typical examples include smart cameras, smart vehicles, smartphones, smart speakers, tablet computers, and wearable devices. As the core hardware foundation of smart devices, smart device SoCs provide essential computing power to support complex systems and applications, while also determining key performance characteristics such as device performance and energy efficiency.

Amid the rapid advancement of AI algorithms, particularly those represented by large models, the migration of AI models toward device endpoints has accelerated. This trend has significantly increased the demand for edge AI computing on low-power devices. Smart device AI SoCs, by integrating NPUs and optimizing algorithm-hardware collaboration, can effectively enable devices to perform real-time AI inference and decision-making. They serve as vital hardware enablers for AI adoption in smart devices, and their penetration rate in such devices continues to rise.

Global Smart Device AI SoC Market Size (by Revenue), 2021-2030E



Source: expert interviews, Frost & Sullivan

Overview of Smart Vision Chips

Smart vision chips refer to a core chip architecture that enables intelligent operations across the entire visual information chain, including acquisition, processing, transmission, storage, and display, and encompass various types of functional chips. Compared with traditional image processing chips, smart vision chips not only possess image signal processing and video codec capabilities but also increasingly integrate intelligent features such as AI inference and edge computing.

INDUSTRY OVERVIEW

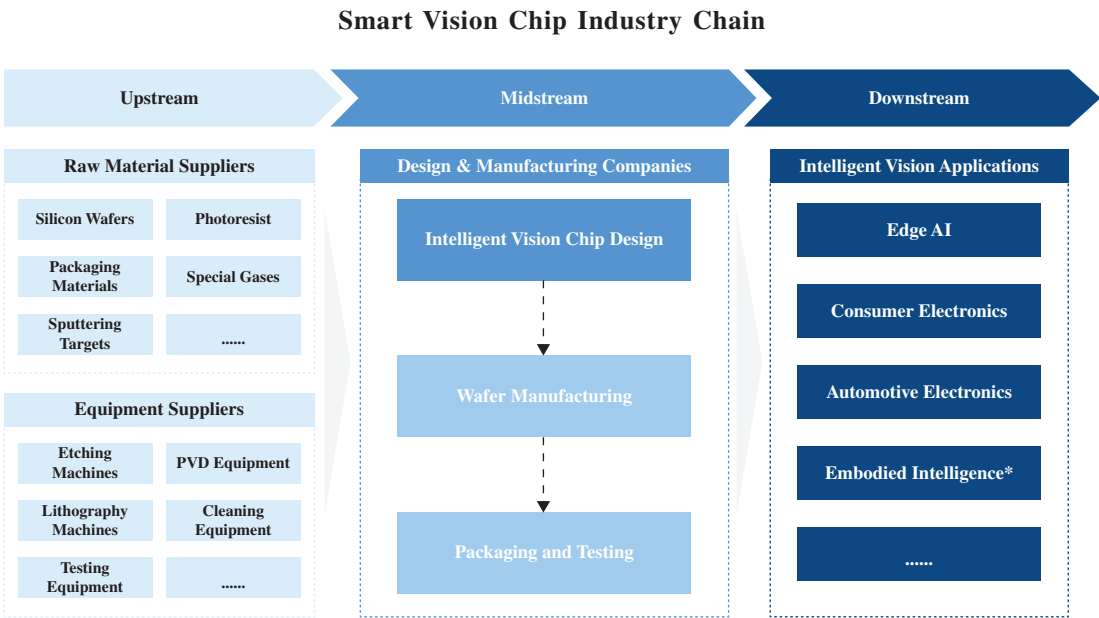
From a functional perspective, smart vision chips mainly include smart vision processing chips, video bridging and signal transmission chips, display control chips, and auxiliary and derivative chips.

Smart vision processing chips serve as the core of smart vision system applications. Among them, end-side smart vision processing chips are responsible for image acquisition and processing, while edge-side smart vision processing chips handle storage and decoding tasks. **Video bridging and signal transmission chips** enable the conversion and transmission of image signals between different formats or interfaces, ensuring signal integrity throughout the chain. Video bridging chips perform protocol conversion between different video interface standards to ensure compatibility between end-side and edge-side devices, while signal transmission chips support long-distance video data transmission, typically via coaxial cable, electrical cable, or optical fiber, emphasizing low latency and high bandwidth. **Display control chips** are responsible for rendering video signals on terminal display devices. Timing controller (“**TCON**”) chips generate timing logic signals that match the resolution and refresh rate of the display panel to ensure orderly frame scheduling, while display driver chips (“**DDICs**”) convert digital signals into photoelectric signals to drive pixel illumination and achieve visual output. **Auxiliary and derivative chips** include audio/video codec chips, video enhancement processors, and certain co-processors that integrate AI acceleration units. These chips play a role in collaborative optimization within the system architecture and are often used in conjunction with SoCs to deliver higher computational efficiency or lower power consumption for specific workloads, thereby improving overall system performance.

Through the collaborative operation of multiple chip types, the smart vision chip ecosystem constructs a fully intelligent end-to-end solution covering acquisition, processing, transmission, storage, and display. By 2025, according to IMF and Frost & Sullivan, the global smart vision chip market had exceeded US\$10 billion, becoming a key enabler of integrated development across edge AI, consumer electronics, automotive electronics, and robotics, leveraging its full-chain technological synergy.

Smart Vision Chip Industry Chain

The smart vision chip industry chain encompasses the complete value transfer pathway from upstream raw materials and equipment to midstream design and manufacturing, and finally to downstream application deployment, forming a multi-link, collaborative development structure.



Source: Frost & Sullivan, WSTS

* Embodied Intelligence refers to artificial intelligence systems that possess a physical presence and can interact with their environment in real-time.

INDUSTRY OVERVIEW

Definition and Classification of Smart Vision Processing Chips

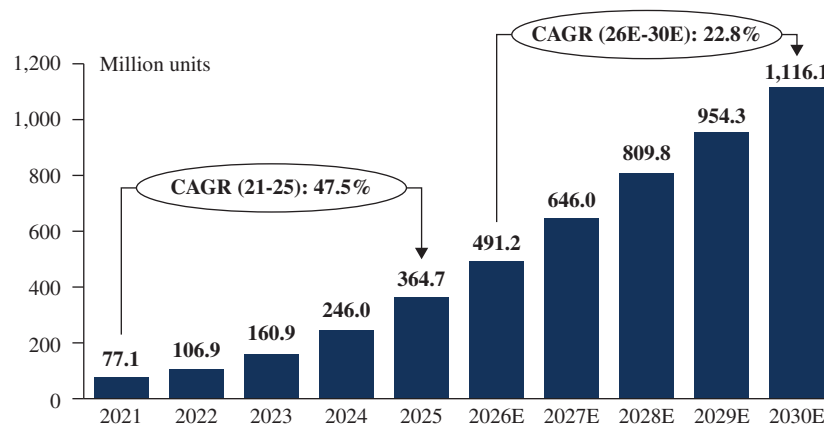
From a product functionality perspective, smart vision processing chips can be divided into end-side and edge-side types.

The end-side smart vision processing chip is mainly used in the data acquisition and preliminary processing stages of smart vision systems. Its core function is to convert the raw optical signals captured by cameras into computable digital information and to perform part of the real-time processing and optimization at the edge. The end-side chip primarily includes the ISP and the IPC SoC. The edge-side smart vision processing chip mainly refers to processors used for video storage, decoding, and management, with core products including the NVR chip and the DVR chip.

Market Size of Vision AI Chips

Measured by shipment volume, the global vision AI SoC market grew from 77.1 million units in 2021 to 364.7 million units in 2025, representing a CAGR of 47.5%. The market is expected to further expand to 1,116.1 million units by 2030, with a projected CAGR of 22.8% from 2026 to 2030.

Global Vision AI SoC Market Size (by shipment volume), 2021-2030E



Source: IDC, Omdia, Frost & Sullivan

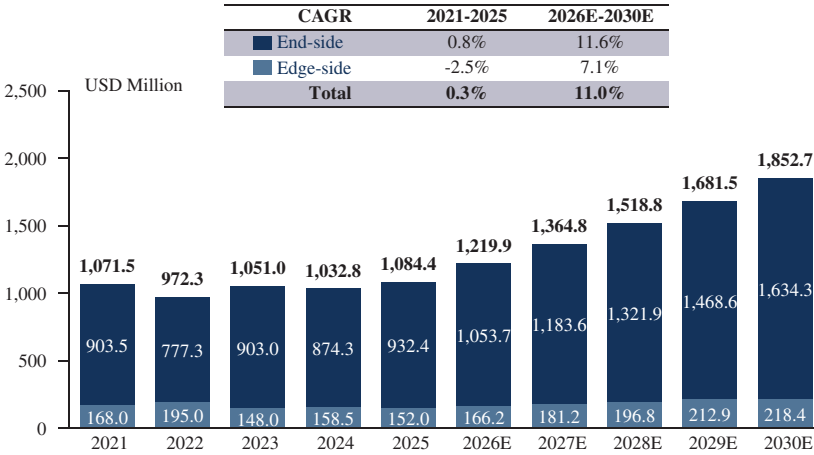
Market Size of Smart Vision Processing Chips

According to Frost & Sullivan, from 2021 to 2030, the global smart vision processing chip market has shown a trend of continuous and rapid growth. Driven by the expanding demand from downstream application fields such as edge AI, intelligent driving, and embodied intelligence, the market continues to grow steadily. First, the rapid penetration of edge AI devices such as AI glasses and smart terminals will drive surging demand for lightweight, high-efficiency smart vision processing chips that support real-time end-side visual data inference and analysis. Second, the advancement of intelligent driving to higher-level autonomy will fuel the need for automotive-grade vision chips capable of multi-sensor fusion and high-precision environmental perception, as vehicles require more reliable visual processing to ensure driving safety. Third, the expansion of embodied intelligence scenarios like service robots and industrial automation will boost demand for specialized vision chips that can handle complex spatial and semantic visual recognition tasks, aligning with the trend of intelligent transformation across industries. The significant acceleration in growth rate in the latter period fully demonstrates that the market possesses robust growth potential and vast development prospects.

INDUSTRY OVERVIEW

From the perspective of product functions, end-side smart vision processing chips are the core driver of market growth. The market size of edge-side smart vision processing chips has maintained relatively steady growth. As a core component for video storage, decoding, and management, its market size has grown steadily along with the expansion of end-side chips. Although its growth rate is slower than that of end-side chips, it still plays an irreplaceable supporting role in the complete chain of smart vision systems.

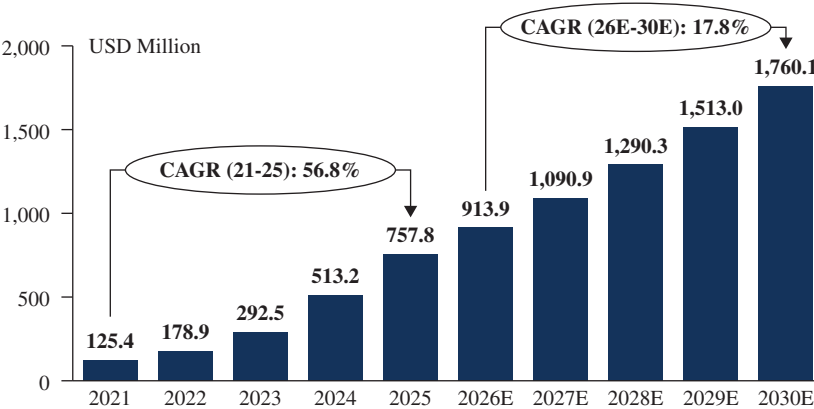
Global Smart Vision Processing Chip Market Size (by Revenue), 2021-2030E



Source: expert interviews, Frost & Sullivan

From the perspective of AI penetration, smart vision AI processing chips have become a key driving force for market growth amid the rapid evolution of AI algorithms represented by large models and the accelerated migration of generative AI inference models toward edge devices. As downstream application scenarios such as intelligent driving and embodied intelligence release surging demand for edge AI vision computing power, this category of chips has entered a phase of explosive growth.

Global Smart Vision AI Processing Chip Market Size (by Revenue), 2021-2030E



Source: expert interviews, Frost & Sullivan

INDUSTRY OVERVIEW

Downstream Application Scenarios and Demand Outlook for Smart Vision Processing Chips

Smart Video

According to IMF and Frost & Sullivan, the shipments of the global IP cameras increased from 211.3 million in 2021 to 322.2 million in 2025, and is projected to reach 471.2 million by 2030, representing a CAGR of 7.9% from 2025 to 2030. In particular, the shipment volume of the global consumer smart camera has shown a faster growth rate, as the global shipment increased from 96.8 million in 2021 to 186.7 million in 2025, and is expected to reach 329.2 million by 2030, with a CAGR of 12.0% from 2025 to 2030. According to IMF and Frost & Sullivan, in 2021, global shipments of AI cameras reached approximately 20.7 million units, rising to 65.0 million units in 2025, and are expected to further increase to 155.3 million units by 2030, with a CAGR of 18.6% from 2026 to 2030.

Smart IoT

According to IMF and Frost & Sullivan, global shipments of AI glasses reached 5.7 million units in 2025 and are projected to surge to 68.8 million units by 2030, achieving a CAGR of 64.7% from 2025 to 2030.

Smart Mobility

According to CPCA and Frost & Sullivan, global shipments of smart vehicles grew from 35.4 million units in 2021 to 57.7 million units in 2025, and are expected to reach 90.5 million units by 2030, reflecting a CAGR of 9.4% from 2025 to 2030, outpacing overall global vehicle sales growth.

Robotics

According to IMF and Frost & Sullivan, in 2021, the global robotics industry market size stood at US\$39.7 billion, and it grew to US\$80.6 billion by 2025, with a CAGR of 19.3% during this period. In 2026, the market size will continue to expand to US\$91.3 billion, and is projected to reach US\$136.1 billion by 2030. The CAGR for the period 2026-2030 is expected to reach 10.5%.

Industry Drivers and Development Trends

Rapid Expansion of Downstream Application Demand

Market demand for smart vision chips is growing rapidly alongside the widespread adoption of edge AI. Typical application scenarios such as AI cameras, AI glasses, smart vehicles, and robots are driving continuous improvements in real-time computing, energy efficiency, and integration density. As these terminal devices enter large-scale deployment, the market space for smart vision chips expands significantly. Meanwhile, emerging applications in consumer electronics, industrial inspection, traffic management, and medical diagnostics are further extending market boundaries.

Continuous Evolution of Technical Architecture

With the increasing complexity of visual algorithms and the growing parameter scale of AI models, traditional single-path image processing architectures can no longer meet performance demands. The new generation of chips achieves more efficient collaboration across image acquisition, preprocessing, and recognition inference, demonstrating stronger performance in multi-channel video processing, high-definition imaging, and low-latency applications.

INDUSTRY OVERVIEW

ANALYSIS OF THE COMPETITIVE LANDSCAPE IN GLOBAL SMART VISION CHIP INDUSTRY

Ranking of enterprises and market share analysis in the smart vision processing chip market

In 2025, the global smart vision processing chip market exhibited a relatively concentrated market share. Among these, our Company achieved revenues of US\$201.7 million in 2025, ranking second globally.

Global Ranking of Smart Vision Processing Chip Enterprises (by Revenue), 2025

Ranking	Company Name	Revenue from Smart Vision Processing Chips	Market Share
		(USD million)	(%)
1.	Company A	285.5	26.3
2.	Our Company	201.7	18.6
3.	Company B	146.2	13.5

Source: expert interview, public filings, Frost & Sullivan

Notes:

- (1) Company A is a listed company founded in 2017 and listed on the Shenzhen Stock Exchange, with its headquarters located in Xiamen, China. Its core business focuses on the development and sales of edge-side visual AI SoCs.
- (2) Company B is a listed company founded in 1997 and listed on the Taiwan Stock Exchange, with its headquarters located in Taiwan Province, China. It mainly engages in the design, R&D, manufacturing and sales of SoCs, which are widely used in consumer electronic products.

Analysis of enterprise rankings and market share in the end-side and edge-side smart vision processing chip market

In 2025, the global end-side smart vision processing chip market exhibited high concentration. Our Company achieved shipment of 153.5 million units in 2025, ranking first globally in the global end-side smart vision processing chip market. In the China’s market for end-side smart vision processing chips, our Company rank first by revenue from China in 2025. By shipment, our Company rank first in the global automotive ISP chip market in 2025. By revenue, our Company rank first in the global edge-side smart vision processing chip market in 2025.

Global Ranking of End-side Smart Vision Processing Chip Companies (by Shipment), 2025

Ranking	Company Name	Shipment of End-side Smart Vision Processing Chips
		(Million Units)
1.	Our Company	153.5
2.	Company A	143.5
3.	Company C	85.0

Source: expert interview, public filings, Frost & Sullivan

Note:

- (1) Company C is a listed company founded in 2005 and listed on the Shenzhen Stock Exchange, with its headquarters located in Beijing, China. Its core business focuses on the design, R&D and sales in the fields of memory, computing and analog chips.

INDUSTRY OVERVIEW

Cost Structure Analysis

The cost structure of smart vision processing chips mainly consists of raw material costs and processing fees. In general, raw material costs account for 70% to 80% of the total cost of smart vision processing chips, while processing fees account for 20% to 30%. The core raw materials procured by fabless smart vision processing chip enterprises are processed wafers provided by wafer foundries.

The prices of processed wafers adopted for smart vision processing chips are affected by multiple factors, including wafer size, manufacturing process nodes, foundry production capacity, and the demand for semiconductor products in downstream end markets at a given stage. Historically, from 2020 to 2024, due to the global short-term shortage of processed wafers, the average price of supporting processed wafers for smart vision processing chips kept rising in 2021 and 2022. With the gradual recovery of the overall production capacity of wafer foundries, the average wafer prices began to decline from 2023 to 2024.

Looking ahead, benefiting from robust demand in downstream applications and the continuous increase in the proportion of processed wafers with advanced process nodes, the average price of processed wafers for smart vision processing chips is expected to remain stable in 2025. Furthermore, the global KGD market generally experienced a state of tight supply-demand balance in the fourth quarter of 2025, primarily driven by a surge in memory prices.

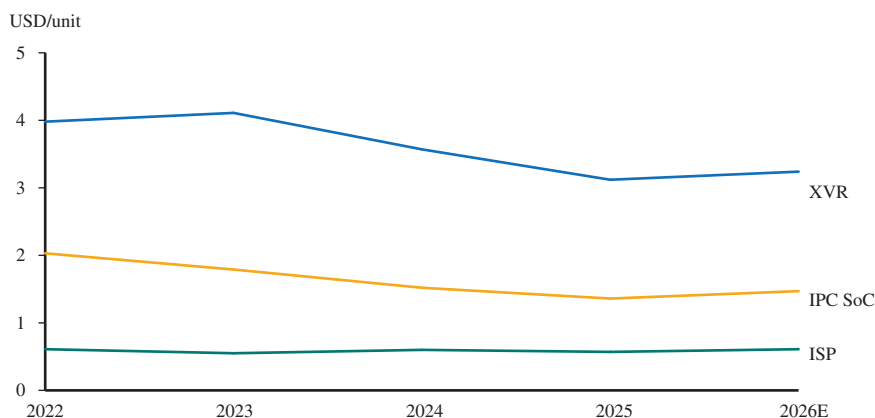
In addition, processing fees mainly refer to packaging and testing expenses paid to semiconductor packaging and testing service providers, covering the whole process of converting processed wafers into final chip products. The pricing of processing fees for smart vision processing chips is primarily determined by wafer size, packaging and testing process capabilities, and downstream end-market demand.

From 2020 to 2024, the overall processing fees for smart vision processing chips in the industry posted a steady upward trend. In 2023, dragged by sluggish downstream demand such as consumer electronics and active inventory adjustments by enterprises, the average processing fees edged down slightly. In 2024, processing fees resumed growth and gradually leveled off. In the long run, as the packaging and testing technologies for smart vision processing chips continue to evolve toward high interconnection density, system integration and high-performance computing, together with technological iteration and process innovation, the average processing fees in the industry will maintain a mild upward trend.

Smart Vision Processing Chip Pricing Analysis

From 2022 to 2026E, the industry-average unit prices of smart vision processing chips (denominated in USD) show distinct but generally stable trajectories across different product categories. Overall, the market exhibits modest price differentiation by product tier, with limited overall volatility.

Prices of Smart Vision Processing Chips, 2022-2026E



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Analysis of Entry Barriers in the Industry

Barriers to R&D Innovation and Product Development Capabilities

The chip design industry is highly technology-intensive, requiring R&D teams to have forward-looking vision and multidisciplinary collaboration capabilities. Chip development features long cycles, high verification costs, and demands continuous technical accumulation. High-reliability sectors like security and industrial control have extremely low error tolerance for chips, raising entry barriers. Enterprises lacking deep expertise struggle to meet stringent technical requirements and enter the market quickly.

Product Portfolio Barriers

Chip design companies need a comprehensive product matrix, covering both end-side and edge-side chips horizontally and high, mid, and low-end tiers vertically. Leading companies have built such portfolios through long-term accumulation, enabling quick response to customer needs. New entrants are limited by insufficient technology, shallow scenario understanding and tight resources. They can hardly build complete portfolios rapidly and often focus on single categories, failing to meet comprehensive customer demands.

Customer and Brand Barriers

Chips’ reliability directly determines end-product performance, so downstream clients tend to maintain long-term stable partnerships with existing suppliers. New entrants must go through lengthy certification, consuming clients’ resources to secure orders. Established suppliers have strong brand reputations, making it hard for new entrants to gain trust. Changing chip suppliers involves high adaptation costs and risks, so new companies face huge trust and trial-and-error barriers to penetrate existing ecosystems.

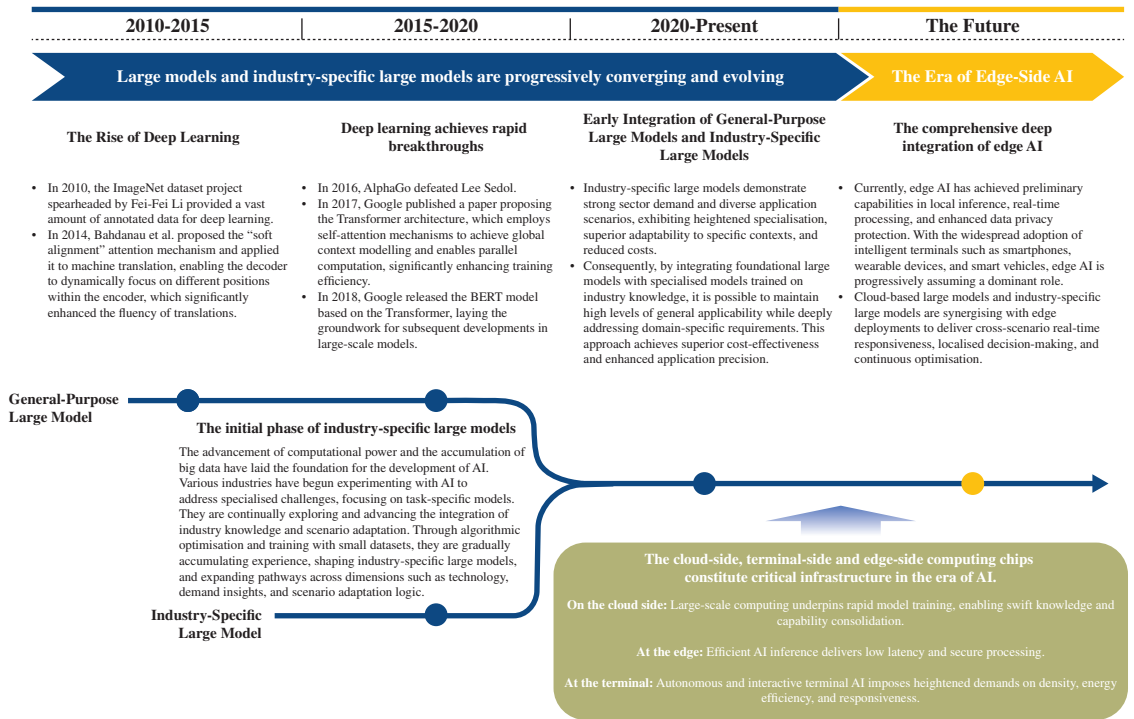
OVERVIEW OF GLOBAL AI INDUSTRY

The Development Journey of the AI Industry

As one of the most transformative technologies of the 21st century, AI leverages advanced algorithms and big data training to endow machine systems with multidimensional capabilities to simulate, extend and augment human intelligence. Its significance has transcended mere technological innovation, evolving into a strategic factor influencing national competitiveness, industrial upgrading and societal transformation. Currently, both global and Chinese AI development have entered a new phase of accelerated penetration.

INDUSTRY OVERVIEW

Schematic Diagram of the Development History of AI



Source: Frost & Sullivan

Development Background of Visual Edge AI

Information acquisition pathways in the era of edge AI:

Vision Emerges as the Core Interface for Human Perception and External Information Gathering

Within AI multimodal perception systems, visual data offers a more comprehensive foundation for subsequent processing compared to the single-dimensional nature of speech or the localized data from sensors. It intuitively captures diverse information such as spatial layouts and object characteristics within images. For edge AI, vision not only fulfils perceptual functions but also enables intelligent recognition, semantic analysis, and dynamic interaction. It seamlessly integrates with other modalities such as speech and touch, forming a closed-loop “perception-analysis-interaction” process. This makes vision the pivotal gateway connecting the physical world with the digital realm.

The future prospects of edge AI empowered by vision:

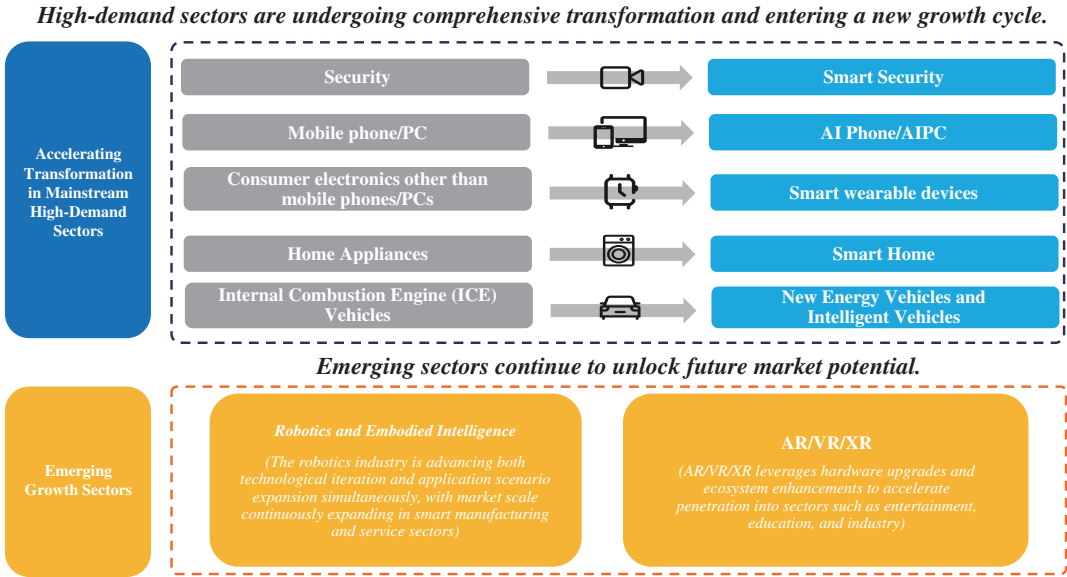
Vision technology has unlocked entirely new capabilities for edge AI, empowering industries across the board

In the realm of digital twins, visual edge AI employs high-definition cameras and industrial imaging systems to capture real-time status and parameters of physical entities such as factory production lines and urban transport networks. This enables the rapid generation of high-precision digital twin models, facilitating dynamic mapping and remote control of physical environments. Such capabilities enhance operational efficiency in industrial maintenance and urban governance. Within the metaverse domain, visual technologies capture users’ body movements and facial expressions. Combined with edge AI’s real-time processing capabilities, this creates low-latency, highly immersive virtual-physical interaction experiences, enabling natural motion synchronization and emotional conveyance within metaverse spaces. In other domains such as smart retail,

INDUSTRY OVERVIEW

intelligent healthcare, and autonomous driving, visual edge AI similarly plays a pivotal role: identifying merchandise and analyzing consumer behavior in smart retail; assisting portable diagnostics and surgical scene recognition in intelligent healthcare; and enabling real-time road condition perception in autonomous driving. This continues to propel industrial intelligent transformation and shape new paradigms of digital living.

Schematic Diagram of Downstream Demand Transformation for Smart Vision Chips



Source: Frost & Sullivan

Analysis of AI Inference Chip Market Outlook

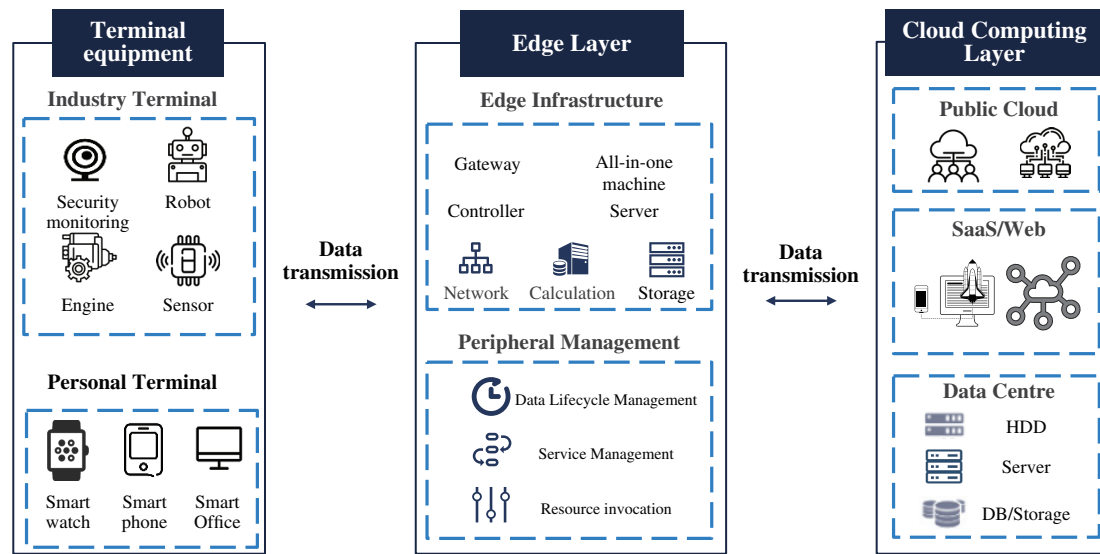
Demand analysis for AI inference chips based on cloud-edge-terminal architecture

The cloud-edge-terminal architecture is a distributed model integrating cloud computing, edge computing, and terminal devices. The cloud handles complex computations and big data storage, undertaking large-scale visual model training and global data management. The edge layer performs local real-time analysis, primarily responsible for low-latency preprocessing of visual data and model adaptation. The terminal layer further subdivides into personal terminal products (e.g., smart speakers, smartphones, and smart office devices) and industrial terminal equipment (e.g., security cameras, industrial sensors, robots, and smart medical devices).

Within this cloud-edge-terminal collaborative architecture, edge AI plays a pivotal bridging role, poised to become the core node for future device interconnectivity. Massive data generated by end devices undergoes real-time preprocessing, analysis, and filtering through edge nodes, alleviating cloud strain while ensuring system responsiveness and data security. The trend toward device interconnectivity amplifies computational demands, necessitating more powerful AI inference chips at the edge to support complex computations and safeguard network security. The efficient synergy between edge-side and terminal-side AI not only expands chip application scenarios but also creates significant growth opportunities across the entire industry chain. According to IMF and Frost & Sullivan, as the core enabler of intelligence, AI inference chips have currently reached a market scale of nearly US\$10 billion in China, boasting vast market potential and promising development prospects.

INDUSTRY OVERVIEW

The Analysis of Cloud-Edge-Terminal Architecture



Source: Frost & Sullivan

Core infrastructure of cloud-edge-terminal architecture: AI inference chips

AI inference chips form the core of terminal intelligence, playing a pivotal role in the evolution of cloud-edge-terminal architecture. Against the backdrop of intensifying AI integration in traditional devices and deepening functionalities in emerging fields, these chips leverage robust local computing power and real-time processing capabilities to efficiently execute critical tasks such as image recognition and environmental perception. This significantly enhances device responsiveness and energy efficiency. Their substantial computational support underpins the evolution of cloud-edge-terminal architectures. Through continuous performance iterations, they drive innovation across diverse application scenarios, thereby advancing the development of intelligent terminal industry demands.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan to conduct market research on global high-speed interconnecting chip industry and prepare the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We have contracted to pay RMB450,000 to Frost & Sullivan for compiling the F&S Report. Our Directors confirm, to the best of their knowledge, and after making reasonable enquiries, that there have been no adverse changes in the industry since the date of the F&S Report and up to the Latest Practicable Date which may qualify, contradict or have an impact on the information set out in this section.

In preparing the F&S Report, Frost & Sullivan conducted detailed primary research which involved discussing the status of the industry with certain industry leading participants and conducting interviews with relevant parties. Frost & Sullivan also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data and considered the key industry drivers. Its market forecasting methodology integrates several forecasting techniques and relies on the expertise of the analyst team in integrating critical market elements investigated during the research phase of the project. These elements primarily include forecasting methodology based on expert opinions, integration of market drivers and restraints, market challenges, market development trends and econometric variables.

INDUSTRY OVERVIEW

The F&S Report is compiled based on the following assumptions: (i) the social economic and political environment around the globe and within Chinese Mainland is likely to remain stable in the forecast period; and (ii) related key industry drivers are likely to drive the market in the forecast period.

REGULATORY OVERVIEW

REGULATORY OVERVIEW

This section sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our business operations.

REGULATIONS ON COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

Pursuant to the PRC Company Law promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on December 29, 1993, which was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023, respectively, and has come into force on July 1, 2024, the Company Law shall apply to all companies established in China. The Company Law, which regulates the establishment, corporate structure and management of companies, also applies to foreign-invested companies. Where laws on foreign investment provide otherwise, such provisions shall prevail.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**FIL**”), which was promulgated by the National People’s Congress (the “**NPC**”) on March 15, 2019, and came into effect on January 1, 2020, provides that the “foreign investment” refers to the investment activities in China carried out directly or indirectly by foreign individuals, enterprises or other organizations (the “**Foreign Investors**”), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The FIL further adopts the management system of pre-establishment national treatment and negative list for foreign investment. The “pre-establishment national treatment” refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; and the “negative list” refers to special administrative measures for access of foreign investment in specific fields as stipulated by the state. The FIL granted national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval of the State Council.

Investment activities in China by foreign investors were principally governed by the Special Administrative Measures (Negative List) for Access of Foreign Investment (2024 version) (《外商投資准入特別管理措施(負面清單)》) (2024年版)), and the Catalogue of Industries for Encouraging Foreign Investment (2022 version) (《鼓勵外商投資產業目錄》(2022年版)) (the “**Encouraging List**”) amended and promulgated by MOFCOM and the National Development and Reform Commission (《中華人民共和國國家發展和改革委員會》) (the “**NDRC**”) in October 2022. The Negative List, which came into effect on November 1, 2024, sets out special administrative measures (restricted or prohibited) in respect of the access of foreign investments in a centralized manner, and the Encouraging List, which came into effect on January 1, 2023, sets out the encouraged industries for foreign investment. The Negative List cover 12 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment for domestic and foreign investment. Our business as currently conducted does not fall within the confines of the Negative List and is not subject to special administrative measures.

The Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) was released by MOFCOM and the State Administration for Market Regulation of the PRC on December 30, 2019, and became effective on January 1, 2020. Foreign investors directly or indirectly conducting investment activities within the territory of China shall submit the investment information through submission of initial reports, change reports, deregistration reports, annual reports, etc. to the competent commerce authorities in accordance with the Measures on Reporting of Foreign Investment Information. When submitting an annual report, a foreign-invested enterprise shall submit the basic information on the enterprise, the information on the investors and their

REGULATORY OVERVIEW

actual controlling party, the enterprise’s operation and asset and liabilities information, etc., and where the foreign investment admission special administrative measures are involved, the foreign investment enterprise shall also submit the relevant industry licensing information.

REGULATIONS ON THE INTEGRATED CIRCUIT INDUSTRY

From 2010 to 2020, the State Council had issued a series of regulations aimed at promoting the development of the integrated circuit industry, which include the Decision of the State Council on Accelerating the Fostering and Development of Strategic Emerging Industries (《國務院關於加快培育和發展戰略性新興產業的決定》), the Notice of the State Council on Promulgation of Several Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (《國務院關於印發進一步鼓勵軟件產業和集成電路產業發展若干政策的通知》), the Outline for Advancing the National Integrated Circuit Industry (《國家集成電路產業發展推進綱要》), Made in China (2025) (《中國製造(2025)》), the Notice of the State Council on Promulgation of Several Policies for Promoting the High-quality Development of Integrated Circuit and Software Industries in the New Era (《國務院關於印發 新時期促進集成電路產業和軟件產業高質量發展的若干政策的通知》).

On January 25, 2017, the NDRC promulgated Strategic Emerging Industries Key Products and Services Guidance Catalog (《戰略性新興產業重點產品和服務指導目錄》), which includes integrated circuit chip design and services as a key product and service in the strategic emerging industries.

On July 27, 2020, the Notice by the MOF, the NDRC, the MIIT and Other Departments of the Measures for the Administration of Import Tax Policies for Supporting the Development of the Integrated Circuit Industry and the Software Industry (《財政部、國家發展改革委、工業和信息化部等關於支持集成電路產業和軟件產業發展進口稅收政策管理辦法的通知》) became effective. On the same day, the Notice by the MOF, the General Administration of Customs and the SAT of Import Tax Policies for Supporting the Development of the Integrated Circuit Industry and the 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》) took effect. The above notices relating to importing tax for the integrated circuit industry have made some installment tax payment policies and import tariff exemption policies.

On December 11, 2020, the MOF, the SAT, the NDRC and 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.

On May 21, 2022, the SAT issued the Guidelines on Tax Preference Policies for Software and Integrated Circuit Enterprises (《軟件企業和集成電路企業稅費優惠政策指引》). For the purpose of facilitating timely knowledge of applicable tax preference policies, the foregoing guidelines have clearly demonstrated preference contents, conditions and policy basis for integrated circuit enterprises.

Pursuant 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、稅務總局關於集成電路企業增值稅加計抵減政策的通知》), which was 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.

REGULATORY OVERVIEW

REGULATIONS ON INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

Internet Information Security

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the “**Cybersecurity Law**”), effective as of June 1, 2017, which applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in China. The Cybersecurity Law defines “network” as a system comprising computers or other information terminals and relevant facilities used for the purpose of collecting, storing, transmitting, exchanging and processing information in accordance with specific rules and procedures. “Network operators,” who are broadly defined as owners and administrators of networks and network service providers, are subject to various security protection-related obligations, including but limited to: (1) complying with security protection obligations under graded system for cybersecurity protection requirements, which include formulating internal security management rules and operating instructions, appointing cybersecurity responsible personnel and their duties, adopting technical measures to prevent computer viruses, cyber-attack, cyber-intrusion and other activities endangering cybersecurity, adopting technical measures to monitor and record network operation status and cybersecurity events; (2) formulating an emergency plan and promptly responding and handling security risks, initiating the emergency plans, taking appropriate remedial measures and reporting to regulatory authorities in the event comprising cybersecurity threats; and (3) following the principles of legality, legitimacy and necessity, disclosing the rules of collection and use, making clear the purpose, mean and scope of collection and use of information, and obtaining the consent of the person whose information is collected.

The Data Security Law of the PRC (《中華人民共和國數據安全法》), which was promulgated by the SCNPC on June 10, 2021 and took effect on September 1, 2021, provides that the State shall establish a data classification and grading protection system and important data catalogs to enhance the protection of important data. Processors of important data shall specify the person responsible for data security and management agencies to implement data security protection responsibilities. Relevant authorities will establish the measures for the cross-border transfer of important data. If any company violates the Data Security Law of the PRC to provide important data outside China, such company may be punished by administration sanctions, including penalties, fines and/or suspension of relevant business or revocation of the business license. In addition, the Data Security Law of the PRC provides a national security review procedure for those data activities which affect or may affect national security and imposes export restrictions on certain data and information.

On December 28, 2021, the Cyberspace Administration of China (the “CAC”) promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Cybersecurity Review Measures**”), which came into effect on February 15, 2022. According to the Cybersecurity Review Measures, there are two mechanisms to trigger cybersecurity review: (1) review of voluntary declaration by enterprises, applicable to (i) critical information infrastructure operators that intend to purchase network products and services; (ii) a network platform operator that processes the personal information of more than one million people intends to be listed overseas; and (2) initiation of review by regulatory authorities: for any member of the cybersecurity review working mechanism believes that any network product or service or data processing activity affects or is likely to affect national security. In this case, the Office of Cybersecurity Review shall report this circumstance to the Central Cyberspace Affairs Commission for approval, and conduct a review after approval.

On September 24, 2024, the State Council promulgated the Regulation on the Administration of Cyber Data Security (《網絡數據安全管理條例》), which provides more detailed guidelines on the current rules on various aspects of data processing, including the processors’ announcement of data processing rules, obtaining consents and separate consents, security of important data and cross-border transfer of data, and further obligations of platform operators.

REGULATORY OVERVIEW

Furthermore, on July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) which became effective on September 1, 2022. Such data export measures requires that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information abroad, including the following circumstances: (1) important data will be provided overseas by any data processor; (2) personal information will be provided overseas by any operator of critical information infrastructure or any data processor who processes the personal information of more than 1,000,000 individuals; (3) personal information will be provided overseas by any data processor who has provided the personal information of more than 100,000 individuals in aggregate or has provided the sensitive personal information of more than 10,000 individuals in aggregate since January 1 of last year; and (4) other circumstances where the security assessment is required as prescribed by the CAC. The security assessment requirement also applies to any transfer of important data outside of China.

Privacy Protection

Pursuant to the PRC Civil Code (《中華人民共和國民法典》) promulgated by the NPC on May 28, 2020 and effective from January 1, 2021, the personal information of a natural person shall be protected by the law. An information processor shall not disclose or tamper with any personal information collected or stored thereby; and without the consent of the natural person, no personal information shall be illegally provided to any other person.

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the “Personal Information Protection Law”), which was promulgated by the SCNPC on August 20, 2021 and became effective on November 1, 2021, consolidates separate provisions on personal information rights and privacy protection. The Personal Information Protection Law aims to protect the personal information rights and interests, regulate the handling of personal information, safeguard the free flow of personal information in an orderly manner in accordance with the law, and promote the rational use of personal information. Personal information, as defined in the Personal Information Protection Law, refers to all kinds of information related to an identified or identifiable natural person recorded electronically or by other means, excluding the information that has been anonymized. The Personal Information Protection Law stipulates the circumstances in which a processor of personal information may process personal information, including, but not limited to, when the consent of the individual concerned has been obtained and when it is necessary for the conclusion or performance of a contract to which the individual is a party. It has also set out a number of specific rules on the obligations of processors of personal information, such as informing individuals of the purpose and method of processing, and the obligations of third parties who obtain personal information through co-processing or entrustment.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》) (the “**Patent Law**”) promulgated by the SCNPC on March 12, 1984, and most recently amended on October 17, 2020, the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) (the “**Implementation Rules of the Patent Law**”), promulgated by the State Council on June 15, 2001, and revised on December 28, 2002, January 9, 2010 and December 11, 2023, respectively, the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide and the patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within the respective administrative areas. The Patent Law and Implementation Rules of the Patent Law provide three types of patents, namely “inventions,” “utility models” and “designs.” Invention patents are valid for twenty years, utility model patents are valid for ten years, and since June 1, 2021, the validation period for design patents whose application date is after June 1, 2021 has been

REGULATORY OVERVIEW

extended to fifteen years in each case from the date of application. The Chinese patent system adopts a “first come, first file” principle, which means that where more than one person files a patent application for the same invention, utility model or design, a patent will be granted to the person who files the application first. An invention or a utility model must possess novelty, inventiveness and practical applicability to be patentable. Third parties must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the unauthorized use constitutes an infringement on the patent rights.

Trademarks

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and last amended on April 23, 2019 and came into effect on November 1, 2019, the Implementation Regulations of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) which were issued on August 3, 2002 and last amended on April 29, 2014, the Trademark Office under the China National Intellectual Property Administration of the PRC, (the “**Trademark Office**”), shall handle trademark registrations and grant a term of 10 years to registered trademarks, which may be renewed for an additional ten year period upon request from the trademark owner. The Trademark Law of the PRC has adopted a “first-to-file” principle with respect to trademark registration. Where an application for trademark for which application for registration has been made is identical or similar to another trademark which has already been registered or is under preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right of others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use. A trademark registrant may, by entering into a trademark licensing contract, license another party to use its registered trademark. Where another party is licensed to use a registered trademark, the licensor shall report the license to the Trademark Office for recordation, and the Trademark Office shall publish it. An unrecorded license may not be used as a defense against a third party in good faith.

Software Registration

Pursuant to the Regulation on Computers Software Protection (《計算機軟件保護條例》) promulgated on June 4, 1991 by the State Council and last amended on January 30, 2013 and the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated on April 6, 1992 and last amended by the National Copyright Administration on February 20, 2002, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

Trade Secrets

According to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), promulgated by the SCNPC in September 1993, as amended on November 4, 2017, April 23, 2019 and June 27, 2025, which came into effect as of October 15, 2025, the term “trade secrets” refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the PRC Anti-unfair Competition Law, business persons are prohibited from infringing others’ trade secrets by: (1) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item above; (3) disclosing, using or permitting others to use the trade secrets, in violation of any contractual agreements or any requirements of the legal owners or holders to keep such trade secrets

REGULATORY OVERVIEW

in confidence; or (4) instigate, induce or assist others to violate confidentiality obligation or to violate a rights holder's requirements on keeping confidentiality of commercial secrets, so as to disclose, use or allow others to use the commercial secrets of the rights holder. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties.

REGULATIONS ON REAL ESTATES

According to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) which was promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and came into effect on February 1, 2011, the parties to a commodity house lease shall complete the lease registration with the competent construction (real-estate) departments of the municipalities directly under the Central Government, cities and counties where the leased property is located within 30 days after the lease is executed. The competent construction (real estate) departments of the municipalities directly under the Central Government, cities and counties shall order the parties to make corrections within a prescribed time limit, and shall impose a fine below RMB1,000 on individuals who fail to rectify within the specified time limit, and a fine between RMB1,000 and RMB10,000 on institutions which fail to rectify within the specified time limit.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Employment

The major PRC laws and regulations that govern employment relationship are the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**"), which impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

The Labor Contract Law, which became effective on January 1, 2008, primarily aims at regulating rights and obligations of employment relationships, including the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts must be executed in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

Social Insurance

The Social Insurance Law of the PRC (《中華人民共和國社會保險法》), issued by the SCNPC on October 28, 2010 and last amended on December 29, 2018, the Regulations on Occupational Injury Insurance (《工傷保險條例》) effective as of January 1, 2004 and as amended on December 20, 2010, the Interim Measures concerning the Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》) effective as of January 1, 1995, Unemployment Insurance Regulations (《失業保險條例》) effective as of January 22, 1999, have established social insurance systems of basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and has elaborated in detail the legal obligations and liabilities of employers who fail to comply with relevant laws and regulations on social insurance. According to the Social Insurance Law and the Provisional Regulations on 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 most recently amended on March 24,

REGULATORY OVERVIEW

2019 and effective from the same date, enterprises shall register social insurance with local social insurance and pay or withhold relevant social insurance for or on behalf of its employees. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

Housing Provident Fund

In accordance with the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, and amended on March 24, 2002 and March 24, 2019, enterprises must register at the designated administrative centers and open bank accounts for depositing employees' housing provident funds. Employers and employees are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time.

In case of overdue payment or underpayment by employers, orders for payment within a specified period will be made by the housing fund management center. Where employers fail to make payment within such period, enforcement by the people's court will be applied. In case of failure to register and open accounts for depositing employees' housing provident funds, the housing fund management center shall order employers to go through the formalities within a specified period, where employers fail to do such formalities within the prescribed time, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed.

On July 31, 2025, the Interpretation II, which took effect on September 1, 2025. The Interpretation II harmonizes four previous labor dispute regulations and establishes uniform standards for contentious issues such as non-compete obligations, social insurance contributions, and ambiguous employment relationships. It is designed to balance the protection of employees' rights with operational flexibility for employers, underscoring the objective of maintaining stable employment through equitable labor practices. For example, pursuant to Article 19(1) of the Interpretation II, any agreement or undertaking between an employer and an employee to waive social insurance contributions shall be deemed invalid. In cases where an employer fails to make social insurance contributions in accordance with the law, and an employee seeks to terminate the labor contract and claim economic compensation under Article 38(3) of the PRC Labor Contract Law, the people's court shall support such claims. Under such circumstances, the employer remains obligated to pay economic compensation to the employee (calculated as length of service multiplied by monthly salary), regardless of any prior agreement to waive social insurance contributions.

As advised by our PRC Legal Adviser, the Interpretation II is not expected to have a material adverse effect on our financial condition or business operations, considering that: (i) the Interpretation II does not introduce new substantive obligations beyond those existing laws and regulations, rather, it serves to clarify the application of relevant legal provisions and does not impose any additional burden on the Company; (ii) the Interpretation II is not anticipated to increase the Company's estimated maximum potential penalties related to shortfalls in social insurance contributions during the Track Record Period; and (iii) the Company undertakes to actively take appropriate rectification measures and make any required payments if the competent authorities require remediation or payment of outstanding social insurance contributions within a specified period. Notwithstanding the above, should the relevant PRC authorities take a different view and determine that the Company is not in compliance with the Interpretation II, the Company's financial and business performance could be adversely affected.

REGULATIONS ON FOREIGN EXCHANGE

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008. Foreign exchange

REGULATORY OVERVIEW

payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On November 19, 2012, SAFE issued the Circular on Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the “SAFE Circular 59”), which came into effect on December 17, 2012 and was revised on May 4, 2015, October 10, 2018 and partially abolished on December 30, 2019. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of Renminbi proceeds derived by foreign investors in China, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces. Later, SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015, which was partially abolished in December 2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

According to the Notice on Relevant Issue Concerning the Administration of Foreign Exchange for Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by SAFE on December 26, 2014, the domestic companies shall register the overseas listing with the foreign exchange control bureau located at their registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) promulgated on March 30, 2015, coming effective on June 1, 2015, partially abolished on December 30, 2019, and revised on March 23, 2023, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited from using the foreign exchange capital settled in Renminbi (1) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (2) for direct or indirect securities investment; (3) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay Renminbi bank loans that have been on-lent to a third party; and (4) to purchase real estates not for self-use purposes (save for real estate enterprises).

On October 23, 2019, SAFE promulgated the Notice on Further Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same date (except for Article 8.2, which became effective on January 1, 2020) and was later revised on December 4, 2023. The notice canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors’ security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts

REGULATORY OVERVIEW

and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

REGULATIONS ON TAXATION

EIT

According to the EIT Law promulgated by the SCNPC on March 16, 2007, which became effective on January 1, 2008 and was amended on February 24, 2017, December 29, 2018 and December 6, 2024, and the Implementation Rules of the EIT Law (《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, which became effective on January 1, 2008, and amended on April 23, 2019, a domestic enterprise which is established in China in accordance with the laws or established in accordance with any laws of foreign country (region) but with an actual management entity in China shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. A preferential EIT rate shall be applicable to any key industry or project which is supported or encouraged by the state. High and new technology enterprises which are supported by the state may enjoy a reduced EIT rate of 15%.

According to the Notice of the MOF and the SAT on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (《財政部、國家稅務總局關於實施小微企業普惠性稅收減免政策的通知》), during the period from January 1, 2019 to December 31, 2021, the annual taxable income of small low-profit enterprises that is not more than RMB1 million 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 on Implementation of Income Tax Incentives for Micro and Small Enterprises and Individually-owned Businesses (《關於實施小微企業和個體工商戶所得稅優惠政策的公告》) and the Announcement of the State Taxation Administration on Matters Concerning the Implementation of Preferential Income Tax Policies Supporting the Development of Small Low-Profit Enterprises and Individual Industrial and Commercial Households (《國家稅務總局關於落實支持小型微利企業和個體工商戶發展所得稅優惠政策有關事項的公告》), during the period from January 1, 2021 to December 31, 2022, the annual taxable income of a small low-profit enterprise that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 12.5%, with the applicable enterprise income tax rate of 20%. According to the Notice of the MOF and the SAT on the Income Tax Incentives to Small and Micro Enterprises and Privately-owned Businesses (《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》) and the Notice 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、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 shall be in force from January 1, 2023 to December 31, 2027, for the annual taxable income of a small and low-profit enterprise, the portion not exceeding RMB1 million shall be treated as 25% for the purpose of taxable income calculation and subject to the enterprise income tax rate of 20%.

VAT

Pursuant 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》), promulgated by the State Council on December 13, 1993 and newly amended on November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), promulgated by the MOF and the SAT on December 25, 1993 and latest amended on October 28, 2011 and came into effect on November 1, 2011 (collectively, the “VAT Law”), all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement of services, and the importation of goods within the territory of the PRC must pay VAT. On November 19, 2017, the State Council promulgated the Decisions on Abolition of the Provisional Regulations

REGULATORY OVERVIEW

of the PRC on Business Tax and Revision of the Provisional Regulations of the PRC on Value-added Tax (《關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》) (the “Order 691”). According to the VAT Law and Order 691, all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement of services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. The VAT rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%. The Notice of the MOF and the SAT on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), was promulgated on April 4, 2018 and came into effect on May 1, 2018. The VAT tax rates of 17% and 11% are changed to 16% and 10%, respectively. On March 20, 2019, the MOF, the SAT and the General Administration of Customs jointly promulgated 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》) (the “**Notice 39**”), which came into effect on April 1, 2019. Pursuant to Notice 39, the tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

SECURITIES LAW AND REGULATIONS

The PRC Securities Law, which was promulgated by the SCNPC on December 29, 1998, and was latest amended on December 28, 2019 and took effect on March 1, 2020, comprehensively governs activities in 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 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. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC. According to the Securities Law and the Administrative Measures on Acquisition of Listed Companies (《上市公司收購管理辦法》), where the shares held by an investor (including an overseas investor) through securities transactions on a stock exchange or jointly with others through an agreement or other arrangements attain 5% of the issued voting rights shares (including A-shares and H-shares) of a listed company, the investor shall submit a written report to the CSRC and Shenzhen Stock Exchange within three days, notify the listed company and make an announcement. Whenever the investor’s shares with voting rights in the said listed company are increased or reduced by 1%, the investor shall notify the listed company on the day following such occurrence, and make an announcement.

Regulations Relating to Overseas Securities Offering and Listing

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 relevant guidelines on February 17, 2023, which took effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of PRC domestic companies’ securities, either directly or indirectly, into a filing-based system.

According to the Overseas Listing Trial Measures, the PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas listing or offering is explicitly prohibited, if any of the following applies: (i) such securities offering or listing is explicitly prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (ii) the proposed securities offering or listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the domestic company intending to be listed or offer securities in overseas markets, or its controlling shareholder(s) and the actual controller, have

REGULATORY OVERVIEW

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) the domestic company intending to be listed or offer securities in overseas markets is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering.

Moreover, 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 three working days after the occurrence and public disclosure of the event: (1) change of control; (2) investigations or sanctions imposed by overseas securities regulatory agencies or other relevant competent authorities; (3) change of listing status or transfer of listing segment; and (4) voluntary or mandatory delisting. Where an issuer’s main business undergoes material changes after overseas offering and listing, and is therefore beyond the scope of business stated in the filing documents, such issuer shall submit to the CSRC an ad hoc report and a relevant legal opinion issued by a domestic law firm within three working days after occurrence of the changes.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing 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 “**Provision on Confidentiality**”), which took effect on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the state.

SANCTIONS LAWS AND REGULATIONS

U.S.

The Office of Foreign Assets Control (“**OFAC**”) is the primary agency responsible for administering U.S. sanctions programmes against targeted countries, entities, and individuals. “Primary” U.S. sanctions apply to “U.S. persons” or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency even if performed by non-U.S. persons), and “secondary” U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to “block” (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest — no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) — except pursuant to an authorization or license from OFAC. OFAC’s comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, the

REGULATORY OVERVIEW

Crimea region of Russia/Ukraine, and the self-proclaimed Luhansk People’s Republic and Donetsk People’s Republic regions (the comprehensive OFAC sanctions programme against Sudan was terminated on October 12, 2017). OFAC also prohibits virtually all business dealings with persons and entities identified in the SDN List. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List.

United Nations

The United Nations Security Council (the “UNSC”) can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. The UNSC measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions.

European Union

Under European Union sanction measures, there is no “blanket” ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a Sanctioned Person and not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures, provided that no funds and economic resources are made available to the Sanctioned Persons.

United Kingdom and United Kingdom overseas territories

The United Kingdom applies its own sanctions programs and has extended its autonomous sanctions regimes to apply to and in the United Kingdom overseas territories.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

U.S. Export Controls

The United States has implemented and has proposed additional restrictions, some of which may impact Chinese companies, including us. The United States has increased export controls restrictions on China through the Export Administration Regulations (the “EAR”), administered by the Bureau of Industry and Security of the U.S. Department of Commerce (the “BIS”), which includes a list of foreign persons on which certain trade restrictions are imposed (the “Entity List”). Where a foreign person is included on the Entity List, the export, re-export and/or transfer (in-country) of items which are subject to the EAR generally is prohibited unless the specified license requirements are met.

In addition, EAR also maintains a list of items, software, and technology that are subject to export controls (the “Commerce Control List”). BIS can also implement unilateral licensing requirements and other controls on items subject to U.S. export controls jurisdiction that can restrict exports and reexports to certain countries, as well as transfers within a country to a different end-user or end-use. The Commerce Control List is divided into ten categories, represented by the first digit of the Export Control Classification Number (“ECCN”). Each ECCN is subject to the respective control(s) and licensing requirement applicable for sales to controlled countries and/or entities.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

The history of our Company began in April 2004, when it was founded in Shanghai and entered the semiconductor industry with a focus on video-processing chip design. In February 2017, our A-shares were listed on the ChiNext of the Shenzhen Stock Exchange (stock code: 300613), marking a major milestone in our corporate development.

Over the years, our Company has evolved into a global leader in smart vision processing ICs and solutions, specializing in smart video, smart IoT, and smart mobility. With a fabless business model, we have developed an advanced “end-side + edge-side” full-stack product architecture that allows us to deliver seamless, one-stop solutions to our customers.

KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

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

Year	Milestone
2004 . . .	Our Company was established and headquartered in Shanghai.
2011 . . .	We launched FH8510, our first ISP chip, a solution for CMOS image sensors.
2013 . . .	We launched FH8610, our first high-performance wireless IPC SoC chip with video encoding, and expanded into network camera systems.
2014 . . .	We successfully developed our first HD-CCTV ISP chip, FH8526.
	We launched FH8530C, a high-performance ISP chip with 720P/1080P support and an integrated HD-over-Coax transmitter.
	We achieved mass production of ISP SoC chips for network security cameras.
2015 . . .	We were awarded the “Shanghai Municipal Science and Technology Award” (上海市科學技術獎).
2017 . . .	We completed our initial public offering and were listed on the ChiNext of the Shenzhen Stock Exchange (stock code: 300613).
2018 . . .	We were awarded the “China Semiconductor Innovative Products and Technology Award” (中國半導體創新產品和技術獎).
2018 . . .	We launched FH8310, our first automotive-grade ISP chip, which has successfully achieved the AEC-Q100 qualification, and entered into the factory-installed automotive electronics market.
2021 . . .	We expanded our product portfolio to include comprehensive solutions for smart home applications.
	The volume of chips sold by us exceeded 100 million units per year.
2021 . . .	We became the controlling shareholder of Molchip Technology which has then become one of our major subsidiaries, thereby strategically complementing our product line in the smart video back-end chip market and enabling us to provide a complete one-stop solution to our customers.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Milestone
2022 . . .	We were awarded the “First Prize of Anhui Science and Technology Award” (安徽省科學技術獎一等獎).
2022 . . .	We launched MC6870, an NVR SoC chip with 8K resolution display, enabling end-to-end UHD capability and accelerating industry transition to ultra-high definition.
2022 . . .	We launched MC6880, a chip designed for professional NVR, equipped with six-core CPUs, along with a dedicated high performance NPU for AI tasks.
2023 . . .	We launched MC635X series, our first 12nm low power IPC SoC, meet the industry’s requirements for extreme power consumption IPC SoC.
2024 . . .	We obtained the ISO 26262 functional safety certification. It represents a new milestone for us in the field of professional automotive-grade video chips.
2025 . . .	We launched MC6350, a high-performance chip designed for AI glasses and wearable video devices. Manufactured using a 12nm process, the MC6350 achieves very low power consumption. Its small 8x8mm package size makes it well suited for lightweight AI glasses.
2025 . . .	We launched FH8856V500, our latest IPC SoC for professional network cameras. It features our latest AI-ISP technology that can enhance night vision by reducing noise and improving image detail and dynamic range.

OUR MAJOR SUBSIDIARIES

The following entities were our subsidiaries which made material contribution to our results of operation during the Track Record Period.

Name	Place of Incorporation	Date of incorporation	Equity interest attributable to our Group as of the Latest Practicable Date	Principal business activities
Shanghai YG Electronics Technology Co., Ltd. (上海仰歌電子科技有限 公司) (Shanghai YG)	PRC	May 11, 2015	52.5%	Focusing on providing turnkey solutions for various products in the video processing field
Molchip Technology (Shanghai) Co., Ltd. (眸芯科技(上海)有限公 司) (Molchip Technology)	PRC	March 29, 2018	51%	Focusing on R&D and design of AI SoC chip and related AI solutions

* The English names of the PRC companies are translations of their Chinese names, and are included herein for identification purpose only. If there is any inconsistency, the Chinese name shall prevail.

Our Company held majority equity interests in the above major subsidiaries throughout the Track Record Period and up to the Latest Practicable Date.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

See “Appendix IV — Statutory and General Information — A. Further Information about Our Company — 3. Changes in the Share Capital of Our Subsidiaries” for more details on share capital changes of the major subsidiaries.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Early Development of our Company and Conversion into a Joint Stock Limited Company

Our Company was incorporated in China as a limited liability company with an initial registered capital of RMB2.5 million on April 16, 2004. The founding shareholders were Mr. Yang, Ms. Chen, Mr. He Hui, Ms. Chen Hong and Mr. Wan Jianjun, who held 26%, 43%, 14%, 8.5% and 8.5% of the equity interest in our Company, respectively. Between 2004 and 2011, our Company completed several rounds of capital increases and equity transfers. In March 2011, Quick Talent Holdings Ltd (杰智控股有限公司) (“Quick Talent”) subscribed to a 33.21% equity interest in the Company for USD equivalent to RMB4.35 million, an investment made out of long-term confidence in the Company’s business and the semiconductor industry’s prospects. Subsequently, it’s the Company’s registered capital was lifted to RMB3,743,000 on July 28, 2011. Mr. Yang is our Director, Chairman and chief executive officer. Mr. Wan Jianjun is our Director, deputy general manager and secretary to the Board. For their biographical details, see “Directors and Senior Management — Directors”. Mr. He Hui and Ms. Chen Hong are Independent Third Parties.

In January 2014, our Company was converted into a joint stock company. Upon conversion, the enlarged share capital amounted to RMB30.0 million divided into 30 million Shares, held as to 33.21% by Quick Talent, 21.95% by Shanghai Langhan Enterprise Management Co., Ltd. (上海朗瀚企業管理有限公司, an employee shareholding platform of our Company and formerly known as Shanghai Honghan Electronic Technology Co., Ltd. (上海弘瀚電子科技有限公司)), 19.96% by Ms. Chen, 11.33% by Mr. Yang, 6.11% by Mr. He Hui, 3.74% by Mr. Gong and 3.70% by Mr. Wan Jianjun, respectively. As of the Latest Practicable Date, Mr. Yang, Ms. Chen, Mr. Gong and Quick Talent are parties to the Acting in Concert Agreement and belong to our Single Largest Shareholders Group. Ms. Chen and Mr. Gong have no role in the Company, including but not limited to holding any positions or being involved in our Company’s daily operations. Their capacity is solely as members of Single Largest Shareholders Group. For details, see “— Our Single Largest Shareholders Group” in this section.

In July 2014, our Company issued a total of 3,333,300 Shares to Shanghai Langhan Enterprise Management Co., Ltd. and Yunnan Tengan Enterprise Management Center (LP) (雲南騰瀚企業管理中心(有限合夥)), another employee shareholding platform of our Company. Upon completion of the issuance, the enlarged share capital amounted to RMB33,333,300 divided into 33,333,300 Shares, held as to 29.89% by Quick Talent, 21.68% by Shanghai Langhan Enterprise Management Co., Ltd., 17.96% by Ms. Chen, 10.20% by Mr. Yang, 8.07% by Yunnan Tengan Enterprise Management Center (LP), 5.50% by Mr. He Hui, 3.37% by Mr. Gong and 3.33% by Mr. Wan Jianjun, respectively.

Listing on the Shenzhen Stock Exchange

In February 2017, the A Shares of our Company were listed on the ChiNext of the Shenzhen Stock Exchange (stock code: 300613). Our Company issued a total of 11,111,500 A Shares under the A-Share Listing, representing approximately 25% of our Company’s enlarged share capital immediately following the completion of the A-Share Listing. Upon completion of the A-Share Listing, our Company’s registered share capital increased to RMB44,444,800, comprising 44,444,800 A Shares of nominal value of RMB1.00 each.

Since February 2017, our Company has been listed on the Shenzhen Stock Exchange. As of the Latest Practicable Date, our Directors confirmed that we had no instances of material non-compliance with the rules of the Shenzhen Stock Exchange and other applicable securities laws and regulations of the PRC in any material respects since our A-Share Listing, and, to the best

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors’ attention in relation to our compliance record on the Shenzhen Stock Exchange. As advised by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, our Company has not been subject to any material administrative penalties or regulatory measures imposed by the CSRC, the Shenzhen Stock Exchange or other PRC securities regulatory authorities. Based on the independent due diligence conducted by the Sole Sponsor and our PRC Legal Adviser’s view above, no material matter 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 our Company on the Shenzhen Stock Exchange.

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.

2017 Restricted Stock Incentive Plan

On November 3, 2017, our Company adopted a restricted stock incentive plan to provide incentives to key senior management and employees. The 2017 restricted stock incentive plan was terminated in March 2019. In connection with the termination, our Company repurchased and cancelled all 871,100 restricted shares that were granted but had not yet vested. Upon completion of the repurchase and cancellation, the total issued share capital of our Company was RMB44,444,800, comprising 44,444,800 A Shares of nominal value of RMB1.00 each. As of the Latest Practicable Date, the 2017 restricted stock incentive plan had been fully terminated with no awards outstanding.

2020 Stock Option Incentive Plan

On March 30, 2020, our Company adopted the stock option incentive plan for the purpose of attracting, retaining and motivating key personnel and to provide them with incentives for their contributions to our Group. Our Company initially granted an aggregate of 497,000 stock options to 100 participants including senior managers and key technical personnel. The 2020 stock option incentive plan contained provisions for adjustments to the number of options and/or the exercise price in the event of certain corporate actions, such as capitalization of capital reserves, bonus issues, share splits, or rights issues. Following certain corporate actions undertaken by our Company, the total number of outstanding options under the 2020 stock option incentive plan was adjusted in accordance with its terms. Under 2020 stock option incentive plan, a total of 1,654,024 options (as adjusted) were exercised by the participants, resulting in the issuance of an aggregate of 1,654,024 A Shares. As of the Latest Practicable Date, the exercise period of the options granted under the 2020 stock option incentive plan expired with no outstanding options.

Issuance of 2021 Convertible Bonds

To satisfy funding needs of our Company for product line expansion and upgrades, in August 2021, we conducted public issuance of convertible bonds of RMB581,190,000 with a par value of RMB100 each (the “**2021 Convertible Bonds**”) and the 2021 Convertible Bonds were listed on the Shenzhen Stock Exchange (bond code: 123122) on August 24, 2021. The conversion period is from the first trading day after six months from the date of completion of the issuance of the 2021 Convertible Bonds to the maturity date of the 2021 Convertible Bonds, i.e., from February 14, 2022 to August 5, 2027 with the initial conversion price as RMB177.04 per A Share, subject to anti-dilution adjustments including, among others, any payment of capital distribution to the Shareholders. During the conversion period, our Company has the right to redeem part or all of the unconverted 2021 Convertible Bonds at its principal amount together with accrued and unpaid interest if, among others, during the conversion period, if at least fifteen trading day in thirty consecutive trading days the closing price of the A Shares is not lower than 130% of the conversion

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

price. The 2021 Convertible Bonds in the amount of RMB44,358,800, RMB92,441,800 and RMB78,146,600, comprising 443,588 bonds, 924,418 bonds and 781,466 bonds with a par value of RMB100 each, were issued to Mr. Yang, Orient Qihui and Ms. Chen, respectively.

Following several anti-dilution adjustments pursuant to the terms of the 2021 Convertible Bonds, the conversion price of the 2021 Convertible Bonds was adjusted to RMB91.69 as of the Latest Practicable Date. Up to the Latest Practicable Date, a total of 8,867 A Shares had been issued following the conversion of RMB998,700 in principal amount of the 2021 Convertible Bonds. Consequently, RMB580,191,300 in principal amount of the 2021 Convertible Bonds remained outstanding. Of the RMB580,191,300 in outstanding 2021 Convertible Bonds as of the Latest Practicable Date, the principal amount of RMB77,502,600 comprising 775,026 bonds with a par value of RMB100 each, was held by Ms. Chen and the remaining outstanding 2021 Convertible Bonds were held by Independent Third Parties. Based on the outstanding principal amount of RMB580,191,300 and the adjusted conversion price of RMB91.69 per A Share, the outstanding 2021 Convertible Bonds were convertible into an aggregate of 6,327,748 A Shares. Assuming full conversion of all outstanding 2021 Convertible Bonds, these shares would represent approximately 2.72% of our Company’s total issued share capital as of the Latest Practicable Date and approximately [REDACTED] upon [REDACTED] (assuming that the [REDACTED] is not exercised and that no changes are made to our total issued share capital between the Latest Practicable Date and [REDACTED]). Based on the conversion price of RMB91.69 per A Share, the outstanding 2021 Convertible Bonds held by Ms. Chen were convertible into 845,267 A Shares. Assuming full conversion of the 2021 Convertible Bonds held by Ms. Chen, these shares would represent approximately 0.36% of our Company’s total issued share capital as of the Latest Practicable Date and approximately [REDACTED] upon [REDACTED] (assuming that the [REDACTED] is not exercised and that no changes are made to our total issued share capital between the Latest Practicable Date and [REDACTED]).

2021 Stock Option Incentive Plan

Our Company adopted the 2021 Stock Option Incentive Plan to further align the interests of our employees on February 4, 2021. The 2021 Stock Option Incentive Plan contained provisions for adjustments to the number of options and/or the exercise price in the event of certain corporate actions, such as capitalization of capital reserves, bonus issues, share splits, or rights issues. Following certain corporate actions undertaken by our Company, the total number of outstanding options under the 2021 Stock Option Incentive Plan was adjusted in accordance with its terms. As of the Latest Practicable Date, the numbers of the outstanding stock options granted under the 2021 Stock Option Incentive Plan was 150,956, representing approximately 0.06% of our total issued Shares, and such outstanding stock options were held by 30 employees of our Group, none of whom are Director, senior management or connected person of our Company. For details, please refer to the section headed “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 6. Stock Option Incentive Plans” in Appendix IV to document.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

2022 Stock Option Incentive Plan

Our Company adopted the 2022 Stock Option Incentive Plan to continue to attract and retain employees essential to our Group’s long-term development on March 23, 2022. The 2022 Stock Option Incentive Plan contained provisions for adjustments to the number of options and/or the exercise price in the event of certain corporate actions, such as capitalization of capital reserves, bonus issues, share splits, or rights issues. Following certain corporate actions undertaken by our Company, the total number of outstanding options under the 2022 Stock Option Incentive Plan was adjusted in accordance with its terms. As of the Latest Practicable Date, the numbers of the outstanding stock options granted under the 2022 Stock Option Incentive Plan was 219,935, representing approximately 0.09% of our total issued Shares, and such outstanding stock options were held by 174 employees of our Group, none of whom are Director, senior management or connected person of our Company. For details, please refer to the section headed “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 6. Stock Option Incentive Plans” in Appendix IV to document.

2026 Restricted Stock Incentive Plan

On April 27, 2026, our Company adopted a restricted stock incentive plan to provide incentives to key senior management and employees. Upon the approval by the shareholders’ general meeting, our Company will, in accordance with relevant regulations, convene a Board meeting within 60 days to make the initial grant of interests to the incentive participants and complete the procedures for announcement and other relevant matters. As at the Latest Practicable Date, no shares have been granted under the 2026 Restricted Stock Incentive Plan.

OUR SINGLE LARGEST SHAREHOLDERS GROUP

Shareholding and Acting in Concert Arrangement

Mr. Yang, Ms. Chen, Mr. Gong, and Quick Talent entered into a concert party agreement (the “**Acting in Concert Agreement**”) on December 9, 2016, and they held in aggregate of approximately 24.64% of the total issued share capital of our Company as of the Latest Practicable Date.

Pursuant to the Acting in Concert Agreement, the four parties undertake to act in concert at all Shareholders’ meetings and Board meetings and co-ordinate all proposals and the nomination of directors. The Acting in Concert Agreement further stipulates that, while the parties shall first seek to reach a unanimous consensus, in the event of a disagreement, Ms. Chen, Mr. Gong and Quick Talent shall follow the decision of Mr. Yang and vote according to his instructions. The Acting in Concert Agreement is expressed to be irrevocable and remains effective for as long as any party continues to hold Shares in our Company, and the four parties agreed not to terminate the Acting in Concert Agreement unilaterally.

Corporate Structure of Quick Talent

As of the Latest Practicable Date, Quick Talent was owned as to 100% by LC FUND III, L.P., the general partner of which is LC FUND III GP LIMITED.

The limited partnership interests in LC FUND III, L.P. were held as to 99% by 10 limited partners, including Right Lane Limited (南明有限公司), which held 49.41% limited partnership interests in LC FUND III, L.P. and was wholly owned by Legend Holdings, a connected person of our Company. Apart from Right Lane Limited, none of the other limited partners held more than 30% of the partnership interests in LC FUND III, L.P., and none were connected persons of our Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The remaining 1% limited partnership interests in LC FUND III, L.P. was held by its general partner, LC FUND III GP LIMITED. LC FUND III GP LIMITED is owned by nine shareholders, and Mr. Wang Nengguang, who is an Independent Third Party, is its single largest shareholder by voting rights, controlling 21% of the total voting rights pursuant to its articles of association.

Composition of the Single Largest Shareholders Group

By virtue of the Acting in Concert Agreement and the corporate structure of Quick Talent described above, Mr. Yang, Ms. Chen, Mr. Gong, Quick Talent, LC FUND III, L.P., and LC FUND III GP LIMITED collectively form our Company’s single largest shareholders group (the “**Single Largest Shareholders Group**”). Mr. Yang is the “de facto controller” and “controlling shareholder” of the Company, as disclosed on the Shenzhen Stock Exchange in accordance with its rules and applicable PRC laws and regulations. Ms. Chen is the sister-in-law of Mr. Gong. Except as disclosed above, there is no other relationship between the members of the Single Largest Shareholders Group.

The Single Largest Shareholders Group does not extend to the ultimate individual beneficial owners of LC FUND III GP LIMITED or the limited partners of LC FUND III, L.P. This delineation reflects the shareholding structure and governance mechanisms at the level of LC FUND III, L.P. and LC FUND III GP LIMITED, specifically:

1. **Absence of majority interest in the limited partnership:** No single limited partner holds a majority of the partnership interest in LC FUND III, L.P. As of the Latest Practicable Date, the largest limited partnership interests holder, Right Lane Limited, held 49.41% of the limited partnership interests in LC FUND III, L.P.
2. **Independence of the general partner’s shareholders:** The nine shareholders of LC FUND III GP LIMITED exercise their voting rights independently. There is no acting in concert agreement or arrangement among these shareholders regarding the affairs of LC FUND III GP LIMITED.
3. **Diversified control of the general partner:** The voting rights in LC FUND III GP LIMITED are dispersed, with the single largest shareholder holding 21% and none of the shareholders holding more than 30% of the voting rights. As no shareholder holds a majority interest, no single individual possesses the power to unilaterally control the decisions of LC FUND III GP LIMITED or direct the exercise of voting rights held by Quick Talent in our Company through LC FUND III, L.P.

The Single Largest Shareholders Group was interested in approximately 24.64% of the total issued share capital of our Company as of the Latest Practicable Date, and will be interested in approximately [REDACTED] of the total issued share capital of our Company immediately following the completion of the [REDACTED] (assuming the [REDACTED] not exercised and that no changes are made to our total issued share capital between the Latest Practicable Date and [REDACTED]). As such, the Single Largest Shareholders Group will not constitute a group of “controlling shareholders” of our Company as defined under the Listing Rules.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Track Record Period and up to the Latest Practicable Date, we did not conduct any material acquisition or disposal.

PUBLIC FLOAT

Rule 19A.13A of the Listing Rules requires that there must be an open market in the securities for which [REDACTED] is sought. Where a new applicant is a PRC issuer with other listed shares at the time of listing, this will normally mean that the portion of H shares for which listing is sought

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

that are held by the public, at the time of listing, must: (a) represent at least 10% of the issuer’s total number of issued shares in the class to which H shares belong (excluding treasury shares); or (b) have an expected market value of not less than HK\$3,000,000,000.

So far as our Directors are aware, assuming (i) [REDACTED] H Shares are issued and sold in the [REDACTED], and (ii) the [REDACTED] is not exercised, an aggregate of [REDACTED] H Shares is expected to be held by the public and will count towards the public float of our Company upon the completion of the [REDACTED], representing [REDACTED]% of the total issued Shares (excluding treasury Shares) of our Company upon the completion of the [REDACTED]. Accordingly, our Company is expected to satisfy the public float requirement under Rule 19A.13A of the Listing Rules.

FREE FLOAT

Under Rule 19A.13C of the Listing Rules, a PRC issuer with other listed shares at the time of [REDACTED] must ensure that a portion of H shares that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise) at the time of [REDACTED] (i) represent at least 5% of the total number of issued shares in the class to which H shares belong at the time of [REDACTED] (excluding treasury shares), with an expected market value at the time of [REDACTED] of not less than HK\$50,000,000, or (ii) have a market capitalization of at least HK\$600,000,000.

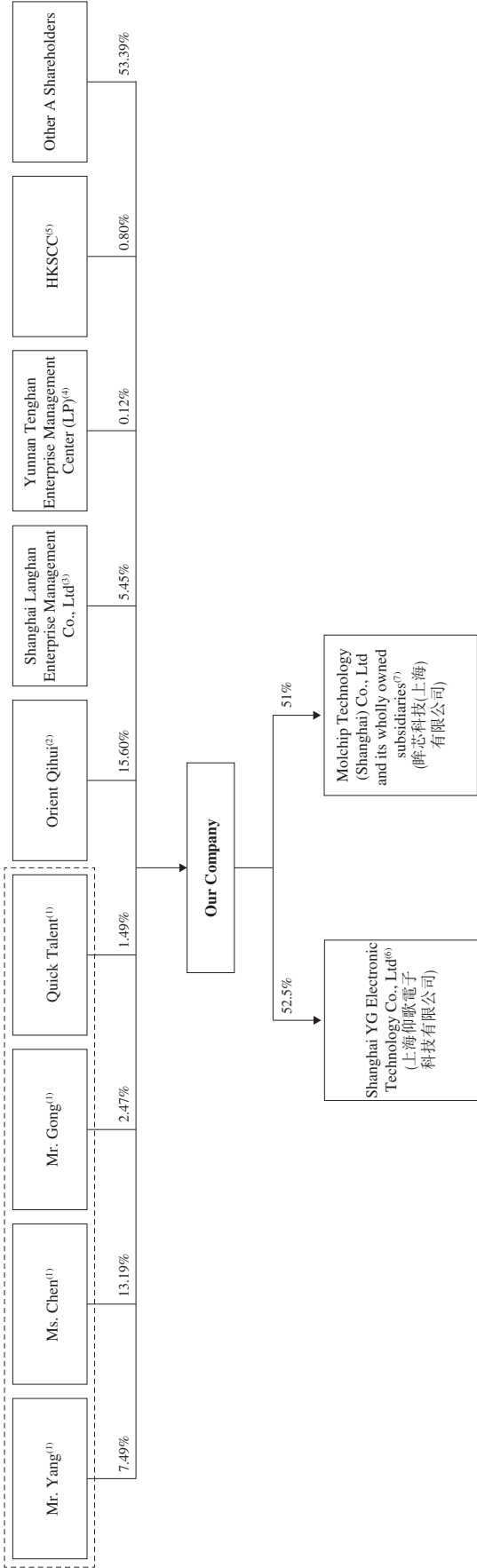
It is expected that immediately following completion of the [REDACTED], the market capitalization of our H Shares [REDACTED] on the Hong Kong Stock Exchange that are not subject to any disposal restrictions at the time of the [REDACTED] is not less than HK\$600 million (based on the bottom end of the [REDACTED] and assuming the [REDACTED] is not exercised). Accordingly, our Company will be able to satisfy the requirements under Rule 19A.13C of the Listing Rules.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding and Corporate structure immediately before the [REDACTED]

The following chart depicts a simplified shareholding and corporate structure of our Company and our major subsidiaries immediately prior to the completion of the [REDACTED] (assuming that no changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]):



HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

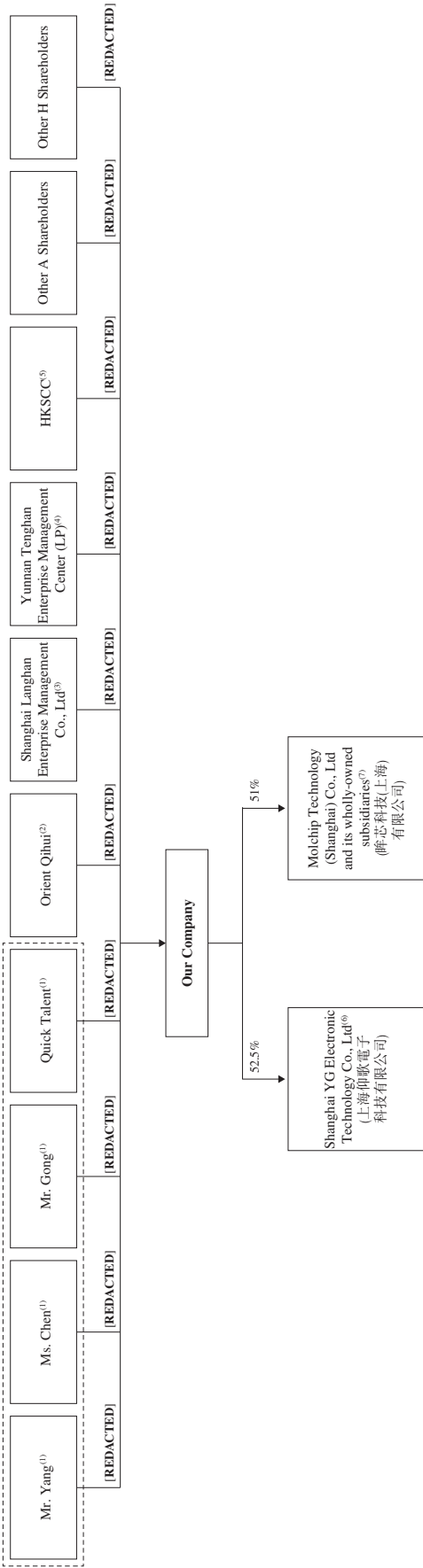
Notes:

- (1) Mr. Yang, Ms. Chen, Mr. Gong and Quick Talent entered into the Acting in Concert Agreement on December 9, 2016, and they held in aggregate of approximately 24.64% of the total issued share capital of the Company as of the Latest Practicable Date. Mr. Yang is the “de facto controller” and “controlling shareholder” of the Company, as disclosed on the Shenzhen Stock Exchange in accordance with its rules and applicable PRC laws and regulations. Ms. Chen is the sister-in-law of Mr. Gong.
- As of the Latest Practicable Date, Quick Talent was owned as to 100% by LC FUND III, L.P., the general partner of which is LC FUND III GP LIMITED. The limited partnership interests in LC FUND III, L.P. were held as to 99% by 10 limited partners, including Right Lane Limited (南明有限公司), which held 49.41% limited partnership interests in LC FUND III, L.P. and was wholly owned by Legend Holdings, a connected person of our Company. Apart from Right Lane Limited, none of the other limited partners held more than 30% of the partnership interests in LC FUND III, L.P., and none were connected persons of our Company. The remaining 1% limited partnership interests in LC FUND III, L.P. was held by its general partner, LC FUND III GP LIMITED. LC FUND III GP LIMITED is owned by nine shareholders, and Mr. Wang Nengguang, who is an Independent Third Party, is its single largest shareholder by voting rights, controlling 21% of the total voting rights pursuant to its articles of association.
- As of the Latest Practicable Date, Orient Qihui was owned as to approximately 64.86%, 33.89% and 1.25% by Rongke Property Investment Co., Ltd. (“Rongke Property”), Rongke Zhidi Technology Co., Ltd. (“Rongke Zhidi”) and Legend Holdings. Rongke Property and Rongke Zhidi were owned as to 75.00% and 77.48% by Legend Holdings, respectively.
- As of the Latest Practicable Date, Shanghai Langhan Enterprise Management Co., Ltd (上海朗瀚企業管理有限公司), formerly known as Shanghai Honghan Electronic Technology Co., Ltd. (上海弘瀚電子科技有限公司), is an employee shareholding platform held as to approximately 13.00% by Mr. Yang (our executive Director and chairman of the Board), approximately 10.84% by Mr. Chen Xiaochun, approximately 7.77% by Mr. Gao Houxin (our executive director and deputy general manager), approximately 2.88% by Mr. Li Yuan (our executive director and deputy general manager), approximately 2.74% by Mr. Wu Youcai (our deputy general manager), approximately 2.62% by Mr. Wan Jianjun (our executive director, deputy general manager and secretary to the board), and approximately 60.15% by 30 other shareholders each holding less than 10% equity interest therein. Save for Mr. Yang, Mr. Chen Xiaochun, Mr. Gao Houxin, Mr. Li Yuan, Mr. Wu Youcai and Mr. Wan Jianjun, all the other shareholders are not Directors, senior management or connected persons of our Company.
- As of the Latest Practicable Date, Yunnan Tengan Enterprise Management Center (LP) (雲南騰瀚企業管理中心 (有限合夥)) is an employee shareholding platform held as to approximately 38.00% by Mr. Meng Qingyu (孟慶宇), 33.08% by Mr. Li Yuan (our executive Director and deputy general manager), 16.09% by Mr. Wu Youcai (our deputy general manager), 0.06% by Mr. Gao Houxin (our executive director and deputy general manager), 0.0061% by Mr. Yang, and 12.76% by 39 other limited partners. Save for Mr. Yang, Mr. Li Yuan, Mr. Gao Houxin and Mr. Wu Youcai, all the other shareholders are not Directors, senior management or connected persons of our Company.
- HKSCC is a trustee holding shares on behalf of Hong Kong and other overseas investors pursuant to the rules and limits of Shenzhen-Hong Kong Stock Connect.
- As of the Latest Practicable Date, the remaining 47.5% equity interest in Shanghai YG was held as to approximately 11.25% by Ms. Wang Jiahuan (王家歡), approximately 33.75% by 8 individuals each holding less than 10% equity interest therein, and 2.50% by Shenzhen Suyu Video Technology Co., Ltd. (深圳建宇視訊科技有限公司) (“Shenzhen Suyu”). Shenzhen Suyu which was held 55% by Hefei Lingyan Communication Technology Co., Ltd. (合肥嶺雁通訊技術有限公司), which in turn was wholly-owned by Hefei Lingyan Technology Co., Ltd. (合肥嶺雁科技有限公司) (“Hefei Lingyan Technology”). Mr. Zhang Zhenhui held approximately 83.5225% equity interest in Hefei Lingyan Technology. Save for them being the shareholders of Shanghai YG, all of them are Independent Third Parties.
- As of the Latest Practicable Date, Hai Feng was held as to 100% by SL Capital Fund I, L.P.. The largest limited partner of SL Capital Fund I, L.P. is Great Unity Fund I, L.P. which holds approximately 84.5% of the limited partnership interests, with three other limited partners each holding less than 10% of the limited partnership interests therein. Great Unity Fund I, L.P. is managed by LC Fund GP as its general partner, and it was owned as to (i) 48.69% by its limited partner, Proud Solar Limited, which was indirectly wholly owned by Legend Holdings and (ii) 48.69% by SK China Company Limited, which was ultimately controlled by SK Inc. (formerly known as SK Holdings Co., Ltd., a company incorporated in the Republic of Korea and listed on the Korea Exchange (stock code: 034730.KS)), SK Telecom Co., Ltd (a company incorporated in Republic of Korea and listed on the Korea Exchange (stock code: 017670.KS)) and the New York Stock Exchange (Ticker: SKM)), SK Innovation Co., Ltd (a company incorporated in Republic of Korea and listed on the Korea Exchange (stock code: 096770.KS)) and SK Hynix Inc. (a company incorporated in Republic of Korea and listed on the Korea Exchange (stock code: 000660.KS)) (collectively, the “SK Entities”). The general partner of SL Capital Fund I, L.P., namely SL SF I GP LIMITED, is ultimately controlled by the SK Entities, Mr. Chen Hao, Mr. Li Jiaqing, Mr. Zhu Linan and Mr. Wang Nengguang, who are Independent Third Parties (except Mr. Chen Hao, who ceased to be a director of our Company from October 16, 2025). As of the Latest Practicable Date, Shanghai Lingxin is held as to approximately 1% and 99%, respectively, by Mr. Yang Songtao and Guangdong Hengqin Enterprise Management Center (Limited Partnership) (廣東橫琴靈心企業管理中心(有限合伙)), which was in turn held as to approximately 48.86% by Mr. Yang Songtao as the general partner and other 34 limited partners each holding less than 30%, all of whom are Independent Third Parties (except Mr. Zhang Ruihang (張瑞幫), who is the supervisor of Molchip Technology). Whereas Shanghai Shiqing was held as to approximately 1% and 99%, respectively, by Mr. Yang Songtao and Guangdong Hengqin Shiqing Enterprise Management Center (Limited Partnership) (廣東橫琴青島企業管理中心(有限合伙)), which was in turn held as to approximately 44.91% by Mr. Yang Songtao as the general partner and other 18 limited partners each holding less than 30%, all of whom are Independent Third Parties.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Shareholding and Corporate structure immediately following the [REDACTED]

The following chart depicts the shareholding and corporate structure of our Company and our major subsidiaries immediately following the completion of the [REDACTED] (assuming that the [REDACTED] are not exercised and that no changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]):



Notes: For notes (1) to (7), see “— Our Shareholding and Corporate Structure — Shareholding and Corporate Structure Immediately Before the [REDACTED]” in this section.

BUSINESS

OVERVIEW

We are a key fabless chip designer and provider in China specializing in smart vision technologies. We focus on the design of vision processing ICs for security cameras, video recorders, and other vision devices in video, IoT and mobility applications.

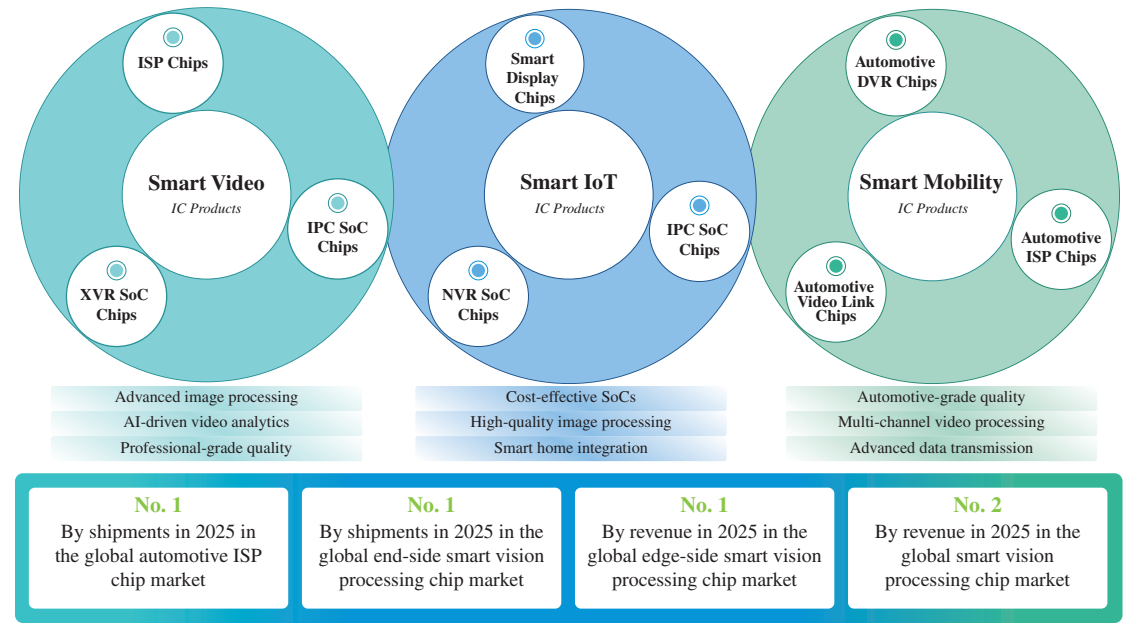
We are dedicated to powering an intelligent world with advanced vision technologies. According to Frost & Sullivan:

- We ranked No.1 globally in terms of shipments in 2025 in the global end-side smart vision processing chip market, with a market share of over 20%.
- We ranked No.1 globally in terms of shipments in 2025 in the global automotive ISP chip market, with a market share of over 50%.
- We ranked No. 2 globally in terms of revenue in 2025 in the global smart vision processing chip market, with a market share of 18.6%.

Our comprehensive offerings from end-side (such as security cameras) to edge-side (such as NVRs) chips combine advanced vision processing ICs with integrated on-chip AI capabilities, enhanced by bundled software development kits, application software and AI algorithms. These integrated solutions enable our customers to accelerate product development, facilitate seamless system integration, and address a wide spectrum of application requirements.

Through continuous investment in technological innovation, stringent quality assurance processes, and a prioritized focus on customer needs, we have fostered a virtuous cycle of technology advancement, product enhancement, network expansion, and constructive feedback. Our commitment to excellence is underscored by our ISO9001 certification, reflecting our dedication to the highest quality standards. These ongoing efforts have strengthened our market position in key specialized market segments. We have established ourselves as an established provider of smart vision processing chips and are rapidly emerging as a prominent player in the vision chip markets for smart IoT and smart mobility applications.

Below diagram illustrates our three IC product lines: (i) smart video; (ii) smart IoT; and (iii) smart mobility.



BUSINESS

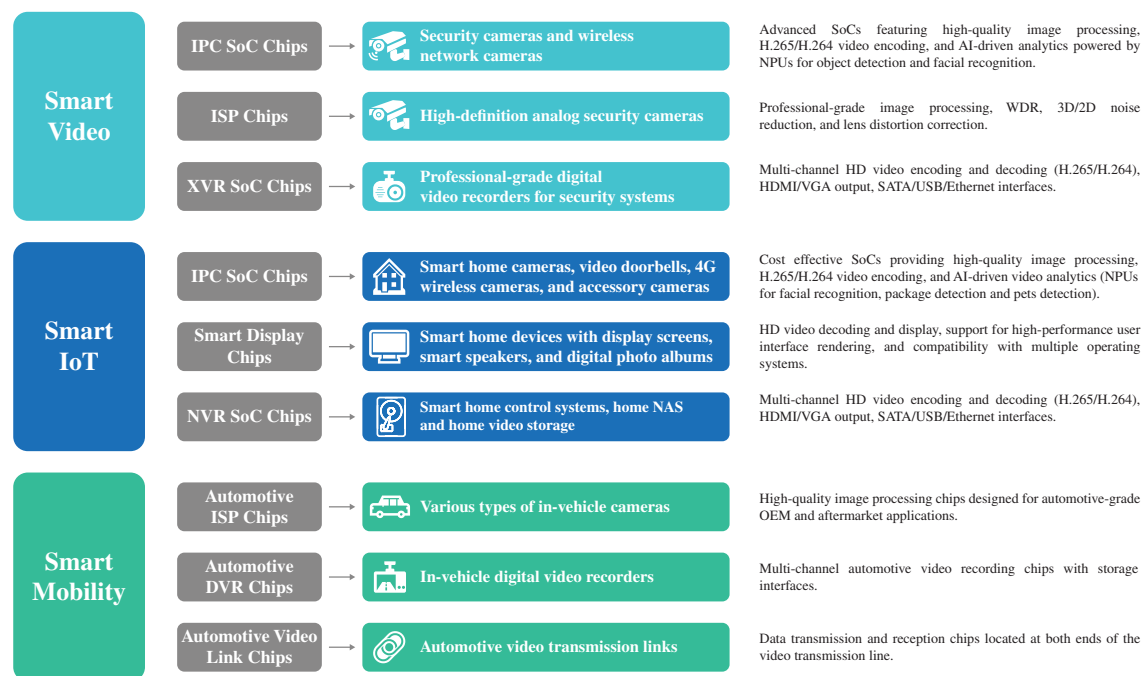
The application scenarios of our IC products are set forth below:

Product Lines	End-side Devices	Edge-side Devices
Smart Video	IP cameras, video conferencing cameras, industrial cameras	DVRs/NVRs, AI boxes
Smart IoT	Home cameras, video doorbells, home appliances, wearable video products (sports cameras, smart watches, AI glasses), AI toys	Home NAS, home NVRs
Smart Mobility	Automotive cameras (such as DMS, OMS, AVM, CMS), dashboard displays	Automotive DVRs

We are committed to delivering value to our customers and building a strong, long-term global partnership network. We plan to leverage the growth opportunities created by AI-driven advancements in smart vision technologies to further strengthen our leadership in the vision processing chip market.

OUR MAJOR PRODUCTS

We design and develop a series of ICs primarily used for video processing, providing video SoCs and ISPs to meet the growing demand of the intelligent video market, with integrated AI capabilities and supporting software tools. The graph below sets forth our principal product lines and core IC products:



MARKET OPPORTUNITIES

With rapid advancements in AI, security cameras, NVRs and IoT devices are evolving into intelligent terminals capable of real-time decisions. This shift is driving upgrades in smart video, IoT, and mobility applications, creating sustained demand for high-performance vision ICs. The industry is moving from function-oriented to scenario-driven innovation. Our broad product portfolio offers integrated, video-centric solutions that capitalize on this trend, with continuous technological updates to meet emerging AI application needs and advance vision IC development.

BUSINESS

According to Frost & Sullivan, measured by shipment volume, the global vision AI SoC market grew from 77.1 million units in 2021 to 364.7 million units in 2025, representing a CAGR of 47.5%. The market is expected to further expand to 1,116.1 million units by 2030, with a projected CAGR of 22.8% from 2026 to 2030. In terms of revenue, the global smart device AI SoC market grew from US\$15.7 billion in 2021 to US\$45.0 billion in 2025, representing a CAGR of 30.1% from 2021 to 2025. It is projected that by 2030, the market will further expand to US\$143.8 billion from US\$61.6 billion in 2026, with a CAGR of 23.6% from 2026 to 2030. From a development perspective, as AI applications in smart devices continue to deepen, the smart device AI SoC market is expected to enjoy broad and sustained growth potential in the future.

Smart Video

The deep integration of AI technologies is propelling the smart video industry toward higher levels of intelligence. With the acceleration of “Industry 4.0” and digital transformation, traditional security monitoring needs have evolved into demands for complex scene understanding and semantic-level behavioral intent analysis. Our Directors believe that the AI-enabled high-precision visual inspection systems deployed at the end-side device are increasingly replacing manual quality inspection in industries such as steel, new energy, and electric power, driving digital transformation investments in these industries. Meanwhile, robotics innovation is boosting need for advanced vision technologies, while large-scale edge-side models require more powerful and efficient video chips, expanding opportunities for vision IC applications.

According to IMF and Frost & Sullivan, in 2021, global shipments of AI cameras reached approximately 20.7 million units, rising to 65.0 million units in 2025, and are expected to further increase to 155.3 million units by 2030, with a CAGR of 18.6% from 2026 to 2030. See “Industry Overview — Global Smart Vision Chip Market Analysis — Downstream Application Scenarios and Demand Outlook for Smart Vision Processing Chips.”

Smart IoT

The emergence of 5G, IoT, and generative AI is accelerating both the growth of the smart IoT vision chip market and advancements in related technologies. The widespread adoption of cameras for applications such as object recognition, along with increased demand for multi-scenario displays, is creating expanded opportunities in areas including smart home devices, industrial automation, and medical electronics. Furthermore, progress in multimodal large model technologies is enabling new product categories, such as AI-powered glasses and interactive toys, thereby broadening the scope of visual applications in the smart IoT sector.

Our Directors believe that the IoE will cover products for more and more scenarios, such as smart wearable products and smart retail terminals. The shipment volume of related smart hardware also maintains a high-speed growth trend. Among them, AI glasses, as an emerging category, have shown a notably high-speed growth trend at present. According to IMF and Frost & Sullivan, global shipments of AI glasses reached 5.7 million units in 2025 and are projected to surge to 68.8 million units by 2030, achieving a CAGR of 64.7% from 2025 to 2030.

Smart Mobility

The rapid deployment of intelligent driving technologies is accelerating the evolution of vision ICs in smart mobility applications. As a core processing component in mid- to high-level autonomous driving systems, vision ICs are experiencing significant growth driven by both increased adoption within vehicles and ongoing technological innovation. Novel transportation platforms, including low-altitude aircraft, are further expanding market opportunities. To address the demanding requirements for environmental perception, real-time data processing, and system reliability, vision ICs must deliver low latency, high reliability, and energy efficiency, making them

BUSINESS

foundational hardware for intelligent driving solutions. Additionally, the trend toward higher levels of automatus driving is expected to substantially increase the number of cameras installed per vehicle and further drive demand for advanced vision processing technologies.

According to CPCA and Frost & Sullivan, global shipments of smart vehicles grew from 35.4 million units in 2021 to 57.7 million units in 2025, and are expected to reach 90.5 million units by 2030, outpacing overall global vehicle sales growth; average number of cameras also increased from one to two per vehicle in 2021 to three to five per vehicle in 2025, and are expected to reach ten to 15 per vehicle by 2030. Our Directors believe that the booming smart vehicle market will drive growth in the demand for in-vehicle cameras.

COMPETITIVE STRENGTHS

We believe that we possess the following key competitive strengths that differentiate us from our competitors:

An established and prominent player in the smart vision chip market

We are an established and prominent company in the vision processing IC industry in China, with each of our major product lines maintaining a leading market position. According to Frost & Sullivan, we ranked second globally in terms of revenue in 2025 in the global smart vision processing chip market. As one of the earliest high-tech enterprises in China dedicated to vision IC design, we have been deeply engaged in this field for over two decades, gaining a first-mover advantage. Our deep understanding of customer requirements, product capabilities, and evolving technology trends enable us to deliver tailored solutions for a wide range of applications. We have developed comprehensive solutions for customers across smart video, smart IoT, and smart mobility applications, and have accumulated substantial industry expertise.

We have consistently launched milestone products that advanced industry technology:

- 2025: Released an IPC SoC chip with AI ISP, supporting 4K input and AI-enhanced image processing for better night vision and widespread AI adoption in IPCs.
- 2025: Launched a high-performance chip designed for AI glasses and wearable video devices using a 12nm process and with small 8x8mm package size.
- 2022: Launched an NVR SoC chip with 8K resolution, enabling end-to-end UHD capability and accelerating industry transition to ultra-high definition.
- 2021: Introduced an IPC SoC chip combining video processing and AI via NPU, meeting real-time detection needs and popularizing AI across security applications.
- 2018: Released an automotive-grade ISP chip for automotive cameras, delivering 2MP resolution and 3D noise reduction, strengthening our automotive electronics expertise.
- 2011: Developed an independent ISP chip with breakthrough 2D noise reduction, improving image quality, enhancing domestic supply chain self-reliance.

We maintain a significant market share in the vision processing IC industry and continue to reinforce our competitive advantage through ongoing innovation and the introduction of more advanced products and solutions. Leveraging our specialized technical capabilities and industry knowledge and acute market insight, we consistently introduce products that align with industry trends. As the market evolves toward higher definition, lower power consumption, and increased intelligence, we have achieved significant technological advancements ahead of competitors, allowing us to differentiate our product portfolio to address diverse customer requirements. Our

BUSINESS

comprehensive product portfolio covers segments from front-end image acquisition to back-end data processing, helping customers reduce system costs, enhance the competitiveness of their solutions, and further solidifies our leadership and influence in the vision processing chip market.

A diverse product matrix creating technological synergy and integrated competitive barriers

Our comprehensive product portfolio spans the full spectrum from end-side to edge-side solutions, addressing applications in smart video, IoT, and mobility. By maintaining a focus on our core technologies and strategically reusing innovations across various domains, we create strong synergies and establish an ecosystem, positioning us for established competitive position.

Comprehensive Coverage from End-side to Edge-side

At the end-side level, we provide high-performance ISP chips, IPC SoC chips, and automotive-grade ISP chips designed for accurate image capture and visual processing. At the edge-side level, we offer NVR SoC chips, DVR SoC chips, and video link chips that combine video codec engines, storage-control interfaces, and network controllers to support efficient management, compression, and transmission of video data.

- In 2006, we started the R&D of video encoder and decoder technology, marking our strategy to enter the DVR/NVR chip market.
- In 2011, we emphasized R&D for end-side ISP chips. Through our technical expertise and ongoing investment in R&D, we have achieved advancements in domestic ISP chip innovation.
- In 2014, leveraging our strategic perspective on vision technology trends, we broadened our product portfolio to include IPC SoCs. By deeply integrating proprietary ISP cores with video encoding modules, we have improved image quality and system efficiency, thereby establishing robust chip-solution capabilities.
- In 2018, to meet new trends in high-definition and AI, we acquired a controlling stake in Molchip Technology. Later, we launched a comprehensive series of DVR/NVR chips for various configurations, completing our edge-side product lineup with one-stop solutions from end-side to edge-side.

Cross-Scenario Expansion from Smart Video to Broader Application Fields

The increasing adoption of vision intelligence is fueling demand for high-performance, energy-efficient vision ICs. Leveraging our extensive technological capabilities and comprehensive product portfolio, we are well-positioned to address a diverse range of application needs.

- *Smart Video:* We deliver a comprehensive range of chip solutions spanning end-side (such as security cameras) to edge-side devices (such as NVRs). Our products support resolutions from 2K to 8K and ultra-low-light imaging, enabling the deployment of fully integrated, intelligent monitoring systems.
- *Smart IoT:* Through advanced architecture and low-power design, our highly integrated vision processing chips support smart home and other applications. Our solutions are optimized for a wide array of consumer hardware, including home network cameras, video conferencing devices and video wearables, driving innovation and rapid expansion in the IoT market.

BUSINESS

- *Smart Mobility*: Since entering the automotive sector in 2018, we have become a leading supplier of in-vehicle camera chips. Our key ISP technologies, such as noise suppression, WDR, and low-light imaging, meet stringent automotive standards. In 2024, we obtained the ISO26262 functional safety certification. Ongoing investment in automotive-grade chip research, development, and certification has resulted in broad adoption of our products, supported by long-term partnerships with tier-1 suppliers and OEMs.

We continue to extend our technological frontiers by investing in the “AI+Vision” hybrid architectures, multimodal perception, and related fields, enhancing our position in emerging applications such as AI cameras, AI glasses, smart vehicles, and robotics, and positioning ourselves to capture the vast opportunities of the AI-driven intelligent-vision era.

Anchored by key customer relationships, a diverse and collaborative customer ecosystem

Our market strategy is based on developing collaborative relationships with industry leading participants and broadening our customer base across multiple sectors. This approach supports our operational scalability and provides stability through varying market conditions.

We maintain long-standing relationships with leading corporations, including over a decade customer relationship with a China-based global smart IoT solutions provider, whose business covers over 100 countries and regions. Such customer relationships provide consistent revenue and stable cash flow, allowing us to make sustained investments in our R&D. In addition, their high standards for features such as image quality and low power consumption drive us to keep improving, leading to ongoing advancements in our technology and products. Serving as a reliable supplier to established industry leaders also strengthens our brand and reputation, which supports future business growth.

Our strong reputation has enabled us to cultivate a broad and diversified customer base across rapidly expanding sectors, including smart video, smart IoT, and smart mobility. We collaborated with leading companies in these fields, reflecting our commitment to long-term collaboration and mutual growth. This diversity in our customer portfolio offers valuable insights into shifting industry dynamics and evolving client demands, which directly inform our chip development and product innovation strategies. By leveraging our core chip platform technologies across multiple verticals, we achieved operational efficiencies and reinforced our competitive advantages. This diversified customer structure minimizes reliance on any single market segment, mitigating the impact of sector-specific fluctuations and providing a stable foundation for sustainable, long-term growth.

Building a competitive moat through AI innovation with technological expertise and insight

We leverage our deep technological foundation and industry insight to pioneer AI innovation, delivering superior chip products that accelerate the intelligent transformation across multiple industries.

Our strategy is founded on the core principle of “AI for All,” with the aim of making advanced AI technology both accessible and commercially viable throughout the visual applications sector. Drawing on our experience in chip design and continuous innovation, we optimize system architecture, integrate high-level functionality, and enhance computational efficiency to lower costs. This approach ensures that high-performance AI vision is no longer confined to premium devices. Our SoC products integrate scalable AI computing power to meet a full spectrum of needs, from edge sensing to intelligent decision-making, thereby fueling the widespread adoption of AI vision in the smart video and smart IoT markets. Our chips are engineered to support cutting-edge technologies such as convolutional neural network, Transformer models and video structuring

BUSINESS

analysis. These capabilities significantly enhance the image comprehension ability of our chips, enabling deep semantic analysis of video content. This is essential for applications such as intelligent transportation and smart city management.

For example, our innovative technical solutions directly address key industry pain points:

- Our AI Super-Resolution technology uses advanced algorithms to enhance image quality, increasing resolution and restoring detail while avoiding the blur and pixelation common in traditional digital zoom.
- Our AI Codec solution intelligently compresses video data, reducing bit rate to conserve network bandwidth and storage resources.
- Our AI ISP solution significantly improves low-light performance, enabling devices to capture clear, high-quality images even in near-total darkness.

An outstanding management and R&D team with deep industry expertise

We are guided by a management and R&D team that combines a deep industry background with a global perspective. Our key members have a strong background in integrated circuit design, with a proven track record of driving both technical innovation and successful commercialization. Our founder, Mr. Yang Xiaoqi, brings a wealth of semiconductor industry experience. Since our inception, he has anchored our strategy in the vertical market of video-centric chips, championing a path of “independent technological development combined with scenario-driven innovation.” His leadership provides continuous strategic guidance and robust industry support.

Since our inception, R&D have been central to our business operations. We prioritize attracting, developing, and retaining skilled professionals in the field. Over time, we have developed a robust team of engineers with expertise in high-performance, low-power visual chip design, thereby establishing a strong foundation for our technological leadership. As of December 31, 2025, our R&D team comprises 417 members, representing 76.8% of our total workforce, with approximately 56.6% holding a master’s degree or higher.

We place a strong emphasis on the integration of industry, academia, and research to drive the practical application of our innovations. We established joint research projects and a co-operative master’s degree training program with Shanghai Jiao Tong University to attract high-caliber talent. In partnership with Fudan University, we participated in a national key R&D initiative to explore cutting-edge technologies for in-memory computing in edge-side data devices. These collaborations create a powerful synergy, enabling us to integrate technological resources, translate research into commercial outcomes, and cultivate the next generation of innovators.

OUR STRATEGIES

By focusing on the smart vision processing chip industry, we are committed to creating value for our customers through continuous R&D efforts and investment, on our path to becoming a leading global provider of smart vision IC solutions.

To achieve this goal, we intend to implement the following business strategies:

Capitalizing on a historic industry shift by integrating AI technologies

According to Frost & Sullivan, AI has entered an accelerated penetration phase, and the widespread adoption of AI devices at the end-side and edge-side will be a core growth driver for the vision chip industry.

BUSINESS

We will adopt “AI for All” as our strategic core and will implement a comprehensive approach focused on AI Product Innovation, AI Ecosystem Expansion, and AI Powered R&D and Operation Platforms. By leveraging advanced process technologies and optimized algorithms, we are committed to delivering high-performance, energy-efficient, and cost-effective AI vision ICs to our customers, supporting the creation of a smarter and more interconnected digital environment.

- *AI Product Innovation:* We plan to respond to market demand as AI increasingly penetrates intelligent terminals by developing end-side and edge AI vision IC technologies and products through a combination of independent R&D and strategic collaboration, capturing the historic opportunities arising from the AI revolution. Specifically, we plan to design, develop, and tape-out edge AI chips with mid-to-high computing power and AI wearable visual chips for products such as action cameras. Also see “Future Plans and [REDACTED] — [REDACTED].”
- *AI Ecosystem Expansion:* We will expand the AI ecosystem through internal incubation, investment, mergers and acquisitions, and co-development with upstream and downstream partners. Our goal is to build a robust AI application ecosystem encompassing emerging video, audio and transmission technologies for AI cameras, smart wearable vision products such as AI glasses, smart vehicles, robotics and more. Also see “Future Plans and [REDACTED] — [REDACTED].”
- *AI Powered R&D and Operation Platforms:* We will apply generative AI technologies to empower our internal platforms, AI assisted R&D systems, supply chain, and marketing operations, creating an intelligent operating framework that enables advanced data analytics and smart decision-making. This will significantly enhance operational efficiency and support our medium- and long-term growth. Specifically, we plan to acquire EDA tools and other software licenses to facilitate our daily operations after the expansion of our working personnel. Also see “Future Plans and [REDACTED] — [REDACTED].”

Continuous investment in core technologies to lead the next generation of vision IC evolution

We will continue to increase our investment in technology R&D to further consolidate and strengthen our leadership position in smart vision processing AI chips and solutions, ensuring we are well positioned to capture industry growth. For a detailed plan of upgrading the R&D infrastructure and product line development, see “Future Plans and [REDACTED] — [REDACTED].”

- *Smart video:* Aligned with the national “AI +” initiative, we are committed to advancing the integration of AI technologies across video processing systems. Leveraging our strong technological foundation, we will prioritize three key areas: “AI-Enhanced Image Processing,” “AI-Powered Video Encoding,” and “Efficient Lightweight Multimodal Models for Edge-side Devices.” From a technology perspective, we deploy neural networks to enhance image quality, utilize AI-assisted encoding decision systems, and design resource-efficient multimodal models tailored for edge-side terminals. On the product side, we plan to introduce high-performance, energy-efficient AI chips for various applications, supporting the intelligent evolution of visual systems. Our goal is to reinforce our “AI + Vision” product portfolio and enhance our position as a global leading provider of end-side and edge AI vision solutions, driving the next phase of intelligent development.
- *Smart IoT:* We will leverage our core technological advantages to drive the diversification and intelligent upgrading of our product portfolio. We plan to expand into high-growth areas such as smart wearable devices, smart homes, and smart terminals. From a technology perspective, we will deliver AI-enhanced terminal features,

BUSINESS

optimizing system energy efficiency and algorithmic adaptability to support our clients in achieving large-scale production. Our goal is to become a key enabler for end-side smart IoT chips and solutions, facilitating a comprehensive industry upgrade.

- **Smart mobility:** We will capitalize on the significant growth opportunities within the smart vehicle market by increasing our market share in automotive camera chips. We will integrate our key technologies to create low-power, high-performance solutions covering multiple application scenarios while deepening our collaboration across the industry chain. Our goal is to become a core global supplier of automotive vision ICs.

Strengthening global footprint, exploring M&A opportunities, and charting a long-term growth trajectory

We plan to use Southeast Asia as a strategic foothold to expand our business to global customers, with plans to build a comprehensive sales and support network in key international markets, including the Middle East, Europe, and the rest of the world. For details of the expansion plan, see “Future Plans and [REDACTED] — [REDACTED].” By establishing localized teams, deepening channel partnerships, and participating in international exhibitions and technical forums, we aim to enhance our global brand recognition. We will focus on developing partnerships with major international clients, leveraging our technical strength, product reliability, and rapid response to build globally competitive solutions, increase the proportion of our overseas revenue, and integrate into the global supply chain. Furthermore, we will continue our fabless model and advance our global supply chain layout to achieve production synergy for our product lines both domestically and abroad, ensuring supply chain resilience and stability.

We are actively identifying high-quality target companies with strategic synergy, particularly in AI algorithms, chip design, and cloud-edge technologies. Through selective investments and M&A, we aim to swiftly acquire advanced technologies, expand market access, and enhance customer resources, thereby integrating audio, video and transmission capabilities. These actions will strengthen our presence in high-growth sectors such as AI cameras, AI glasses, smart vehicles, and robotics, and generate new opportunities for expansion. Additionally, we will continue to monitor the performance of our portfolio companies, maintain technological alignment, and consider further capital investments or increased shareholding as appropriate.

Building a smart ecosystem with key customers to jointly expand our commercial footprint

We intend to enhance our technological strengths by deepening collaboration with key downstream customers. We plan to engage in joint R&D as well as the co-creation of critical technologies with industry leading partners. Through these collaborative innovation initiatives, our objective is to accelerate the commercialization of smart vision IC technologies and establish a highly integrated, mutually beneficial intelligent ecosystem.

Looking forward, we are committed to broadening and deepening our customer base. We will continue to reinforce our leadership in our core areas, including smart video, smart IoT, and smart mobility, by fostering collaborative innovation and forming strategic partnerships with industry front runners. In addition, we plan to strategically expand into new and emerging sectors such as AI cameras, AI glasses, smart vehicles, and robotics. By developing a diversified business structure with multiple growth drivers, we aim to secure a robust and sustainable pipeline of orders, thereby increasing our market share and further solidifying our leadership position in the industry.

Enhancing talent pool to drive organizational vitality

We believe that a chip company’s core competitiveness is fundamentally rooted in the depth and breadth of its R&D capabilities. To further reinforce this foundation, we have established a talent strategy aimed at enhancing our talent pool and energizing our organization through international recruitment, structured training, and optimized incentive mechanisms. For further details regarding our recruitment initiatives, also see “Future Plans and [REDACTED] — [REDACTED].”

BUSINESS

- *Talent Acquisition Strategy*: We intend to intensify our recruitment efforts worldwide, with a focus on attracting high-caliber professionals who possess substantial R&D expertise in AI. Through this approach, we seek to deepen our core technological strengths and maintain industry leadership in an increasingly competitive global market.
- *Diversified Incentive Mechanisms*: We will strengthen our performance-based evaluation and promotion systems, and implement a range of incentive measures, including project-based rewards, performance bonuses, and equity incentive plans. These initiatives are designed to stimulate innovation and intrinsic motivation across our teams, ensuring the retention and engagement of key talent and providing a robust human capital foundation for our sustainable long-term growth.
- *Systematic Talent Development Programs*: We will enhance our strategic talent cultivation mechanisms by developing differentiated professional training systems tailored to specific roles and competencies. These programs will facilitate the accelerated development of critical personnel and ensure their ability to adapt to and lead emerging technological trends.

OUR BUSINESS

According to Frost & Sullivan, we are a global leader in smart vision processing ICs and solutions, specializing in smart video, smart IoT, and smart mobility. With a fabless business model, we have developed an advanced “end-side + edge-side” full-stack product architecture that allows us to deliver seamless, one-stop solutions to our customers. This integrated approach ensures high performance and adaptability to meet the needs of various industries.

Our principal products include a comprehensive range of ICs and solutions, bundled with proprietary software suite, including drivers, operating systems, and APIs, that are designed to maximize our hardware’s performance. We cover video chips from analog to digital and from front-end cameras to back-end video recorders, as well as smart home camera chips that lower the entry barrier for AI technology and bring intelligent features into everyday life.

We have embedded AI capability into our products to address major industry challenges through three main areas: (i) our SoCs include a dedicated NPU to run deep learning tasks locally, ensuring fast, low-power processing without relying on the cloud; (ii) AI algorithms enhance image quality in challenging lighting conditions. Noise reduction and low-light enhancements help cameras capture clear, full-color video footage even in near darkness; (iii) embedded AI supports motion detection and objects recognition.

During the Track Record Period, we have sold 51.4 million, 76.7 million and 82.5 million units of chips embedded with AI capabilities, contributing to RMB976.2 million, RMB1,175.2 million and RMB1,064.4 million of sales, respectively.

In smart mobility, our intelligent vehicle imaging solutions offer automotive-grade video chips for factory installed applications and effective industrial-grade video chips for aftermarket markets. These chips are used in in-cabin and exterior cameras, transmission links, and back-end hosts, providing suppliers and automakers with comprehensive solutions.

Alongside our chip products and solutions, we also offer others including technical and other ancillary services, comprising the development and licensing of relevant algorithms, integrated circuit design and fabrication services tailored to customer requirements, and turnkey contracts for delivering these customized solutions within a defined period.

BUSINESS

We operate under a fabless business model, focusing on IC design and R&D, while wafer fabrication, packaging, and testing are handled by trusted partners. The table below sets forth the revenue breakdown by product line and service and geographic location in absolute amount and as a percentage of our total revenue for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
<i>RMB in thousands, except for percentages</i>						
<i>By product line and service</i>						
Smart Video	1,218,584	66.9%	1,203,950	67.3%	1,003,933	59.5%
Smart IoT	313,798	17.2%	278,057	15.5%	338,833	20.1%
Smart Mobility	188,045	10.3%	237,107	13.2%	279,520	16.6%
Others ⁽¹⁾	101,955	5.6%	70,893	4.0%	65,944	3.8%
<i>By geographic location</i>						
Chinese Mainland.	1,656,414	90.9%	1,652,472	92.3%	1,516,951	89.9%
Overseas	165,968	9.1%	137,535	7.7%	171,279	10.1%
Total	1,822,382	100.0%	1,790,007	100.0%	1,688,230	100.0%

(1) Primarily included technical and other ancillary service fees, which we mainly provided customized chip solutions for our customers.

See “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2025 Compared to Year Ended December 31, 2024 — Revenue” and “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2024 Compared to Year Ended December 31, 2023 — Revenue” for reasons of material fluctuations.

The table below sets forth a breakdown of gross profit and gross profit margin by product line and service and geographic location 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
<i>RMB in thousands except for percentages</i>						
<i>By product line and service</i>						
Smart Video	445,709	36.6%	449,228	37.3%	358,720	35.7%
Smart IoT	96,627	30.8%	74,113	26.7%	70,024	20.7%
Smart Mobility	82,966	44.1%	113,182	47.7%	130,715	46.8%
Others ⁽¹⁾	60,369	59.2%	30,102	42.5%	57,869	87.8%
<i>By geographic location</i>						
Chinese Mainland.	618,640	37.3%	607,495	36.8%	528,678	34.9%
Overseas	67,030	40.4%	59,130	43.0%	88,650	51.8%
Total	685,671	37.6%	666,625	37.2%	617,328	36.6%

BUSINESS

- (1) Primarily included technical and other ancillary service fees, which we mainly provided customized chip solutions for our customers.

See “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2025 Compared to Year Ended December 31, 2024 — Gross Profit and Gross Profit Margin” and “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2024 Compared to Year Ended December 31, 2023 — Gross Profit and Gross Profit Margin” for reasons of material fluctuations.

The table below shows the ASP and sales volume by product line for the years indicated:

Product lines	Year ended December 31,					
	2023		2024		2025	
	Sales volume	ASP ⁽¹⁾	Sales volume	ASP ⁽¹⁾	Sales volume	ASP ⁽¹⁾
<i>Sales volume in thousands; ASP in RMB</i>						
Smart Video	79,781.6	15.3	90,815.9	13.3	93,281.0	10.8
Smart IoT	27,115.1	11.6	28,870.3	9.6	38,598.6	8.8
Smart Mobility	33,175.8	5.7	39,875.5	6.0	46,269.3	6.0

- (1) ASP is calculated through dividing revenue by the relevant sales volume during the same year/period, which represented the average price at which our products were sold to our customers.

Rising Market Competition

During the Track Record Period, according to Frost & Sullivan, the domestic market for smart vision processing chips exhibited significantly higher competition intensity and price sensitivity compared to overseas markets. The global market size for smart vision processing chips contracted by approximately 2.0%, declining from US\$1.05 billion in 2023 to US\$1.03 billion in 2024, reflecting general downward pressure across the industry. While the market experienced a moderate volume recovery in 2025 (reaching US\$1.08 billion), overall market growth was severely constrained by a sharp, industry-wide decline in ASPs.

According to Frost & Sullivan, this deteriorating pricing environment was driven by three market developments: (i) rapid entry of dozens of domestic manufacturers since 2025 drastically intensified competition, triggering aggressive price wars; (ii) during inventory restructuring throughout 2025, major downstream customers leveraged their bargaining power and stringent cost-cutting strategies to force suppliers into lowering prices; (iii) a shift in demand toward basic models led downstream customers to buy cheaper chips, further lowering the overall ASP. Consequently, according to Frost & Sullivan, while overall industry sales volumes remained stable, the market-wide ASP for core products such as IPC SoCs and XVRs plummeted by approximately 20%, though ISP prices remained generally stable.

Our sales volume for smart video products experienced continuous growth from 2023 to 2024, and further increased in 2025. This steady upward trend reflects the overall resilience of end-market demand and our continued successful market penetration. Conversely, the ASP for this segment continuously decreased from 2023 to 2025. This downward trend was a direct reflection of the broader market trends with intensified market competition and a noticeable shift in customer procurement behavior. Specifically, domestic manufacturers have rapidly entered the smart vision chip market, increasing competition and driving down prices. Furthermore, major customers exerted strong bargaining power to pass cost pressures onto chip suppliers. To cut costs and adapt to shifting demand, downstream buyers increasingly concentrated their procurement on lower-priced, entry-level basic chip models within our product mix, leading to a decrease in the overall ASP.

BUSINESS

The sales volume for smart IoT products experienced continuous growth from 2023 to 2025. The volume growth, particularly in 2025, was largely attributable to our proactive market expansion efforts, which successfully broadened our end customer base and generated increased orders from newly acquired end customers. The ASP for smart IoT products continuously decreased from 2023 to 2025. This was the result of a two-fold pressure: (i) the unavoidable impact of the intensifying, industry-wide price wars, and (ii) our necessary strategic pricing adjustments, proactively offering lower prices to successfully acquire new customers and defend our market share against the influx of new domestic entrants during the Track Record Period.

The sales volume for smart mobility products experienced continuous growth from 2023 to 2024, and further increased in 2025. This was primarily driven by our successful business expansion in the automotive sector, our continuous introduction of new applications and new products, and our steady acquisition of new end customers. The ASP for smart mobility products remained largely insulated from the broader market’s price wars due to the barrier to entry and the technological advancement of our products (such as achieving AEC-Q100 certification).

Our Product Lines

We design and develop a broad range of ICs mainly for video processing. Our offerings include high-performance video SoCs and ISP, which are designed to address the growing needs of the smart vision chip market.

Smart Video

We offer a broad portfolio of professional video chip solutions, ranging from analog to digital video technology and supporting both front-end cameras and back-end recorders. We demonstrate our expertise and integrated capability in delivering complete smart video chips and solutions, covering both the end-side and edge-side.

Our representative commercial video processing products comprise IPC SoCs chips, ISP chips, XVR SoC chips, and video link chips:

End-side/Edge-side	Applications	Representative Products
End-side	Network security cameras, Analog security cameras	IPC SoC chips: FH865X series, FH885X, FH8856v500 ISP chips: FH8536H series, FH8556A
Edge-side	Security DVR/NVR	XVR SoC chips: MC6670, MC6870, MC6880

Our flagship offerings in the smart video product line are standardized, off-the-shelf chips designed for broad open-market availability.

IPC SoCs Chips

Our IPC SoC product line is a key part of our product matrix. IPC SoCs combine ISP, video encoding, AI engine, and other important modules. IPC SoCs are widely used in smart security, smart home, and other related areas.

BUSINESS

Key features of our IPC SoCs include:

- *Image signal processing*: The system receives raw data from the image sensor and processes it to reduce noise, sharpen images, apply WDR process, and correct lens distortion, contributing to clear images with accurate color reproduction. Our latest chips support AI-ISP technology and deliver enhanced image results under extremely low light conditions.
- *Video encoding*: Video encoder can compress high-quality video streams into H.264/H.265 formats, helping to reduce the bandwidth of network transmission and lowering local storage requirements.
- *Intelligent analysis*: An integrated NPU supports the use of AI algorithms for features such as human detection, vehicle detection, face recognition, pet detection, and area intrusion monitoring, etc.
- *Highly integrated architecture*: By combining key components, including CPU, ISP, Video Encoder, and NPU, we enable camera manufacturers to develop products at a lower cost and bring them to market more quickly.

Below sets forth our signature IPC SoCs for the smart video product line:

- The FH865X series and FH885X series are high-performance IPC SoCs designed for professional network cameras, providing advanced video encoding and image processing capabilities. They support multiple compression formats, enabling high-definition images while minimizing bandwidth and storage requirements. During the Track Record Period, approximately 29.5 million units of the FH865X series were sold.

FH8656 is an early entry in the market of IPC chips with integrated NPU, which combines excellent image quality with intelligent analytics, offering substantial advantages for smart security applications.

- The FH8856V500 is our latest IPC SoCs launched in 2025 for professional network cameras. It features AI-ISP technology that can enhance night vision by reducing noise and improving image detail and dynamic range. The chip features an AI engine that detects humans, vehicles, and pets. It supports 4K video input and processing, includes H.264/H.265 encoding, and provides a range of peripheral interfaces.

ISP Chips

Our analog camera ISP chips use advanced technology and a high level of integration, supporting compatibility with transport video interface (“**TVI**”), composite video interface (“**CVI**”), analog high definition (“**AHD**”), and other major analog HD protocols. This flexibility helps camera manufacturers simplify product development and supply chain management. By including essential ISP algorithms such as 3DNR and WDR, our chips provide reliable image quality even in difficult lighting, like low-light or backlit settings. These solutions combine key features into a single chip, offering cost-effective turnkey options that help reduce development complexity, lower BOM costs, and speed up time-to-market for our customers.

Our ISP chips have facilitated the transition of analog security cameras from standard definition to high definition. Our ISP chips enhance image quality and functionality, delivering cost-effectiveness for budget-conscious projects and extending the life cycle of analog security systems.

BUSINESS

Our signature ISP chips include:

- **FH8536H series:** This high-performance ISP chip is designed for professional security cameras and supports 1MP — 3MP CMOS sensors. It features 3DNR for strong low-light performance and IR-CUT FREE V2.0 technology for RGBIR input. With over eight million units sold during the Track Record Period, it is one of our best-selling chips.
- **FH8556A:** This HD analog image processing chip provides MIPI input and supports video signals up to 4K resolution. It includes automatic exposure (“**AE**”) and automatic white balance (“**AWB**”) adjustment, automatic defective pixel correction, Lens Shade Correction (“**LSC**”), and both temporal and spatial noise reduction. FH8556A supports multiple analog HD output modes and has integrated circuit comparators and video filters to help reduce solution costs. It also features an Audio Codec with noise reduction and echo cancellation, making it well-suited for analog HD camera systems with two-way audio.

XVR SoC Chips

Our XVR SoCs support hybrid access solutions for both HD analog cameras and IP cameras to ensure smooth transitions from analog to digital systems. The chip’s AI-powered capabilities enhance intelligent analysis for security systems. It has been adopted by industry leading brands for large-scale production. Additionally, single-chip integration reduces system complexity and BOM costs, promoting widespread adoption.

We offer high-performance NVR and DVR SoC chips designed for modern security systems. These chips support multi-channel video processing, AI acceleration, and system integration, allowing for smooth upgrades from analog to digital technologies and advanced analysis features.

Our NVR and DVR SoC chips can handle multiple channels of HD video input, providing real-time decoding and preview functions. They support H.265 and H.264 formats to help manage storage needs and network bandwidth efficiently. Each chip includes a built-in NPU with different computing power, enabling intelligent detection, facial recognition, and perimeter defense. For storage and network expansion, they feature Ethernet, SATA, USB, PCIe, and other interfaces.

Our XVR SoC chips have been adopted by leading brands for large-scale production. The single-chip design also helps to reduce system complexity and BOM costs, supporting widespread use.

Below sets forth our signature NVR and DVR SoC chips:

- The MC6870 is an NVR SoC chip developed for security systems. It features eight-core main processors and three-core co-processors, allowing it to support multiple camera channels. The chip is capable of handling 8K outputs, decoding, and display. With a six-lane PCIe 3.0 interface, it can connect to external AI chips, supporting the development of AI-integrated products. The MC6870 also supports two independent displays through dual HDMI 2.0 interfaces and offers a range of high-speed interfaces, including SATA, USB, eMMC, and Gigabit media access controller (“**GMAC**”), to meet various application requirements.
- The MC6880 is a chip designed for professional network video recorders, supporting multi-channel high-definition video decoding and encoding. It handles multiple video input channels with compatibility for both H.265 and H.264 codecs. The chip is equipped with six-core CPUs, along with a dedicated NPU for AI tasks. It offers a comprehensive range of peripheral interfaces, including two external Gigabit Ethernet

BUSINESS

ports, SATA3, PCIe 3.0, USB 3.0, and USB 2.0. The MC6880 also supports several high-resolution display outputs, such as dual HDMI 2.1 and VGA, providing flexible connectivity options for various security systems.

- The MC6670 is a professional DVR SoC chip designed for enhanced performance, featuring six-core main CPUs and three-core co-processors. When two chips are cascaded, the system can support additional analog camera inputs. With its dedicated NPUs, the MC6670 provides intelligent video analytics across multiple channels. For further AI capabilities, its two-lane PCIe 3.0 interface allows for the connection of external AI accelerators. The chip supports dual independent displays through HDMI 2.0 ports and includes multiple high-speed interfaces such as SATA, USB, eMMC, and GMAC, making it adaptable to various product needs.

Illustrative Solutions

The FH8656 chip is designed for 4MP consumer smart network cameras. It is the first in its series to feature an integrated 0.5T NPU, which supports functions such as human and facial detection.

This NPU improves the efficiency of AI analysis compared to earlier models that depended on the main CPU, enabling a smooth transition from non-intelligent cameras to smart cameras. As a result, the chip can accurately detect humans, vehicles, and pets, and supports event-based alerts. The FH8656 supports 4MP video processing with both H.264 and H.265 encoding. Its built-in ISP and video encoder help deliver high-quality video at lower bit rates, which reduces transmission bandwidth and storage needs. The FH8656 comes with 1Gb of DDR3 memory and provides peripheral interfaces such as USB, secure digital input output (“SDIO”), and Ethernet, making it well suited for a range of network camera applications.

Smart IoT

We have invested in developing lightweight intelligent camera chips for the smart IoT market. These products make AI chips more accessible and easier to adopt in daily life worldwide.

Our representative smart IoT IC products comprise IPC SoCs, smart display SoC chips and NVR SoC chips and we summarize the applications and corresponding products below:

End-side/Edge-side	Applications	Representative Products
End-side	IP cameras, Video doorbell, Home appliance camera	IPC SoC chips: FH862X series
	Wearable video products (sports cameras, smart watches, and AI glasses) AI toys	IPC SoC chips: MC6350
Edge-side	Home NAS, and wireless NVRs	NVR SoC chips: MC6810
	Digital photo album, Home appliance display	Smart display SoC chips: MC331X

Our flagship offerings in the smart IoT product line are standardized, off-the-shelf chips designed for broad open-market availability.

IPC SoCs

We design lightweight, intelligent IPC SoCs tailored for the consumer IP camera market. These chips are optimized for common residential uses, such as network cameras and video doorbells. Unlike traditional professional-grade SoCs, our consumer solutions focus on low power consumption and cost efficiency, making them suitable for long standby times and typical

BUSINESS

household settings. Equipped with integrated lightweight AI acceleration units, these chips enable on-device intelligent recognition of people, vehicles, and pets. This reduces reliance on cloud processing, ensures privacy, and provides real-time responses. These chips help branding and OEM/ODM customers quickly differentiate their products and efficiently meet consumer needs for ease of use and a variety of features.

Below sets forth out signature IPC SoCs for the smart IoT product line:

- The FH862X series (including FH8626V100, FH8626V200, and FH8626V300) is a cost-effective SoC chip solution for consumer network cameras. This series supports 2MP-3MP resolution and features an ISP chip to deliver clear images. It uses H.264 encoding, which helps control bit rate, reduce transmission bandwidth, and save storage space while maintaining video quality. The FH8626V300 model is equipped with a 0.5T NPU to enable basic intelligent functions, such as human detection. The FH8626V300L model incorporates low-power operation mechanisms, including fast startup and always on video (“AOV”), making it suitable for low-power camera applications. With integrated DDR memory and a range of peripheral interfaces, this series is designed to simplify product development and provide practical solutions for the market. During the Track Record Period, we have sold approximately 42.1 million units of the FH862X series.
- The MC6350 is a high-performance chip designed for AI glasses and wearable video devices. It delivers advanced image processing with low power usage and features a compact design. The chip supports 12MP photo capture and 4MP video recording at 30 fps. Integrated ISP functions help enhance image clarity, reduce noise, and improve performance in low-light conditions. Manufactured using a 12nm process, the MC6350 achieves very low power consumption. Its small 8x8mm package size makes it well suited for lightweight AI glasses.

NVR SoC Chips

Our NVR SoC chips for the smart IoT product line are well suited for smart home applications and integrate smoothly with home ecosystems. These chips can be used in a variety of devices, including NVR and NAS systems. With advanced video decoding and AI processing features, our NVR SoC chips support multiple camera inputs, provide intelligent search features, and enable local playback. They help ensure secure storage and efficient access to home video data. In addition, these chips connect easily with devices such as smart doorbells, home cameras, and smart displays, supporting functions like home security, family monitoring, and media sharing. We focus on user experience through an intuitive interface, streamlined design, advanced network and storage scalability. These features allow our products to serve as reliable video management platforms and important components of smart home integration.

Below sets forth our signature NVR SoC chips for the smart IoT product line:

- The MC6810 is designed for home display and recording devices, offering multi-channel high-definition video decoding. The chip is equipped with a dual-core CPU for efficient processing and provides a variety of peripheral interfaces, including audio, 100M Ethernet PHY, hard drive support, and USB 2.0. Additionally, it offers multiple display output options such as HDMI, VGA, and MIPI, making it compatible with a range of home systems.

BUSINESS

Smart Display SoC Chips

Our smart display SoC chips play an important role in enhancing interactive experiences in consumer electronics and home applications. We focus on delivering high-performance, energy-efficient chips with advanced video decoding and multimedia interface capabilities. These solutions meet the needs of a broad range of interactive applications and are widely used in home electronic products with display, such as digital album, electric bicycle control panels, etc. Designed for low latency, efficient power consumption, and compact size, these chips are integrated into smart home and mobile systems as key components of IoT user interfaces.

Below sets forth our signature smart display SoC chips for the smart IoT product line:

- The MC331X series is a line of high-performance chips designed for smart display applications. With dual-core CPUs, this series efficiently handles a variety of display-related functions. It is available in both 64MB and 128MB DDR memory configurations and supports 2MP camera input. The MC331X series deliver strong decoding performance, supporting multiple video streams, and provides smooth local display with real-time video output. To support the development of efficient and cost-effective solutions, the chipset includes a 100M Ethernet PHY, USB 2.0, and a multi-channel audio codec.

Illustrative Solutions

We developed the MC6350 to overcome key challenges that have slowed the widespread adoption of smart glasses. This technology offers essential solutions for issues related to power consumption, device size, and imaging performance. We believe the MC6350 gives our partners a notable advantage and helps drive the development of the next generation of smart glasses.

Power consumption is a major factor affecting the user experience of wearable devices. The MC6350 uses an advanced 12 nm low-power manufacturing process.

The size and weight of current smart glasses have limited their appeal. The MC6350 addresses this with a compact 8x8mm package. In addition, by integrating DDR memory into SoC, we reduce the number of separate components and simplify both design and manufacturing. This allows for the creation of lighter, more attractive devices, which we expect will help these products reach a wider market.

We also integrated our proprietary AI-ISP technology into the MC6350. This technology uses our expertise in computational photography to improve image and video clarity in various lighting conditions. We believe this feature helps our partners offer devices with advanced camera capabilities and strengthens their position in the market.

Smart Mobility

We not only provide cost effective aftermarket ISP chips but also provide factory installed automotive-grade ISP chips meeting the technical specifications and reliability requirements of tier-1 suppliers and automotive manufacturers. Our products cover in-cabin and external camera systems, transmission links, and video recording platforms. We maintain high quality control standards, being certified under AEC-Q100 and ISO 26262. Utilizing advanced automotive vision processing technology and powerful encoding techniques, we meet various demands for smart mobility and video recording applications.

BUSINESS

Our representative smart mobility products are summarized below:

End-side/Edge-side	Application verticals	Representative Products
End-side	Factory installed automotive cameras: DMS, OMS, AVM, and CMS Aftermarket cameras: DMS, OMS, AVM, and CMS	Automotive-grade ISPs: FH832X series and FH833X series Industrial-grade ISPs: FH8323, FH8333, FH8536H series, and FH8550M series
Edge-side	Automotive DVRs	Video link chips: FH6210M DVR Chips: MC6357AT, MC6630

Our flagship offerings in the smart mobility product line are standardized, off-the-shelf chips designed for broad open-market availability.

Automotive-grade ISP Chips

We entered the automotive market by leveraging our expertise and technology from the security and consumer areas. Our involvement in the automotive camera market started with the FH8536H and FH8550M chips for aftermarket use. In 2018, the FH8310 chip received AEC-Q100 certification, allowing us to secure a leading position in the DMS and OMS segments. The FH832X series was introduced in 2020, establishing new standards for image processing in surround-view and smart cockpit systems. By 2022, the FH6210M and MC6630 chips completed our automotive video product lineup and were implemented in aftermarket applications such as DVRs and regulatory-compliant devices. In 2023, the FH833X series advanced our offerings in AVM, DMS, OMS, E-mirror, and DVR applications.

Our FH832X/FH833X series is designed for applications in DMS, OMS, AVM, and CMS, delivering high reliability and advanced image processing capabilities:

- **DMS:** Our ISP chips utilize high-performance ISP technology to deliver clear facial imaging for DMS, even in difficult lighting conditions such as strong sunlight or low light.
- **OMS:** Supporting both RGB-IR and RGB sensor integration, our ISP chips enable comprehensive in-cabin monitoring.
- **AVM:** Our compact and energy-efficient ISP chips can process video at resolutions up to 3MP and use proprietary 2D+3D noise reduction modules for clearer low-light images and accurate color reproduction.
- **CMS:** Designed for integration into electronic side mirrors, our ISP chips allow for the replacement of traditional optical mirrors by projecting real-time side and rear views onto in-cabin displays.

Below sets forth the details of our signature FH832X/FH833X automotive-grade ISP chips:

- The FH8322 is a high-performance automotive-grade ISP chip that processes video at 1920x1080 resolution with 30 fps. It supports multiple frames WDR and enables a high dynamic range. Equipped with both analog HD and MIPI/DVP digital output interfaces, the FH8322 is well-suited for use in rear-view cameras, surround-view systems, in-cabin monitoring, and streaming media cameras. During the Track Record Period, we sold approximately 5.7 million units of FH8322.
- The FH8332 is an automotive-grade ISP chip designed for video processing at resolutions up to 1920x1080 at 60 fps or 1920x1536 at 30 fps. It features integrated 3DNR technology to enhance noise reduction. Utilizing advanced process technology,

BUSINESS

the FH8332 offers lower power consumption, which helps maintain the reliability of camera systems. The chip supports various video output interfaces, providing broad compatibility. FH8332 is widely applied in both interior and exterior automotive cameras.

Automotive Video Link Chips

Our automotive video link chip transmits the video signal to the domain controller’s processor using the MIPI camera serial interface (“CSI”) interface. This chip serves as a key component in the in-vehicle camera transmission system.

The FH6210M is a high-performance analog decoding chip designed for automotive cockpit vision systems. Its primary role is to transmit analog video signals from multiple vehicle cameras into digital format, enabling decoded video data to be transmitted to the domain controller or main processor for further processing. As a key part of the camera transmission chain, the FH6210M supports high-definition video decoding from several camera modules and ensures reliable delivery to the domain controller through coaxial cable.

Illustrative Solutions

The FH8332 is an HDR image processing chip designed for automotive cameras, supporting resolutions of 1920x1080 at 60 fps and 1920x1536 at 30 fps. It supports 3-frame WDR which helps deliver consistent image quality in different lighting conditions. The chip is compatible with both RGBIR and RGGB Bayer inputs and features advanced capabilities, including 3D noise reduction (“3DNR”), 2D noise reduction (“2DNR”), and lens shading correction (“LSC”), for clear and accurate imaging. With support for HD-Analog and MIPI/DVP outputs, the FH8332 is widely used in dashcams, rearview cameras, surround-view systems, interior cameras, front-view cameras, and streaming mirrors.

The chip’s built-in 3DNR and line-by-line WDR processing help enhance image clarity, especially in low-light situations or scenes with high contrast. This makes the FH8332 a suitable choice for applications such as rearview mirrors and driver assistance systems, where dependable image quality is important for accurate decision-making and improved situational awareness.

Beyond its imaging functions, the FH8332 supports a range of CMOS sensors from 1MP to 3MP resolution. Its advanced functions — such as dynamic defective pixel correction, and customizable on-screen display (“OSD”) for overlaying graphics and text — make it practical for smart vehicle systems. For instance, the chip can be used in rearview mirrors to provide real-time visual feedback with improved clarity, even in challenging weather conditions or at night.

Others

We provide technical and other ancillary services. We specialize in customized chip design services. Under this integrated service model, we collaborate with clients to understand their requirements and design a comprehensive solution. This service is designed to meet specific client requirements that are beyond the capabilities of our standard off-the-shelf products. Through our integrated service approach, we collaborate closely with clients ranging from feasibility analysis to joint R&D in order to ensure the delivery of customized solutions. Service pricing is determined on a per-project basis and reflects factors such as resource allocation, development timelines, strategic significance to our technology roadmap, and the depth of long-term collaboration. For the avoidance of doubt, revenue under this segment is recognized in respect of service fees only; where products are developed or delivered in connection with such services, the associated revenue is classified under the relevant product business line. We use a direct engagement model and collaborate closely with clients to specify project requirements and execute the design. Because these services are highly specialized and tailored, negotiations and project execution rarely involve third-party intermediaries, agents, or distributors. During the Track Record Period, we generated revenue from technical and other ancillary services of approximately RMB102.0 million, RMB70.9 million and RMB65.9 million in 2023, 2024 and 2025, respectively, accounting for 5.6%, 4.0% and 3.8% of our total revenue for the respective years.

BUSINESS

OUR CORE TECHNOLOGY PORTFOLIO

Our business is built on a foundation of deeply integrated core technologies. With years of experience in technical innovation and talent development, we have mastered image signal processing, video encoding and decoding, NPU, and fully customized chip design. This comprehensive technology stack enables us to create powerful, efficient, and highly optimized SoCs. These solutions drive innovation across smart video, smart IoT, and smart mobility industries, empowering our customers to achieve higher levels of performance and functionality.

Our technologies work in synergy — our imaging signal processing technology creates a visual foundation; our video encoding technology manages data transmission with high efficiency; our NPU technology functions as the AI “brain”, with our neural network compilers technology acting as the crucial translator between software and hardware; and our custom chip design technology brings it all together on one chip. This comprehensive approach allows for integrated solutions with combined capabilities.

The diagram below showcases our technology matrix:



BUSINESS

Imaging Signal Processing

For years, we have honed our ISP technology to transform the raw, unprocessed data from an image sensor into a clear, vibrant, and lifelike picture. Going beyond traditional methods, we have deeply integrated AI into our ISP pipeline. This allows for real-time, pixel-level analysis and enhancement, enabling our systems to overcome complex imaging challenges in any environment.

Key features of our ISP technology include (i) **AI-Powered Noise Reduction**: Our AI 3D/2D noise reduction intelligently distinguishes between genuine image detail and unwanted noise, producing clean and detailed visuals even in near-total darkness; (ii) **AI-Enhanced Dynamic Range**: Our AI WDR function expertly balances scenes with extreme lighting contrasts, simultaneously revealing details in the brightest highlights and the deepest shadows of a single frame; (iii) **Advanced Color and Tone Restoration**: Our sophisticated color correction and tone mapping algorithms ensure that the final image displays natural, true-to-life colors that accurately reflect the original scene.

Our technology delivers outstanding image quality, capturing essential details with clarity and accuracy even in tough lighting situations. By harnessing AI, we achieve performance that exceeds typical hardware limits, intelligently boosting image quality in real time. Thanks to our highly optimized processing engines, we also keep power consumption to a minimum, which helps extend battery life for mobile devices and lowers the overall running costs of deployed systems.

Video Encoding Technology

Our video encoding technology is designed to efficiently organize and compress video data while preserving essential information. Since our establishment, we have refined our encoding algorithms to reduce file sizes, which is vital for both storage optimization and network transmission. This feature is especially important for applications like video security systems.

The intelligence of our encoder is demonstrated by its capacity to analyze scenes similarly to human perception. Leveraging sophisticated algorithms, it prioritizes critical areas within a video, such as faces, license plates, or moving objects, by allocating additional data to ensure their clarity is maintained. Conversely, the encoder applies higher compression rates to static or less significant background elements, such as walls or empty streets. This approach, known as Region-of-Interest encoding, guarantees optimal preservation of essential details in high fidelity.

Key features of our video encoding technology include (i) **Superior Compression Quality**: We provide superior compression quality by using advanced algorithms that prioritize critical details while significantly reducing overall file sizes; (ii) **High Algorithm Efficiency**: Our solution achieves high algorithm efficiency, rapidly calculating the optimal compression path for every frame to ensure smooth, real-time encoding; (iii) **Stable Bit Rate Control**: Our dual-engine bit rate control system dynamically adapts to network fluctuations, guaranteeing stable and reliable video streaming even over unstable connections; (iv) **Low-Power Encoding**: Our hardware implementation is optimized for low-power encoding, drastically reducing energy consumption for battery-dependent devices.

The key benefits of our video encoding technology include substantial cost savings for our customers, as they achieve significant reductions in both storage and bandwidth requirements, directly lowering the infrastructure and operational expenses associated with large-scale video deployments. Additionally, our technology ensures reliable and uninterrupted streaming performance, which is essential for real-time monitoring applications. Furthermore, the efficient and low-power design of our solution extends the operational lifespan and reliability of mobile and remote devices, making them more effective and dependable in the field.

BUSINESS

NPU Technology

The NPU is a custom-designed processing unit intended for AI applications. Unlike general-purpose CPUs that handle tasks sequentially, the NPU operates as a parallel computing engine to manage the simultaneous calculations needed by deep neural networks. This architecture aims to provide increased performance and efficiency compared to general-purpose chips.

Key features of our NPU technology include (i) **Algorithm-Hardware Co-Design**: We co-design our NPUs with AI algorithms from the ground up, creating a synergy between hardware and software that ensures efficient execution; (ii) **Proprietary Quantization Techniques**: Our proprietary low-bit quantization techniques reduce the computational load for faster processing and lower energy use without compromising AI model accuracy; (iii) **Scalable Computing Power**: Its scalable computing power is derived from a modular architecture, allowing us to deploy it in everything from lightweight IoT sensors to high-performance automotive systems.

Our NPU technology delivers a range of benefits for AI-driven applications, including enhanced capabilities that enable faster and more accurate task execution such as multi-object facial recognition and industrial defect detection. With a design focused on superior energy efficiency, it reduces power consumption, lowers system costs, and significantly extends the battery life of devices.

Neural Network Compiler Technology

Our Neural Network Compiler connects AI software from frameworks like TensorFlow or PyTorch to our NPU’s specialized hardware. It converts models into optimized instructions for maximum performance. Beyond translation, the compiler reorganizes computations, manages memory, fuses processing layers, and reduces bottlenecks. Developers can use built-in profilers and debuggers to monitor and fine-tune model efficiency.

Key features of our neural network compiler include (i) **Automated Model Optimization**: Our compiler performs automated model optimization, seamlessly converting models from popular AI frameworks into efficient, hardware-specific instructions; (ii) **Broad Framework Compatibility**: We offer broad framework compatibility, providing robust and reliable support for industry standards like TensorFlow, PyTorch, and ONNX; (iii) **Unified Development Toolkit**: We feature a unified development toolkit that offers a comprehensive set of tools for developers to easily deploy, debug, and fine-tune their models.

Our Neural Network Compiler offers several key benefits for developers and businesses. It delivers accelerated performance by reducing latency and dramatically increasing the speed of AI model execution on the target hardware. The compiler also streamlines the development process, enabling clients to transition from initial model creation to a finished product much more quickly.

Chip Design Technology

Our chip design technology integrates components like ISP, video encoder, and NPU onto a single efficient SoC chip. By managing every step of the design process, we optimize our chips for performance, power, and cost. Shared memory pathways between key modules reduce data transfer delays, and our low-power methodologies ensure high energy efficiency, making our solutions well-suited for compact, battery-powered devices.

Key features of our chip design technology include (i) **Custom SoC Architectures**: We create custom SoC architectures that are tailored for specific applications by tightly integrating our core IP blocks; (ii) **Advanced Low-Power Design**: Our methodology emphasizes advanced low-power design, focusing on reducing energy consumption on the architectural level; (iii) **High-Density Integration**: We achieve high-density integration, combining multiple complex functions onto a single chip to reduce the physical footprint and overall system cost.

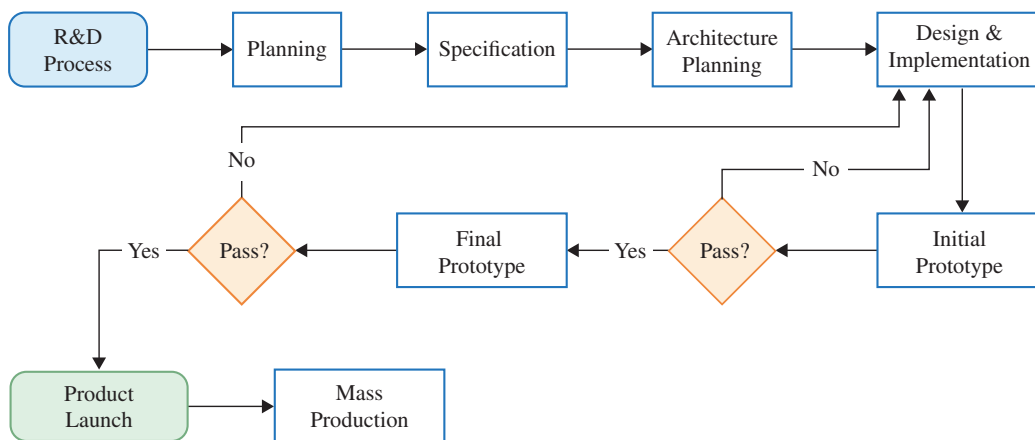
BUSINESS

Our chip design technology offers a range of significant benefits. By delivering SoCs that strike the balance between high performance and cost-effectiveness, we provide feature-rich solutions at highly competitive prices. Prioritizing energy efficiency, our designs help extend battery life in portable devices and lower the total cost of ownership for large-scale, always-on systems.

DESIGN, RESEARCH AND DEVELOPMENT

Our Design Activities

Under the fabless business model, product design and R&D are our core competitiveness. Our R&D is divided into seven stages: planning, specification, architecture planning, design and implementation, prototype, final prototype, and mass production.



- *Planning*: This stage begins with product conception to clarify product direction and positioning. Then, a market analysis is conducted to assess market size and the competitive landscape. Finally, a market demand analysis is conducted to translate the concept into a specific product requirement definition. We then organize a cross-departmental review to ensure consensus among all parties on the requirements. Afterwards, the technical team conducts a technical feasibility study to assess implementation options and potential risks. Ultimately, all analysis results are submitted for project approval and resource allocation.
- *Specification*: After the project is approved, we will define the product specifications in detail and conduct a rigorous specification review.
- *Architecture planning*: After the specification review, we will carry out architecture design and project planning, and conduct architecture review.
- *Design and implementation*: The approved project is assigned to our dedicated design team. The process undergoes initial run, trial run and final run, comprising steps of detailed design to design optimization, as well as unit and integration verification, prototype verification, SYN&DFT, initial netlist review, P&R and package design. After three rounds of runs, the product will undergo tape-out review.
- *Initial Prototype*: After the product has passed the tape-out review, tape-out production will begin. First, the packaged sample lot is produced, followed by packaged corner wafer production. All of these samples are then thoroughly tested to verify the products' functionality, performance, and reliability. Finally, based on the test results, a prototype review is conducted to determine whether to proceed to mass production.

BUSINESS

- *Final prototype:* After passing the initial prototype review, the project enters the qual lot stage. This phase begins with the production of qualified samples and engineering batch packaging. These samples then undergo rigorous reliability testing and application prototype testing to fully verify their mass production stability and compatibility with customer applications. Finally, a final prototype review confirms that the product meets design goals and reliability requirements.
- *Mass production:* After successful review, the product enters pilot run. Once confirmed, the product transitions to mass production, supported by application development tools and customer support.

Our R&D team

We follow the principle that talent is a key factor for competitiveness. Our R&D teams work in areas such as integrated circuit design and AI research. Through methods like talent recruitment, training, and incentive plans, we aim to encourage innovation, enhance employee skills, and improve overall team performance. Our R&D programs focus on the development of AI ISP, AI video encoder, AI machine vision, neural network accelerators and supporting toolchains, in particular within the smart video, smart IoT, and smart mobility markets. Our engineers and service teams collaborate closely with customers in each region to address their unique design requirements and support cutting-edge product development processes. By gathering first-hand industry insights, we not only design products to regional needs but also drive inspiration for our broader R&D initiatives. We also intend to pursue strategic relationships and acquisitions to enhance our R&D capabilities, leverage our technology, and shorten our time to market with new technological applications. We continuously invest in R&D to upgrade our technologies, refine our products, streamline processes, and expand into new markets. Our aim is to deliver innovative products that help customers succeed competitively.

As of December 31, 2025, we had a total of 417 full-time employees engaged in R&D. In 2023, 2024 and 2025, our R&D expenses amounted to RMB334.8 million, RMB349.9 million and RMB351.4 million, respectively.

Our research, design, and engineering teams frequently work directly with our customers to design custom solutions for specific applications. We focus on enabling our customers to overcome their technical barriers and enhance the performance of their products. For example, we develop application-specific custom chips and Turn-Key Solutions based on our products to meet unique customer needs. We believe our accumulative technology skills and talent provide significant benefits to our customers by enabling them to concentrate on their core competencies of production and marketing.

INTELLECTUAL PROPERTIES

Our success and ability to compete depend in part on our ability to maintain the proprietary aspects of our technologies and products. We rely on a combination of patents, trademarks, trade secrets, copyrights, confidentiality agreements, and other statutory and contractual provisions to protect our intellectual property.

We rely on a combination of intellectual property protection laws in the jurisdictions in which we operate and contractual arrangements (including confidentiality provisions) to establish and protect our proprietary technologies, know-how and other intellectual property rights. Our legal team is primarily responsible for protecting our intellectual properties. We proactively manage and expand our intellectual property portfolio and use regulations, policies, and confidentiality and non-compete agreements to protect our intellectual properties and trade secrets. Despite our efforts, we may be subject to risks associated with alleged infringements of third parties’ intellectual property rights, or infringements of our intellectual property rights by third parties. See “Regulatory Overview,” and “Risk Factors — Risks Relating to Our Business and Industry — If we are unable

BUSINESS

to protect, maintain or enforce our intellectual property rights adequately, our patents and other non-patented intellectual properties may be stolen or compromised, which could materially and adversely affect our results of operations, financial condition, business and prospects.”

As of December 31, 2025, we had over 180 registered patents in China, more than 110 registered software copyrights in China, approximately 13 registered trademarks in China, and three major domain names in use in China. For further details of the intellectual property rights that are material to our business operations, see “Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights” in Appendix IV to this document. During the Track Record Period and up to the Latest Practicable Date, we have not been involved in any material dispute and legal proceeding in relation to intellectual property rights.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received a number of awards and accolades in recognition of our brand and products. The following table sets out major awards and recognitions during the Track Record Period and up to the Latest Practicable Date:

Year	Award/Recognition	Issuing authority/organization
2025 and 2023 . . .	Technology Center of Shanghai Enterprises (上海市認定企業技術中心)	Shanghai Municipal Commission of Economy and Informatization (上海市經濟和信息化委員會)
2024	Shanghai High-Tech Achievement Transformation Projects (上海市高新技術成果轉化項目)	Shanghai Technology Entrepreneurship Foundation for Graduates (上海市科技創業中心)
2024	Headquarter of Shanghai Innovation Enterprises (上海市創新型企業總部)	Office of the Leading Group of Shanghai Municipality for Strategic Emerging Industries (上海市戰略性新興產業領導小組辦公室)
2022	First Prize of Anhui Science and Technology Award (安徽省科學技術一等獎)	People’s Government of Anhui Province (安徽省人民政府)
2022	Shanghai Design and Innovation Center (上海市設計創新中心)	Shanghai Municipal Commission of Economy and Informatization. (上海市經濟和信息化委員會)

MANUFACTURING AND PROCUREMENT

We adopt a fabless business model, focusing on integrated circuit design and outsourcing wafer fabrication to third-party foundries, thereby optimizing design efficiency and capital utilization.

During the Track Record Period, we mainly procured materials such as chips, wafers, KGD, packages, cover plates and other raw materials for chip production, as well as printed circuit board (“PCB”) bare boards, PCBA soldering, intellectual property cores (“IP Cores”), software and design services. Our procurement team determines purchasing needs based on departmental budgets and customer or distributor forecasts.

Our procurement and production process generally comprises four stages:

- Planning: departments prepare purchase requests in accordance with the Procurement Management Policy and obtain necessary approvals;
- Procurement: suppliers are evaluated and selected through a standardized process, and purchases are made pursuant to comprehensive consideration given to the production cycle and historical shipment volumes;

BUSINESS

- **Production and Testing:** wafers incorporating our circuit designs are fabricated by foundries, with subsequent packaging and final testing to qualified third parties;
- **Delivery and Inspection:** finished products are delivered by logistics service providers to our or customers’ designated warehouses and inspected against order specifications prior to acceptance.

OUR SUPPLIERS

We have established a robust supply chain that includes a diverse group of qualified suppliers admitted through our supplier selection and introduction processes. Our suppliers include manufacturers of various components and parts used in the production of our chip products.

Our suppliers are primarily third-party foundries, KGD providers, and packaging and testing service providers located in Chinese Mainland and Taiwan Province. In each year during the Track Record Period, our purchases from our five largest suppliers accounted for 79.6%, 80.6% and 85.5% of our total purchases in 2023, 2024 and 2025, respectively, while our purchase from the largest supplier accounted for 36.5%, 45.6% and 49.4% of our total purchases, respectively, for the same periods. See “Risk Factors — Risks Relating to Our Business and Industry — We depend on a few third-party foundries, which reduces our ability to control our manufacturing process.” During the Track Record Period, our suppliers generally granted us a credit term of 30 days.

Below is the breakdown of our five largest suppliers for each year during the Track Record Period, and their respective background information:

For the year ended December 31, 2023

Ranking	Supplier	Business background	Main products/ service purchased	Year of Commencement of Business Relationship with Us	Purchase Amount	Percentage of Total Purchase	Credit Terms
					(RMB in millions)		
1	Supplier A	A semiconductor contract chip foundry manufacturer headquartered in Taiwan, listed on the Taiwan Stock Exchange and with ADS listed on the NYSE.	Wafer and Mask	2017	386.1	36.5%	Shipment upon payment
2	*Supplier B	An electronic component distributor providing supply-chain services with headquarter in Taiwan and listed on the Taiwan Stock Exchange.	KGD-related Auxiliary Materials	2013	185.6	17.5%	30-day monthly settlement
3	*Supplier E	A semiconductor foundry with technology services and headquartered in Shanghai, China with shares listed on the HKEX and on the Shanghai Stock Exchange STAR Market.	Wafer and Mask	2013	109.3	10.3%	30-day monthly settlement

BUSINESS

Ranking	Supplier	Business background	Main products/ service purchased	Year of Commencement of Business Relationship with Us	Purchase Amount <i>(RMB in millions)</i>	Percentage of Total Purchase	Credit Terms
4	*Supplier C	A company providing IC packaging and testing services and headquartered in Ningbo, China with shares are listed on the Shanghai Stock Exchange STAR Market.	Semiconductor Packaging	2019	102.9	9.7%	30-day monthly settlement
5	*Supplier F	An IC aftermarket manufacturer with technology services and headquartered in Jiangyin, China with shares listed on the Shanghai Stock Exchange.	Semiconductor Packaging and Testing Service	2013	58.4	5.5%	45-day monthly settlement

* The supplier is a group consolidating the transaction amounts of entities within such group.

For the year ended December 31, 2024

Ranking	Supplier	Business background	Main products/ service purchased	Year of Commencement of Business Relationship with Us	Purchase Amount <i>(RMB in millions)</i>	Percentage of Total Purchase	Credit Terms
1	Supplier A	A semiconductor contract chip foundry manufacturer headquartered in Taiwan, listed on the Taiwan Stock Exchange and with ADS listed on the NYSE.	Wafer and Mask	2017	619.5	45.6%	Shipment upon payment
2	Supplier G	An IC design company listed on the Taiwan Stock Exchange.	KGD-related Auxiliary Materials	2024	136.6	10.1%	45-day monthly settlement
3	*Supplier E	A semiconductor foundry with technology services and headquartered in Shanghai, China with shares listed on the HKEX and on the Shanghai Stock Exchange STAR Market.	Wafer and Mask	2013	133.4	9.8%	30-day monthly settlement
4	*Supplier C	A company providing IC packaging and testing services and headquartered in Ningbo, China with shares are listed on the Shanghai Stock Exchange STAR Market.	Semiconductor Packaging	2019	123.6	9.1%	30-day monthly settlement
5	*Supplier B	An electronic component distributor providing supply-chain services with headquarter in Taiwan and listed on the Taiwan Stock Exchange.	KGD-related Auxiliary Materials	2013	81.1	6.0%	30-day monthly settlement

* The supplier is a group consolidating the transaction amounts of entities within such group.

BUSINESS

For the year ended December 31, 2025

Ranking	Supplier	Business background	Main products/ service purchased	Year of Commencement of Business Relationship with Us	Purchase Amount (RMB in millions)	Percentage of Total Purchase	Credit Terms
1	Supplier A	A semiconductor contract chip foundry manufacturer headquartered in Taiwan, listed on the Taiwan Stock Exchange and with ADS listed on the NYSE.	Wafer and Mask	2017	595.3	49.4%	Shipment upon payment
2	*Supplier E	A semiconductor foundry with technology services and headquartered in Shanghai, China with shares listed on the HKEX and on the Shanghai Stock Exchange STAR Market.	Wafer and Mask	2013	137.2	11.4%	30-day monthly settlement
3	*Supplier C	A company providing IC packaging and testing services and headquartered in Ningbo, China with shares are listed on the Shanghai Stock Exchange STAR Market.	Semiconductor Packaging	2019	124.6	10.3%	30-day monthly settlement
4	Supplier G	An IC design company listed on the Taiwan Stock Exchange.	KGD-related Auxiliary Materials	2024	117.1	9.7%	45-day monthly settlement
5	Supplier H	A semiconductor company with business in the sales of semiconductor products, and technical support, whose parent company is headquartered in Taiwan and listed on the Taiwan Stock Exchange.	KGD-related Auxiliary Materials	2014	57.1	4.7%	30-day monthly settlement

* The supplier is a group consolidating the transaction amounts of entities within such group.

To the best knowledge of our Company, all of our five largest suppliers during the Track Record Period were Independent Third Parties. None of our other Directors, their respective associates or any shareholder who, to the knowledge of such Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our top five suppliers during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any disruption to our business as a result of any significant shortage or delay in supply of the products we sourced from our suppliers. According to Frost & Sullivan, the global KGD market generally experienced a state of tight supply-demand balance in the fourth quarter of 2025, primarily driven by a surge in memory prices. Despite the tight supply of KGD, with our strategic pre-stocking of KGD, we did not experience any material supply shortages or delivery delays that resulted in production interruptions in 2025.

Relationship with Supplier A

During the Track Record Period, we primarily procured foundry-manufactured wafers and masks from Supplier A. Supplier A is a semiconductor contract chip foundry manufacturer headquartered in Taiwan and listed on the Taiwan Stock Exchange and with ADS listed on the NYSE. We started business collaboration with Supplier A in 2017. According to Frost & Sullivan,

BUSINESS

it is standard industry practice for fabless chip designer companies to engage with a select group of foundry partners, as well as chip testing and packaging suppliers, to maintain consistent product quality and streamline the management of manufacturing requirements. In 2023, 2024 and 2025, our purchases from Supplier A amounted to RMB386.1 million, RMB619.5 million and RMB595.3 million, respectively, representing 36.5%, 45.6% and 49.4%, respectively, of our total purchases for the same years. Given our substantial procurement of foundry-manufactured wafers and masks from Supplier A, any termination, disruption, or adverse modification of our relationships with Supplier A could result in operational or business interruptions. For further details, refer to “Risk Factors — Risks Relating to Our Business and Industry — We rely on a small number of suppliers. The loss of, or significant reduction in the selling from one or more of such suppliers could materially and adversely affect our business, financial condition and results of operations.”

We have broadened our procurement network by adding more wafer manufacturers and chip testing and packaging firms, while also deepening our partnerships with current suppliers. We recognize that there are other potential suppliers with the technical expertise to provide the same products as Supplier A does. According to Frost & Sullivan, there are over 50 wafer foundry alternative suppliers and over 100 packaging and testing alternative suppliers with comparable prices, product quality and specifications to achieve similar functions and comparable delivery time under reasonable commercial terms. As of December 31, 2025, we had three foundry suppliers and seven packaging and testing suppliers. Our Directors are of the view that our relationship with Supplier A is unlikely to materially adversely change or terminate, because (i) we have maintained a long-term and stable collaboration relationship with Supplier A, and (ii) during the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with Supplier A.

Meanwhile, we have collaborated closely with major chip packaging and testing partners and developed mature and stable packaging and testing processes.

Key Terms of Procurement Contracts with Our Five Largest Suppliers

We enter into framework agreements with our five largest suppliers except for Supplier A. Our business with Supplier A is conducted primarily through spot orders, enabling a transactional and as-needed engagement. According to Frost & Sullivan, it is industry norm that wafer foundries generally sign contracts with fabless companies on a project basis. Consistent with such practice, we issue purchase orders based on demand forecast. This approach offers greater flexibility in our procurement processes.

The key terms and conditions of our procurement framework agreements are summarized as follows:

- **Quality Requirements:** The supplier guarantees that all products comply with the applicable technical specifications, requirements, and quality standards.
- **Order Confirmation:** The supplier shall formally confirm our order promptly upon receipt. Amendments to order terms require our written confirmation.
- **Duration:** Framework agreements are effective for one to two years and are subject to automatic renewal unless a written request for change or termination is submitted by either party.
- **Procurement Authorization:** We are obligated to provide the supplier with a demand forecast. The supplier must provide us with sufficient advance notice before any product supplied is scheduled to be discontinued or its production reduced.
- **Liability:** In case of a breach, the supplier is liable for liquidated damages and must compensate us for any resulting losses, as stipulated in the framework agreements.

BUSINESS

SALES, MARKETING AND DISTRIBUTION

Our products are primarily sold through direct sales to certain customers upon request; however, we also conduct sales through distributors. During the Track Record Period and up to the Latest Practicable Date, we did not provide any sales rebates to our customers (including direct sales customers and distributors). We believe that consistently delivering high-quality products on time while meeting and exceeding customer expectations is the most effective approach to driving sales and marketing success. Accordingly, our efforts are centered on maintaining and expanding strategic relationships with both direct and indirect customers. The table below shows a breakdown of our revenue contribution by sales channels for the years indicated:

For the year ended December 31,						
	2023		2024		2025	
	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue
<i>(RMB in millions, except percentages)</i>						
Direct Sales	1,475.5	81.0	1,410.0	78.8	1,233.8	73.1
Distributors	346.9	19.0	380.0	21.2	454.4	26.9
Total	1,822.4	100.0	1,790.0	100.0	1,688.2	100

Revenue from direct sales decreased consecutively from RMB1,475.5 million in 2023 to RMB1,233.8 million in 2025. This decrease was primarily attributable to (i) the temporary inventory restructuring policy adopted by a major customer and (ii) a shift in the product mix — while overall market demand remained resilient, customer procurement concentrated more heavily on lower-priced products during the period, leading to a decline in total revenue generated from direct sales. On the other hand, revenue from distributors increased consecutively from RMB346.9 million in 2023 to RMB454.4 million in 2025. This growth was primarily driven by our proactive strategic initiatives to expand our market presence and acquire new customers through our distribution network, which also served to diversify our customer base and reduce revenue concentration from major direct-sales customers.

The table below sets forth a breakdown of gross profit and gross profit margin by sales channels for the years indicated:

For the year ended December 31,						
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
		(%)		(%)		(%)
<i>(RMB in millions, except percentages)</i>						
Direct Sales	554.5	37.6	510.1	36.2	434.8	35.2
Distributions	131.2	37.8	156.5	41.2	182.5	40.2
Total	685.7	37.6	666.6	37.2	617.3	36.6

Gross profit from direct sales decreased consecutively from RMB554.5 million in 2023 to RMB434.8 million in 2025. The decline in gross profit was primarily driven by the shift in the product mix, with an increased sales concentration of lower-priced products, which resulted in a lower overall gross profit contribution from the direct sales channel. Gross profit from distributors increased consecutively from RMB131.2 million in 2023 to RMB182.5 million in 2025, which was generally in line with the revenue growth.

BUSINESS

Direct Sales

Our main direct sales customers are leading companies in the intelligent IoT industry. We generally enter into framework agreements with our major customers, with actual price and volume specified in individual purchase orders. The terms of these agreements vary depending on the specific product or project and the result of our negotiation with each customer, but these agreements generally contain the following terms:

- **Procurement Authorization:** Customers must place purchase orders in advance based on our production cycle. They must also provide rolling demand forecast data periodically to facilitate our planning.
- **Transfer of Risks:** Transfer of risk to the buyer may happen either upon shipment or delivery.
- **Duration:** Framework agreements are effective for a specified period and are subject to automatic renewal unless a written request for change or termination is submitted by either party.
- **Quality Requirements:** We guarantee products comply with mutually confirmed sealing samples, drawings, and technical requirements. Customers reserve the right to reject products that fail their incoming inspection.
- **Credit Terms:** Transactions are generally delivery upon payment or payment before delivery.
- **Termination:** The agreement may be terminated if a party breaches its obligations and fails to remedy the breach after receiving notice, or if either party faces significant adverse events such as bankruptcy or license revocation.

Distributorship

In addition to direct sales, we also utilize a distribution model for sales to small-to-medium sized customers, relying on our distributors in various fields to conduct promotion, sales forecasting, order fulfillment, stocking, and delivery. We work with distributors to handle sales and delivery because our products serve many different customers with unique needs. Distributors manage invoices, shipping, and payments, allowing us to focus on designing better chips. With strong distributor partners, we reach more customers and respond faster to market demands. According to Frost & Sullivan, the distribution model aligns with standard practice in the semiconductor industry.

Our relationships with our distributors are as seller and buyer. They buy products from us and then resell them to end customers. Revenue is recognized upon acceptance of the products. Since we adopt a “payment before shipment” model for all of our distributors, we have no accounts receivable from them. In addition, we do not adopt a cannibalization strategy. During the Track Record Period, none of our distributors used sub-distributors for our products.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all our distributors were Independent Third Parties. Besides the ordinary course distribution arrangement with us, there was no employment, financing or family relationship between the distributors and us. During the Track Record Period and up to the Latest Practicable Date, we have had no material unresolved disputes or lawsuits with our distributors.

BUSINESS

The following table sets forth the total number of our distributors as of the dates indicated and the movements during the Track Record Period:

	For the year ended December 31,		
	2023	2024	2025
Distributors as of the beginning of the year/period	6	6	6
– Addition of new distributors	1	0	4
– Terminated distributors	1	0	0
Distributors as of the end of the year/period	6	6	10

Management of Distributors

We maintain internal processes for selecting our distributors to ensure they meet our standards and align with our strategic goals. For instance, we may consider the following factors:

- Distributor’s general background, including their business scale, financial strength, industry experience, local network, geographical coverage and customer service.
- Distributor’s product synergy including no conflicts with existing portfolio, and potential synergies to enhance customer solutions.
- Distributor’s capability to provide comprehensive solutions by combining products to meet diverse customer needs.
- Distributor’s systematic management capabilities including well-established data infrastructure and advanced sales analytics.

We maintain rigorous oversight of our distributor network to ensure effective market coverage and prevent channel conflicts:

- We grant no exclusive distribution rights.
- We track distributors’ downstream activities via biweekly POS and inventory reports for product flow/market demand insights, with dedicated sales assistants managing all data in our secure system.
- We allow one order adjustment per production cycle, and penalize unperformed orders by forfeiting deposits and lowering credit ratings.
- We encourage distributors to hold one to two months of inventory for proper stock levels. Upon delivery of the goods to the distributors, the risk of perishing or damage and obligations to bear costs associated with the goods will pass from us to the distributors. We do not monitor or control distributors’ inventory levels.
- We generally do not require a minimum purchase amount or a minimum sales target from our distributors.

Contractual Arrangement with Distributors

The table below sets forth the key terms of our distribution agreements:

- Duration: Generally valid for one year.

BUSINESS

- **Procurement Authorization:** Distributors place orders in advance and provide regular demand forecasts. Both parties coordinate in case of supply adjustments.
- **Order Forecast:** Distributors are required to submit order forecasts to us regularly.
- **Credit Terms:** Distributors are generally required to make prepayments or full settlement before delivery.
- **Selling Price:** We typically provide guiding prices to our distributors based on market conditions. Distributors shall not change the prices without our consent.
- **Returns and Exchanges:** Generally, no product return is accepted.
- **Sales Territory:** Distributors are authorized to sell our products only within designated regions.
- **Sub-distributors:** Our distribution agreements contain specific restrictions on subcontract, delegation or assignment of contractual obligations to third parties. During the Track Record Period, none of our distributors engaged any sub-distributors for the distribution of our products.
- **Termination:** Either party may terminate the agreement in the event of breach or if the other party has filed for bankruptcy or has been filed for bankruptcy by another party, or has had its business license revoked or its assets seized or frozen.

Our Marketing Strategies

Our marketing work is coordinated and led by the marketing department, which mainly participates in important domestic and international industry exhibitions, holds new product launches to enhance brand exposure and product influence. Focusing on smart IoT, a key area, we also collaborate closely with ecosystem partners to jointly promote multi-dimensional marketing activities. These include jointly hosting product launches. Through these activities, we not only strengthen collaboration with partners but also effectively expand product awareness and acceptance in various application scenarios, helping to achieve broader market coverage and business growth.

Pricing

As an IC design company, our pricing strategy is closely aligned with the inherent cyclical nature of the semiconductor industry and the dynamics of supply and demand. Beyond industry trends, our pricing is determined by a combination of factors, including product development and manufacturing costs, market competition, customer relationships, order size, and our target profit margins. During the Track Record Period and as of the Latest Practicable Date, there were no governmental regulatory pricing guidelines applicable to us.

For standard and widely used products, we employ a market-driven pricing strategy designed to ensure competitiveness while sustaining reasonable profitability. For advanced and differentiated offerings, pricing is determined based on the added value and technical complexity, in line with our objective of securing robust returns on investment. In highly competitive markets, we may strategically adjust prices to prioritize market share growth, volume expansion, or other long-term goals.

BUSINESS

Customer Service

We offer full technical support for software, hardware, and image debugging via the after-sales system. We handle from design to delivery and can tailor solutions to meet varied customer needs.

To maintain service quality, we use a customer issue tracking platform that collects and processes feedback throughout product development and production. Technical support engineers manage issues end-to-end for fast resolution, with recurring problems added to a knowledge base for future improvements. Our blend of standardized and personalized service aims to enhance customer experience and support reliable product performance.

OUR CUSTOMERS

Our Major Customers

Our customers include major IoT companies and reputable distributors. In each year during the Track Record Period, our revenue generated from our five largest customers accounted for 91.1%, 88.4% and 82.5% of our total revenue in 2023, 2024 and 2025, respectively, while our revenue generated from the largest customer accounted for 71.4%, 66.7% and 56.3% of our total revenue, respectively, for the same years. See “Risk Factors — Risks Relating to Our Business and Industry — A substantial portion of our revenue has been derived from a small number of customers. The loss of, or significant reduction in the purchases by, one or more of such customers could materially and adversely affect our business, financial condition and results of operations.” During the Track Record Period, we generated most of our revenue from Chinese Mainland, while also sold to other countries and regions which mainly include Hong Kong and Southeast Asia. During the Track Record Period, we generally required our customers to make payment prior to delivery.

Our direct sales customers and distributors place orders with us for the purchase of our products. Most of our customers do not have return rights except for warranty provisions. We typically only accept product returns due to product defects. We provide a warranty period of up to two years, and product returns and exchanges should be made within the warranty period. According to Frost & Sullivan, our products return policy is in line with industry practice. During the Track Record Period, we experienced product returns of RMB0.7 million, RMB0.3 million and RMB1.1 million from direct sales customers, accounting for 0.04%, 0.01% and 0.07% of our total revenue in 2023, 2024 and 2025, respectively and there were no products returns from our distributors during the Track Record Period.

Below is the breakdown of our revenue derived from our five largest customers for each year and period of the Track Record Period, and their respective background information:

BUSINESS

For the year ended December 31, 2023

Ranking	Customer	Business background	Products Purchased from Us	Year of Commencement of Business Relationship with Us	Revenue (RMB in millions)	Percentage of Total Revenue	Credit Terms	Type of Customers	Purchase Costs Attributed to the Customer (RMB in millions)	Purchase Costs Attributed to the Customer as % of Our Total Purchase Costs	Nature of Purchase Made by Us from the Customer
1	*Customer A	A company in video security and AIoT, headquartered in Hangzhou, China with shares listed on the Shenzhen Stock Exchange.	smart video chips, smart IoT chips, smart mobility chips technical services	2011	1,301.6	71.4%	60-day monthly settlement	Direct sales customer	-	-	-
2	*Customer B	A company in agency sales of chips and the development and promotion of application solutions, headquartered in Shenzhen, China.	smart video chips, smart IoT chips, and smart mobility chips	2017	258.3	14.2%	Shipment upon payment	Distributor	0.0	0.0%	IC procurement
3	*Customer D	A company engaged in electronic components authorized distribution and providing supply chain, technical support, and solutions, headquartered in China.	smart video chips, smart IoT chips, and smart mobility chips	2022	55.2	3.0%	Shipment upon payment	Distributor	2.4	0.2%	IC procurement
4	Customer E	A company selling electronic products, headquartered in Shanghai, China.	Wafers	2016	25.2	1.4%	Cash on delivery	Direct sales customer	-	-	-
5	*Customer F	A company engaged in the R&D, production, and application solutions of high-quality motion control products, headquartered in China.	smart video chips and smart mobility chips	2016	19.7	1.1%	Shipment upon payment	Distributor	0.4	0.0%	IC procurement

* The customer is a group consolidating the transaction amounts of entities within such group.

BUSINESS

For the year ended December 31, 2024

Ranking	Customer	Business background	Products Purchased from Us	Year of Commencement of Business Relationship with Us	Revenue <i>(RMB in millions)</i>	Percentage of Total Revenue	Credit Terms	Type of Customers	Purchase Costs Attributed to the Customer <i>(RMB in millions)</i>	Purchase Costs Attributed to the Customer as % of Our Total Purchase Costs	Nature of Purchase Made by Us from the Customer
1	*Customer A	A company in video security and AIoT, headquartered in Hangzhou, China with shares listed on the Shenzhen Stock Exchange.	smart video chips, smart IoT chips, smart mobility chips technical services	2011	1,193.9	66.7%	60-day monthly settlement	Direct sales customer	7.7	0.6%	Technical services and vision products
2	*Customer B	A company in agency sales of chips and the development and promotion of application solutions, headquartered in Shenzhen, China.	smart video chips, smart IoT chips, and smart mobility chips	2017	284.0	15.9%	Shipment upon payment	Distributor	0.0	0.0%	IC procurement
3	*Customer D	A company engaged in electronic components authorized distribution and providing supply chain, technical support, and solutions, headquartered in China.	smart video chips, smart IoT chips, and smart mobility chips	2022	48.7	2.7%	Shipment upon payment	Distributor	0.1	0.0%	IC procurement
4	*Customer F	A company engaged in the R&D, production, and trading of electronic products, headquartered in China.	smart video chips and smart mobility chips	2016	33.6	1.9%	Shipment upon payment	Distributor	-	-	-
5	Customer G	A company engaged in digital technology research and development, wholesale of security equipment and system engineering services, headquartered in Shenzhen, China.	smart video chips and smart IoT chips	2023	22.3	1.2%	Shipment upon payment	Direct sales customer	-	-	-

* The customer is a group consolidating the transaction amounts of entities within such group.

BUSINESS

For the year ended December 31, 2025

Ranking	Customer	Business background	Products Purchased from Us	Year of Commencement of Business Relationship with Us	Revenue <i>(RMB in millions)</i>	Percentage of Total Revenue	Credit Terms	Type of Customers	Purchase Costs Attributed to the Customer <i>(RMB in millions)</i>	Purchase Costs Attributed to the Customer as % of Our Total Purchase Costs	Nature of Purchase Made by Us from the Customer
1	*Customer A	A company in video security and AIoT, headquartered in Hangzhou, China with shares listed on the Shenzhen Stock Exchange.	smart video chips, smart IoT chips, smart mobility chips technical services	2011	951.0	56.3%	60-day monthly settlement	Direct sales customer	6.2	0.5%	Technical services and sweeping robot
2	*Customer B	A company in agency sales of chips and the development and promotion of application solutions, headquartered in Shenzhen, China.	smart video chips, smart IoT chips, and smart mobility chips	2017	310.3	18.4%	Shipment upon payment	Distributor	0.0	0.0%	Electronic device
3	*Customer F	A company engaged in the R&D, production, and trading of electronic products, headquartered in China.	smart video chips, smart IoT chips, and smart mobility chips	2016	55.4	3.3%	Shipment upon payment	Distributor	-	-	-
4	*Customer D	A company engaged in electronic components authorized distribution and providing supply chain, technical support, and solutions, headquartered in China.	smart video chips, smart IoT chips, and smart mobility chips	2022	43.3	2.6%	Shipment upon payment	Distributor	0.1	0.0%	Electronic device
5	Customer G	A company engaged in digital technology research and development, wholesale of security equipment and system engineering services, headquartered in Shenzhen, China.	smart video chips and smart IoT chips	2023	33.2	2.0%	Shipment upon payment	Direct sales customer	-	-	-

* The customer is a group consolidating the transaction amounts of entities within such group.

BUSINESS

Ms. Chen belongs to our Single Largest Shareholder Group and held approximately 13.2% of the issued share capital of our Company as of the Latest Practicable Date. Ms. Chen and her spouse, Mr. Gong Hongjia, respectively held approximately 1.6% and 10.5% of the equity interest in Customer A, which was our largest customer during the Track Record Period. According to the Listing Rules, Customer A is not a connected person of our Company. Save as disclosed above, to the best knowledge of our Directors, all of our top five customers during the Track Record Period were Independent Third Parties and none of our Directors, their close associates or any Shareholder (who, to the knowledge of the Directors, owns more than 5% of the issued shares of our Company) had any interest in any of our five largest customers during the Track Record Period.

Relationship with Customer A

During the Track Record Period, we sold a substantial portion of our products to Customer A. Customer A is a listed company on the Shenzhen Stock Exchange engaged in video security and AIoT. It is headquartered in Hangzhou, China. We have maintained a close relationship with Customer A since 2011, representing over 14 years of stable and continuous cooperation. In 2023, 2024 and 2025, revenue generated from Customer A amounted to RMB1,301.6 million, RMB1,193.9 million and RMB951.0 million, accounting for 71.4%, 66.7% and 56.3% of our total revenue in the respective years. The decline in revenue contribution from Customer A from 2023 to 2024 was primarily driven by their strategic inventory restructuring initiatives. This focus on inventory optimization is evidenced by the improvement in their efficiency metrics: Customer A’s inventory turnover days decreased from 140 days in 2023 to 135 days in 2024. In 2025, we acquired new end customers and diversified our end customer base which led to a further decline in revenue contribution from our Customer A.

Our long-standing relationship with Customer A is characterized by synergy and mutual benefit. Customer A relies on our product quality to support their IoT product offerings, while we benefit from the scale, stability, and collaborative opportunities that this long-term relationship provides. Customer A manages over 30,000 hardware products and requires platform continuity. By collaborating early in chip definition, we help them maximize software and hardware reuse. This co-design approach streamlines R&D, accelerates development, lowers maintenance costs, and strengthens their product adaptability against competitors. After over a decade of collaboration, we have built an efficient workflow that supports every step of chip and product development. This strong partnership ensures Customer A’s ongoing progress and sets a high bar for new competitors, as our trusted process is not easily matched. In addition, we have deeply internalized Customer A’s specific preferences and standards into our ISP module construction. By aligning with their visual requirements starting from the underlying algorithms, we have accumulated proprietary “know-how” that constitutes a competitive advantage in image processing that standard market solutions cannot match. During the Track Record Period, we have consistently delivered high-quality IC products and solutions that meet Customer A’s stringent requirements and have participated in joint development initiatives that have strengthened our relationship. The longevity and depth of this relationship, combined with the high switching costs associated with our integrated solutions, provide us with confidence in the relationship’s continued stability. As such, nothing causes us to believe that our relationship with Customer A will terminate or materially deteriorate in the near future. Nevertheless, we recognize the importance of customer diversification and will continue to implement a strategy to expand our customer base. We are expanding our commercial footprint into new geographic regions to capture emerging market opportunities, thereby significantly enlarging our addressable customer base. Concurrently, we have identified and secured contracts with new customers to further broaden our revenue streams. See “— Our Strategies.”

During the Track Record Period and up to the Latest Practicable Date, we did not have any disputes with any of our five largest customers in each year of the Track Record Period, and currently there is no indication or sign that they will alter the existing relationship with us in any aspect in the near future.

BUSINESS

Key Terms of Framework Agreement with Customer A

We have entered into framework agreements with our direct sales customer, Customer A. A majority of our five largest customers are distributors, with whom we enter into distribution agreements. See “— Sales, Marketing and Distribution — Distributorship.” The key terms and conditions of our framework agreements with Customer A are summarized as follows:

- Demand Forecast: Customer A provides periodic demand forecasts to facilitate our production planning. Such forecasts are for reference only and do not constitute binding purchase commitments.
- Procurement Authorization: Customer A issues purchase orders from time to time at its discretion, and we confirm acceptance in accordance with agreed procedures.
- Quality Requirements: Customer A may inspect and accept delivered products, and all goods are warranted to meet the required quality and technical specifications.
- Termination: The agreement remains in effect for a fixed term and may be automatically renewed except for being terminated by either party by notice.
- Liability: We are responsible for any losses, liquidated and punitive damages arising from product quality issues or non-performance under the framework agreement and quality assurance agreement.

OVERLAPPING OF MAJOR SUPPLIERS AND CUSTOMERS

In 2023, 2024 and 2025, to the best knowledge and belief of our Directors, none of our top five suppliers were also our customers in the respective years. See “— Our Suppliers.”

In 2023, 2024 and 2025, to the best knowledge and belief of our Directors, one, three, and three of our top five customers was also our supplier in the respective years. During the same years, our purchases from such customers amounted to RMB2.8 million, RMB7.8 million, and RMB6.3 million, accounting for 0.3%, 0.6%, and 0.5%, respectively, of our total purchases, and our revenue generated from such customers accounted for 18.3%, 85.3% and 77.3%, respectively, of our revenue. During the Track Record Period, the products we provided to such customers mainly included chips, and the nature of our purchases from them mainly included robot vacuum cleaners, cameras, as well as technical services. In 2024 and 2025, we purchased technical services from Customer A to develop AI algorithms that enhance chip functions in smart IoT use scenarios. See “— Our Customers.” Our sales to and purchases from such customers are not inter-conditional upon each other. The pricing and other terms of contracts that we entered into with such customers are substantially the same as those we enter into with other customers and suppliers for similar products and services. According to Frost & Sullivan, it is not uncommon to have overlapping customer/supplier in the chip design industry.

COMPETITION

We operate in a competitive market characterized by rapid technological evolution and diverse customer demands. The top three players in the global smart vision processing chip market occupied 56% of the global market share by the revenue in 2024. The competitive landscape is shaped by factors such as technological advancement, industry growth, production capacity and overall economic conditions. Our competition mainly centers on product innovation, performance, cost-efficiency and market responsiveness. We have developed a comprehensive product portfolio and solution capabilities covering core products such as IPC SoC chips, ISP chips and XVR SoC chips, forming a complete technology chain that supports our continued competitiveness.

BUSINESS

We have established a strong position in the global smart vision IC market. According to Frost & Sullivan, in 2025, in the end-side smart vision processing chip market, we ranked first globally by shipments with 153.5 million units, and first by revenue in China’s market for end-side smart vision processing chips and ranked as the world’s second largest provider of smart vision processing chips in terms of revenue, with a total of US\$201.7 million. Our success is built on our continuously leading chip design and R&D capabilities, which allow us to innovate and adapt to market trends like resolution upgrades and heterogeneous computing. Furthermore, we have developed robust supply chain management and collaboration, ensuring stable production and delivery. We remain focused on enriching our product portfolio, embracing our global customers, and strengthening our position as a world-leading vision AI SoC solution provider to maintain and enhance our competitive position in the market.

QUALITY MANAGEMENT

Our quality management policy prioritizes quality, customer satisfaction, and innovation. We aim to meet customer and legal requirements while continuously improving service. By systematically identifying risks and opportunities, we ensure our processes remain adaptable and effective.

During the establishment, implementation, and improvement of the quality management system, we maintain a customer-centric approach, with the General Manager fully responsible for promoting a customer-oriented culture. We fully incorporate customer needs, opinions, and expectations into every aspect ensuring continuous improvement to meet customer requirements. We prioritize meeting customer and legal requirements and strive to enhance customer satisfaction. By systematically identifying risks and opportunities, we ensure our processes adapt and improve. As outlined in our Quality Manual:

- Customer opinions, needs, and expectations shall be fully considered in system planning, quality policy formulation, project implementation, and quality issue handling.
- Requirements related to products, services, and customer satisfaction shall be effectively implemented and achieved.
- Meetings with customer representatives or customer visits shall be organized at least once a year to solicit opinions on product and service quality and their improvement.

In the event of product quality issues, we may be exposed to product liability claims from downstream end-customers. Quality issues are generally related to supporting software defects and defects inherent in the chips.

- Software-related issues: These are addressed by our software development engineers, who liaise directly with customers to troubleshoot and resolve the specific technical problems.
- Chip-related defects: Our quality control department leads the investigation in the cause of defective products escaping detection and develop corrective improvement measures.

Our Product Engineering Department is responsible for developing a Returned Product Disposition Plan based on the identified failure cause, determining the handling method for returned items (such rework, re-inspection, downgrade for use, or scrapping), while our Quality Department is responsible for coordinating with the customer to agree on the disposition method, such as return for rework, return for re-inspection, replacement, or return and refund.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material customer complaints relating to product quality, and we had not experienced any material product recalls, returns or exchanges due to product defects.

BUSINESS

INVENTORY MANAGEMENT

Regarding inventory management, our supply chain department is committed to optimizing inventory levels through scientific planning and dynamic adjustments. Taking into account multiple factors, including production and operation plans, market supply and demand, raw material price trends, delivery cycles, and minimum inventory levels, the department rationally determines the procurement quantities, timing, and batches for various materials to ensure supply chain stability and responsiveness, while also controlling inventory costs and preventing overstocking risks.

In managing raw and auxiliary material inventory, the supply chain department formulates production plans based on the forecast, which is updated at the start of each month. Given that procurement cycles for key materials such as wafers and DDR are relatively long, the department schedules production accordingly. In the event of fab capacity constraints, procurement cycles will be adjusted as needed, and customers will be proactively notified of production delays. Furthermore, a certain amount of safety stock, beyond what is required for the normal production cycle, is maintained to mitigate the risks of supply fluctuations.

To manage inventory for outsourced products, the supply chain department provides a rolling forecast to partnering packaging and testing factories. This enables them to plan ahead and reserve appropriate production capacity. Furthermore, a certain amount of safety stock of finished goods is typically maintained. This allows for flexible response to temporary increases in customer demand. It also effectively mitigates the uncertainty associated with production cycle changes in the packaging and testing process, ensuring supply continuity and customer satisfaction.

In addition to procurement planning, we enforce strict storage and physical control protocols. We ensure all inventory is stored in an orderly and sanitary manner, with specific bin cards recording item codes, specifications, and expiry dates. To ensure accuracy, the finance department oversees annual stock-takes, while the supply chain department performs semi-annual written reconciliations. Any identified discrepancies or damages are subject to mandatory verification by responsible personnel and senior management review.

We actively manage the lifecycle of our stock. For inventory aged over one year, the supply chain department leads regular reviews to formulate clearance plans. Concurrently, the finance department assesses provisions for impairment and monitors overall management efficiency to accurately reflect asset value.

DATA PRIVACY AND SECURITY

Data privacy and cybersecurity have become important governance considerations for companies globally. PRC legislative and governmental bodies frequently update cybersecurity, data security, and privacy laws and regulations. As a result, our practices regarding the collection, process and transfer of various types of data may come under increased administrative scrutiny.

We collect and store business, management and transaction data generated during or in connection with our business operations, including data related to our business and transactions with our customers, suppliers and other relevant parties. Our customers are institutional customers rather than natural person end-users. We generally do not engage in the collection, use, sharing, storage, provision or processing of end-users’ personal information. In the ordinary course of business, we from time to time collect personal information, typically limited to names and contact telephone numbers of our customers and suppliers, primarily for the purpose of communication and contact. All data collected by us in Chinese mainland in the course of our business operations have been stored within Chinese mainland. During the Track Record Period and up to the Latest Practicable Date, our operation does not involve the transmission of personal information from China to overseas, nor does it involve any cross-border transaction of data.

BUSINESS

We have a data security system in place, supported by security tools such as firewalls, internet behavior management, network access controls, data loss prevention, log management, and vulnerability scanning. This layered defense enables proactive prevention, real-time incident alerts, and post-event accountability. Our IT departments manage the development and implementation of cybersecurity and data security policies.

We have established a Computer and Network Management Policy, a Personal Information Protection Management Policy, a Data Security and Backup Management Policy and a Cybersecurity Management Policy in compliance with PRC laws, supported by governance, technical and management measures such as data encryption, access control, system monitoring, and regular security audits, to ensure the lawful, secure, and transparent processing of personal information throughout its entire lifecycle.

To the best knowledge of our Directors, during the Track Record Period, we have complied with all applicable laws and regulations relating to cybersecurity and data protection in all material respects.

EMPLOYEES

Our future success will depend, in part, on our ability to continue to attract, retain and motivate highly qualified technical and management personnel. As of December 31, 2025, we had a total of 543 full-time employees. The following is a breakdown of our employees by function as of the dates indicated:

	As of December 31, 2025
R&D	417
Sales and Marketing	66
IT, Finance and Administration	43
Others (including supply chain, quality control, listing department and so on)	17
Total	543

As required by PRC laws and regulations, we participate in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing fund plans through a PRC government-mandated benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time.

We typically enter into standard employment agreements and confidentiality agreements or clauses with our senior management and core personnel. We believe that we have good employment relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes, labor disputes or other action which had a material adverse effect on our business and operations.

INSURANCE

We maintain insurance policies that are required under the laws and administrative regulations of the jurisdiction where we operate as well as based on our assessment of our operational needs and industry practice. In compliance with the applicable PRC laws and regulations, we provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees. We believe that our

BUSINESS

existing insurance coverage is adequate for our business operations and is in line with industry standards in the countries in which we operate. Nevertheless, we may be exposed to claims and liabilities which exceed our insurance coverage. 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.”

During the Track Record Period and up to the Latest Practicable Date, we did not make and were not the subject of, any insurance claims which are material to our business or financial condition.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Overview

We will adhere to the Corporate Governance Code and the Environmental, Social and Governance Reporting Code to the Listing Rules, and fully comply with all applicable ESG-related laws and regulations. We will also annually disclose our progress in material ESG matters, risk management, target implementation, and performance. We firmly believe that excellent ESG practices are not only an important measure of our long-term value but also our core commitment to contributing to a sustainable future as a responsible corporate citizen.

Compliance Management

We have established a top-down ESG management structure to ensure that the Board ultimate oversight responsibility for ESG matters is effectively integrated into daily operations. In addition, we have engaged a third-party consulting firm to conduct stakeholder research, assist with internal and external materiality assessments, develop data collection templates, collect information for ESG report preparation, and provide guidance and solutions to address issues identified during the ESG data collection process. The specific ESG management framework covers the following responsibilities:

- **Strategic and ESG Committee:** We established the Strategic and ESG Committee under the Board. The Strategic and ESG Committee reports directly to the Board and focuses on researching our long-term development strategy and major investment decisions. The Committee provide recommendations to the Board and actively fulfill our responsibilities and obligations in environmental, social, and governance aspects to support sustainable operation and business development process.
- **ESG Working Group:** We have established an ESG Working Group under the supervision of Strategic and ESG Committee. We will require the ESG Working Group and any third-party consultants to discuss all material ESG issues, materiality assessments, data and information, policy decisions, and annual reports before submitting them to the Strategic and ESG Committee. After the Committee reviews and confirms these matters, the committee secretary reports to the Board for final approval.

To support the effective operation of the aforementioned management framework, we have established and continuously improved an internal policy system covering the environmental, social, and governance dimensions. This system provides strong safeguards to ensure our operations run smoothly:

- **Environmental:** We have formulated policies covering energy conservation, emission reduction, resource utilization, and green office practices. We are committed to integrating low-carbon and environmental protection concepts into our operations and supply chain management.

BUSINESS

- **Social:** We have policies that cover employee rights and interests, health and safety, career development, supply chain management, and other key areas. We are committed to creating a fair, safe, and engaging workplace and fostering shared growth with our partners.
- **Corporate Governance:** We have established comprehensive anti-fraud management measures and internal control systems covering data and information security. Through regular training and strong supervision mechanisms, we ensure we adhere to the high standards of integrity and compliance in all business operations.

We have formally incorporated material ESG risks, particularly climate-related risks, supply chain risks, and data security risks, into our comprehensive risk management framework. We systematically identify, assess, monitor, and report these risks.

Risk Management and Strategies

Recognizing the importance of environmental protection for sustainable business, we integrate green principles throughout our IC design operations as a fabless company. While not directly engaged in high energy segments like wafer manufacturing, we prioritize eco-friendly innovations in chip design and R&D, optimizing architectures, reducing power use, and improving integration to boost energy efficiency. Energy efficiency metrics are built into product development, supporting the adoption of low-power solutions across consumer, automotive, and industrial sectors, and encouraging reduced energy use and carbon emissions downstream.

We have also enhanced risk management by establishing protocols for environmental risks, preparing contingency plans for emergencies, conducting regular safety drills, and monitoring regulatory developments to maintain compliance. Climate-related risks are now incorporated into our long-term strategy.

We identified material risks and implemented strategies to address them:

Material risks we identified	Potential impacts of the material risks identified	Our risk management strategies
Compliance operations and risk management .	Failure to strictly comply with laws, regulations, and regulatory requirements may lead to administrative penalties, reputational damage, and business disruption.	We have established a comprehensive compliance management system, and developed internal control policies and risk management processes.
Intellectual property protection	Infringement of IP rights or insufficient IP protection may lead to technology leakage, reduced market competitiveness, loss of market share, and significant economic losses.	We implement a comprehensive IP strategy, improve IP management systems, provide internal IP training, monitor potential infringements, and promptly take legal action to safeguard our rights.
R&D and Innovation.	Rapid technological iteration in the semiconductor industry and insufficient innovation capability may weaken competitiveness and reduce market share.	We uphold innovation as our core driving force, maintain continuous investment in R&D, and regularly evaluate the strategic alignment of R&D projects.
Product quality and safety	Failure to meet product performance or reliability standards may lead to customer product failures, triggering large-scale recalls, customer loss, claims, and severe brand reputation damage.	We regard quality as paramount, establishing rigorous design verification and testing processes, and ensuring product performance and reliability meet standards that full lifecycle quality control and supplier evaluation.

BUSINESS

Material risks we identified	Potential impacts of the material risks identified	Our risk management strategies
Data security and customer privacy protection	Data breaches, misuse, or system attacks may undermine customer trust and disrupt business operations, potentially resulting in severe legal liabilities, a crisis of trust, and reputational collapse.	We practice the principle of “Security by Design,” establish an information security management system, implement system security protection, enforce access control, provide regular security training, and define “data owner” responsibilities.
Supply chain security	Any geopolitical conflicts, capacity shortages, or operational or compliance issues of partners may cause supply chain disruptions, significantly impacting our product delivery and business continuity.	We adopt a strategic and diversified supply chain management approach, establish supplier onboarding and offboarding mechanisms, and evaluate suppliers’ technical capacity, delivery performance, and ESG practices to ensure a stable and reliable supply chain.
Water resource management.	Improper use of water resources may lead to environmental risks, regulatory pressure and social reputation impact.	We are committed to optimizing water resource management, formulating relevant policies, improving water use efficiency, promoting water conservation and recycling.

Environmental Governance

To fulfill our environmental and social responsibilities, we have set the following environmental goals and indicators as well as action plans to be implemented to achieve the expected results:

Category	Key Performance Goals	Environmental Goals	Indicators	Action Plans
Environmental Management . . .	Environmental Management Targets	Integrate green and low-carbon principles into operations and strategy; continuously reduce environmental impact and build a responsible corporate image	– 100% policy update & training completion – At least one annual internal environmental review	– Hold quarterly ESG environment meetings and report annually to senior management – Conduct annual environmental compliance training for key staff
GHG Emissions . . .	Emission Reduction Targets	Reduce operational carbon footprint (Scope 1 & 2) and prepare for Scope 3 management	– Scope 1&2 emission intensity: 0.0013 by 2030, 0.001 by 2060 (tCO₂e/RMB10,000 revenue) – Increase share of purchased green electricity	– Maintain annual GHG inventory and tracking system – Set and monitor annual reduction targets – Prioritize green power procurement
Resource Management . . .	Resource Efficiency Targets	Improve energy and water use efficiency	– Reduce total and per capita electricity/water use by 1% annually – >90% coverage of high-efficiency equipment	– Analyze energy use across facilities and implement efficiency upgrades – Install water-saving devices and conduct leak inspections
Waste Management . . .	Waste Reduction Targets	Minimize waste via source reduction, sorting, recycling, and compliant disposal	– Reduce per capita office waste by 0.5 kg/year – 100% compliant disposal of hazardous waste – 100% recycling of non-hazardous waste	– Promote paperless office and double-sided printing – Provide clear waste sorting bins – Partner with licensed vendors for compliant hazardous waste disposal

BUSINESS

Climate Change and Response

We are deeply committed to addressing global climate change by embedding green and low-carbon principles into our daily management practices. Our business activities do not encompass high energy-intensive manufacturing processes; the majority of our greenhouse gas (GHG) emissions result from purchased electricity for office operations (Scope 2) and limited fuel usage by company vehicles (Scope 1).

We strive to align with global climate goals, promoting sustainable development and environmental protection. Our carbon emission data are as follows:

	For the year ended December 31,		
	2023	2024	2025
Scope 1 GHG emissions (tCO ₂ e)	2.47	1.45	1.29
Scope 2 GHG emissions (tCO ₂ e)	1,122.47	1,167.36	1,245.63
Total GHG emissions (Scope 1 + Scope 2) (tCO ₂ e)	1,124.94	1,168.82	1,246.92
GHG emission intensity (tCO ₂ e/RMB10,000 revenue)	0.0062	0.0065	0.0074

Note: We have not yet included our Scope 3 greenhouse gas emissions, but we are in the process of improving our Scope 3 emissions accounting system and will gradually cover our business’s upstream and downstream activities. We expect to include our Scope 3 greenhouse gas emissions around the year of 2028.

In comparison with industry peers on ESG performance and metrics, our combined Scope 1 and Scope 2 greenhouse gas emission intensity stands at 0.74 tCO₂e per RMB million of revenue in 2025, which is lower than the industry peer average of 19.28 tCO₂e per RMB million of revenue. During the Track Record Period, our Scope 1 and Scope 2 GHG emission intensity showed a gradual upward trend, primarily driven by business growth and increased operational scale. However, this increase was modest and did not constitute a significant fluctuation. We continue to monitor its environmental footprint and implement measures to improve energy efficiency and reduce emission intensity over time.

Resource Management

Our resource consumption primarily arises from regular electricity and water usage within offices and R&D centers.

From a strategic perspective, guided by internal environmental management frameworks such as the Energy Management System, we employ both technical solutions and managerial measures. We will proactively encourage the adoption of LED lighting, high-efficiency servers, and air conditioners, alongside the utilization of water-saving devices throughout office and living spaces. Furthermore, we reinforce routine inspections and preventive maintenance procedures to minimize pipeline leakage risks and uphold optimal water usage standards.

Details of our energy consumption are as follows:

	For the year ended December 31,		
	2023	2024	2025
Electricity consumption (MWh)	2,091.82	2,175.48	2,321.34
Electricity consumption intensity (MWh/RMB10,000 revenue)	0.0115	0.0122	0.0138
Water consumption (t)	1,319	1,490	1,347

BUSINESS

	For the year ended December 31,		
	2023	2024	2025
Water consumption intensity (t/RMB10,000 revenue)	0.0072	0.0083	0.0080
Gasoline consumption (m ³)	0.809	0.477	0.424
Gasoline consumption intensity (m ³ /RMB10,000 revenue)	4.44x10 ⁻⁶	2.66x10 ⁻⁶	2.51x10 ⁻⁶

In 2025, our electricity consumption, water consumption and gasoline consumption were 2,321.34 MWh, 1,347 t and 0.424 m³, respectively, both of which are significantly lower than the industry peer averages of 7,202,777 MWh, 2,105,553 t and 48.26 m³, respectively.

Waste Management

Our operations do not involve industrial production activities. Waste generated is primarily general domestic waste from offices and a small amount of electronic waste from R&D.

In all office areas, we will set up classified recycling facilities to guide employees in sorting recyclables.

Looking ahead, our goal is to establish a more comprehensive waste data statistics system and set quantifiable targets for reducing waste generation at the source to continuously reduce the potential environmental impact of our operations.

Social and Governance

Employment

We recruit elite integrated circuit professionals globally. Relying on the Performance Management Policy, we build a growth system driven by both performance and values, achieving synchronous improvement for both employees and our Company.

As of December 31, 2025, we had a total of 543 employees. The following table shows the number of employees by gender as of December 31, 2025:

	Number of employees	Percentage of total employees
	(person)	(%)
By Gender		
Male	428	78.8%
Female	115	21.2%

Occupational Health and Safety

We are committed to fostering employees’ sense of identity and belonging, complying with all relevant laws and regulations, improving the occupational health and safety system, and providing employees with a healthy and safe working environment.

Strategically, to protect employees’ occupational health, we have formulated the Occupational Health Management System and continuously enhance the level of health and safety protection.

BUSINESS

Employee Training and Development

We have established a *Performance Management Policy* and executed quarterly training plans designed to enhance operational efficiency, systematically assess employee performance, administer effective rewards and incentives, and foster personal career growth.

In 2025, a total of 157 training sessions were conducted, with a cumulative attendance of 3,276 participants. The training comprised sessions for professional technical training, general training, and new employee training, amounting to a total of 364.5 hours.

Supply Chain Security

We have developed an external supplier management system encompassing every stage from onboarding to evaluation, audit, and offboarding. This framework enables collaborative advancement of green and sustainable development throughout both upstream and downstream supply chains.

Our strategic approach is outlined in the External Supplier Management Procedure, which specifies the development, certification, and onboarding protocols for product and non-product suppliers. The list of qualified suppliers is updated dynamically to ensure that supplier resources continually align with developmental requirements. Additionally, we implement ad hoc system- or process-specific audits, systematically recording any deficiencies within the External Supplier Audit/Coaching Deficiency Correction Tracker.

From a risk management perspective, we mitigate supply chain risks and safeguard its reliability by executing the Supplier Code of Social Responsibility with all partners, encompassing ten commitments such as anti-discrimination, anti-harassment, prohibitions on child and forced labor, and health and safety standards. The supply chain department and quality department routinely deliver training and maintain open channels of communication with supplier management personnel and on-site employees.

Product Quality and Safety

We integrate the requirements of ISO 9001 into the Quality Manual, adhere to the principle of “Prevention over Correction,” and strictly implement the “Three Don’ts Policy” — do not accept, do not manufacture, and do pass on any defects. We maintain quality control standards through document systems such as the Product Design and Development Management Procedure.

In terms of risk management, we continuously update the product quality management system and enhance product quality to provide reliable support for professional video, smart IoT, automotive video, and other application scenarios.

Anti-corruption management

We strictly formulate the Anti-Fraud Management Measures in accordance with the Basic Standards for Enterprise Internal Control and relevant laws and regulations as well as our actual situation.

We implement a multi-tiered anti-fraud governance framework with clear delegation of authority. The Board and management team lead in promoting ethical standards, conducting fraud risk assessments, and implementing preventive controls. As a permanent entity, the internal control department assumes specific responsibilities including system revision, whistleblower handling, case investigation, and awareness training.

BUSINESS

In risk management, we implement a dynamic fraud risk control mechanism, explicitly incorporating fraud risk into annual internal control assessments. Special control measures are implemented for critical exposure areas including financial misrepresentation, unauthorized management actions, and procurement operations. A whistleblower protection and anti-retaliation framework is established to ensure procedural fairness. During the Track Record Period and up to the Latest Practicable Date, we have not been involved in any incidents of corruption, bribery, or fraud, or any related legal proceedings.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

Overview

Our risk management organizational structure establishes a three-level management system from the Board, management and executive levels to ensure that risk management covers the entire business process and all business areas.

- We have established an Audit Committee under the Board to serve as the core decision-making body for risk management, directly reporting to the Board and formulating and overseeing the enterprise's risk management strategy.
- Our management team, comprised of core senior executives, coordinates the overall enterprise risk management efforts based on decisions from the Audit Committee.
- We have established an independent internal control department, responsible for executing risk management functions and providing guidance and oversight to business departments in their risk management efforts.

Export Control Management

We have established the Export Control and Economic Sanctions Compliance Manual to make sure our sales activities do not violate export control rules or sanctions.

- **Blacklists Management and Customer Screening:** Our compliance team keeps a trade control blacklist up to date. We screens all customer information before any transaction. If a customer or their delivery address appears on the blacklist, our sales team sends the case to the compliance team for a risk review.
- **Contract and After-Sales Compliance:** After a sales contract starts and throughout its term, our sales team regularly screens customers and their related parties. Our system checks the customer and related parties before each shipment. If we need to export controlled items for after-sales service, our service team completes an export review form for compliance review.
- **Agent Compliance Management:** When we select an agent, our compliance team runs a trade compliance due diligence check and includes trade control compliance clauses in the agreement.

During the Track Record Period, we have maintained internal control measures for our compliance as to relevant licensing, documentation, and other requirements under U.S. export control regulations and did not experience any significant issues related to these controls.

BUSINESS

Impact of International Trade Policies

Our operations may be impacted by shifts in political and economic relations between countries, as well as by sanctions, export controls imposed by governmental authorities, and other geopolitical factors. These include, but are not limited to, changes in economic or labor conditions, increased duties, taxes, or other expenses, and potential political instability. For further information, please refer to “Risk Factors — Risks Relating to Legal and Compliance — Changes in international trade policies and investment restrictions, including imposition of additional trade restrictions and sanctions, may materially and adversely impact our reputation, business, investments, financial condition and results of operations.” The materials and components we produced during the Track Record Period were not directly imported into the United States and, therefore, were not subject to any enhanced U.S. tariffs.

Internal Controls

Overview

During the Track Record Period and up to the Latest Practicable Date, we have established and improved our internal control system in accordance with the Basic Norms for Enterprise Internal Control and its supporting guidelines and other internal control regulatory requirements.

The Board and its committees follow strict governance standards, while management ensures structured, risk-aware operations.

Information and Communication

- **Forecasting and Budgeting:** supported by emails, bulletin boards, meetings, and dedicated mailboxes with group-wide Confidentiality Management Policy defining classification levels and handling rules.
- **External Communications:** External disclosures, advertising, and public releases require regulatory review and formal approval per the Board Secretary’s duties, regulatory filings, and the Information Disclosure Policy with Public Opinion Management System addressing negative publicity.
- **Confidentiality and Data Protection:** Confidentiality Agreements and the Computer and Network Management Policy ensure systematic protection of trade secrets and sensitive data. Employee personal information is collected solely for social security purposes, with no cross-border data transfers.

Monitoring

Our internal audit function, overseen by the Audit Committee, regularly assesses risk management and internal controls, identify and address deficiencies, and ensure compliance. The Internal Control Assessment Implementation Rules enforce strict adherence to controls across departments and support regulatory compliance.

Related-party Transaction Management

We have a Related-party Transactions Management Policy aligned with the listing rules, defining connected parties, transaction types, decision-making, and disclosure. Our finance, legal, and investor relations teams regularly update a Connected Transactions List. The legal department oversees a compliance review in supplier/customer onboarding to proactively identify connected parties and export control issues, ensuring proper management of all transactions.

BUSINESS

Key Control Systems

We have established comprehensive control systems across key business functions. These include: Financial Report and Disclosure System (strict accounting, reconciliations, segregated duties), Revenue, Sales, and Receivables System (multi-department authorization, bad debt provisioning), Procurement System (supplier qualification, competitive bidding, segregated duties), Manufacturing and Cost System (outsourced model, quality control, cost management), Inventory and Logistics System (segregated duties, physical counts, obsolescence assessment), Bank, Cash, and Funds System (clear approval hierarchies, segregated duties, budget monitoring), Assets System (strict policies on valuation and impairment, IP monitoring), Human Resources and Remuneration System (compliant processes for recruitment to termination, segregated payroll), Tax System (regulatory compliance, risk assessment), Insurance System (annual needs assessment), Information System (access controls, data encryption, backup recovery), and R&D and Intellectual Property System (project administration, IP protection).

PROPERTIES

As of the Latest Practicable Date, we owned two properties and leased 12 major properties in Chinese Mainland.

Owned Properties

As of the Latest Practicable Date, we owned two properties and had their land user rights with an aggregate gross floor area of 3,766.47 sq.m. in Chinese Mainland. We do not own any properties outside Chinese Mainland. We mainly use these two properties as office premises.

Leased Properties

As of the Latest Practicable Date, we leased 12 properties with an aggregate gross floor area of 6,324.35 sq.m. in Chinese Mainland, mainly as office premises and for residential purpose for our employees. Eight of our leased properties in Chinese Mainland have not registered or filed with the relevant land government authorities in China. In accordance with the applicable PRC laws and regulations, failure to complete the required registration procedures does not affect the validity of the lease agreements, and we are entitled to use the properties in accordance with the terms of the lease agreements. As advised by our PRC Legal Adviser, we may be ordered by the relevant authorities to complete the registration within a specified period; if we fail to do so within such period, we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each lease agreement. Based on the number of leased properties that we leased without registered leases, we estimate that the maximum penalty would be approximately RMB70,000. The registration of lease agreements is the obligation of both lessor and lessee and requires cooperation between the parties. Some lessors are generally unwilling to undertake the administrative burden due to the relatively low risk of penalties, which has hindered our ability to complete the registration of such agreements. In addition, this has not resulted in any disputes, investigations, or penalties by any competent authorities and the actual use of these properties has not been affected. We believe that the continued use of these properties will not lead to any significant legal risks, and these leased properties are primarily used for office premises, which are highly replaceable. In the event that we are required to relocate our offices, we estimate that the relocation costs would be immaterial. There are sufficient alternative premises of comparable size and quality available in the relevant market at comparable rental rates. Also, given the nature of our business operations, we do not expect such relocation to result in any material disruption to our business operations.

BUSINESS

LICENSES, PERMITS AND CERTIFICATES

During the Track Record Period and up to the Latest Practicable Date, other than the business license, we are not required to obtain any additional material licenses, permits, approvals, or certificates for our business operations in the jurisdictions where we operate. We had not experienced any material difficulties in renewing such license during the Track Record Period and up to the Latest Practicable Date and do not expect there to be any material difficulties in the renewal.

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. See “Risk Factors — Risks Relating to Legal and Compliance — If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.” During the Track Record Period and up to the Latest Practicable Date, there was no litigation, arbitration or administrative proceedings pending or threatened against us or any of our Directors that could have a material and adverse effect on our financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, there had been no material breaches or violations of laws or regulations applicable to us which are expected to have a material adverse effect on our business, financial condition or results of operations.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

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

DIRECTORS

The following table sets forth certain information regarding the members of our Board of Directors:

Name	Age	Positions	Date of joining our Group	Date of Appointment as a Director	Roles and Responsibilities	Relationship with other Directors and senior management
Mr. Yang Xiaoqi (楊小奇) . . .	61	Executive Director, Chairman of the Board and Chief Executive Officer	April 2004	April 2004	Responsible for overseeing the overall strategic planning, business development and enterprise management of our Group	None
Mr. Wan Jianjun (萬建軍) . . .	54	Executive Director, Deputy General Manager and Secretary to the Board	April 2004	September 2021	Responsible for overseeing the overall management and participating in major decisions regarding business operations, capital markets, and corporate governance of our Group	None
Mr. Li Yuan (李源)	44	Executive Director and Deputy General Manager	September 2012	May 2022	Responsible for overseeing the sales, application development, product testing and smart automotive departments of our Group	None
Mr. GAO Houxin (高厚新) . . .	50	Executive Director and Deputy General Manager	May 2004	April 2026	Responsible for research and development and key technologies of our Group	None
Mr. Ning Min (寧旻)	56	Non-Executive Director	October 2025	October 2025	Responsible for providing advice on the operation and management of our Group	None
Mr. Yang Xiaohe (楊曉河) . . .	47	Non-Executive Director	December 2022	December 2022	Responsible for providing advice on the operation and management of our Group	None
Ms. Fang Ying (方瑛)	50	Independent non-executive Director	May 2021	May 2021	Supervising and providing independent opinion and judgment to the Board	None
Mr. Zhang Zhanping (張占平) . . .	43	Independent non-executive Director	May 2021	May 2021	Supervising and providing independent opinion and judgment to the Board	None
Mr. Chiu Ngam (趙岩)	52	Independent non-executive Director	October 2025	October 2025	Supervising and providing independent opinion and judgment to the Board	None

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang Xiaoqi (楊小奇), aged 61, is our executive Director, chairman of the Board and Chief Executive Officer. He founded our Group in April 2004 and has been our Director since then. Mr. Yang is primarily responsible for overseeing the overall strategic planning, business development and enterprise management of our Group. Mr. Yang has served as the director and chairman of the board of Molchip Technology since from March 2021, and Shanghai YG from November 2015. He has also served as the director of Fullhan Microelectronics Hong Kong Co., Ltd from April 2013.

Mr. Yang has extensive experience in the technology and electronics industry. Mr. Yang has been a non-executive director of Zhuhai Digital Power Technology Co., Ltd. (珠海數字動力科技股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 837866), since September 2018.

Mr. Yang obtained his master of engineering in signal and circuit system from Shanghai Jiao Tong University (上海交通大學) in China in March 1987.

Mr. Wan Jianjun (萬建軍), aged 54, is our executive Director, the deputy general manager, and the secretary to the Board. He is primarily responsible for overseeing the overall management of our Group and participating in major decisions regarding business operations, capital markets, and corporate governance.

Mr. Wan co-founded our Group in April 2004. He was appointed as a Director in September 2021. He has extensive experience in our industry. He has also served as a director of Molchip Technology from November 2021, Jiangyin Xincheng Electronic Technology Co., Ltd (江陰芯誠電子科技有限公司) from December 2022, and Wuxi Xincheng Electronics Co., Ltd. (無錫芯誠電子有限公司) from June 2024.

Mr. Wan obtained his master’s degree in semiconductor devices and microelectronics. from Xi’an Jiao Tong University (西安交通大學) in China in April 1998.

Mr. Li Yuan (李源), aged 44, is an executive Director and deputy general manager of our Group. He was appointed as a Director in May 2022, having first joined our Group in September 2012. He is primarily responsible for overseeing our sales, application development, product testing, and smart automotive departments. He has also served as a director of Molchip Technology from July 2023 and Shanghai YG from September 2021.

Prior to joining us, Mr. Li worked at Genband (Shanghai) Co., Ltd. (傑恩邦得通信技術(上海)有限公司) from March 2008 to May 2012. He was worked at Lattice Semiconductor Shanghai Co., Ltd. (上海萊迪思半導體有限公司) from April 2007 to March 2008.

Mr. Li obtained his bachelor’s degree in communication engineering from Nanjing University of Science and Technology (南京理工大學) in China in July 2002. He subsequently obtained his master’s degree in signal and information processing from the Shanghai Academy of Spaceflight Technology (上海航天技術研究院) in China in August 2005.

Mr. Gao Houxin (高厚新), aged 50, is our deputy general manager. Mr. Gao joined our Group in May 2004 as an R&D department manager. He was appointed as our deputy general manager in January 2015. He is primarily responsible for R&D and key technologies of our Group. He has served as an executive director and manager of Fullhan Chengdu since September 2020.

Mr. Gao obtained a master’s degree in communication and information systems from Huazhong University of Science and Technology (華中科技大學) in China in June 2003.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang Xiaohe (楊曉河), aged 47, is our non-executive Director. He joined our Group as a Director in December 2022. He is primarily responsible for providing advice on the operation and management of our Group.

Mr. Yang has worked at Shenzhen Jia Valley Road Investment Management Ltd. (深圳嘉道谷投資管理有限公司) and its affiliates since October 2017, holding positions including senior analyst and investment director. He worked at the Shanghai branch of Beijing Brocade Trading Co., Ltd. from November 2013 to January 2016. Prior to that, Mr. Yang worked for IBM for over seven years, from July 2003 to November 2010, at International Business Machines (China) Company Limited and its Shanghai branch.

Mr. Yang received his bachelor's degree and master's degree in optical engineering from Huazhong University of Science and Technology (華科技大學) in China in June 2000 and June 2003, respectively. He later obtained a master of business administration from Shanghai Jiao Tong University (上海交通大學) in China in June 2012.

Mr. Ning Min (寧旻), aged 56, is our non-executive Director. He joined our Group as a Director in October 2025. He is primarily responsible for providing advice on the operation and management of our Group.

Mr. Ning has extensive experience in corporate management, finance, and investment. Mr. Ning first joined Legend Holdings (聯想控股股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 03396) in 1991, he served consecutively as its deputy head of the corporate planning office, the secretary of the board and the deputy head of the corporate planning office, the general manager of the asset management department, assistant president and senior vice president of Legend Holdings. He has served as the chairman of the board of Legend Holdings from January 2020, as an executive director of Legend Holdings from December 2018, and a member of its remuneration committee from December 2018 to September 2023. Mr. Ning is currently the chairman of the strategy committee of Legend Holdings.

Mr. Ning has been a director at Eastern Air Logistics Co., Ltd. (東方航空物流股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601156) since November 2017. He has been a director of Xi'an Shaangu Power Co., Ltd. (西安陝鼓動力股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601369), since July 2008. Previously, Mr. Ning served as a director of Levima Advanced Materials Corporation (聯泓新材料科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 003022), from May 2017 to April 2023.

Mr. Ning obtained his bachelor's degree in economics from Renmin University of China (中國人民大學) in China in January 1997. He completed courses of master of business administration offered by the Graduate School of Renmin University of China in October 2001.

Ms. Fang Ying (方瑛), aged 50, is our independent non-executive Director. She was appointed as a Director in May 2021.

Ms. Fang has extensive experience in auditing and asset management. Ms. Fang works at Shanghai Lixin Jiacheng Dongshen Certified Public Accountants Co., Ltd. (上海立信佳誠東審會計師事務所有限公司) since April 2006 and currently holds the position of partner. Ms. Fang worked at Shanghai De'An Certified Public Accountants Co., Ltd. (上海德安會計師事務所有限公司) from January 2004 to March 2005. She worked at Shanghai De'An United Certified Public Accountants (上海德安聯合會計師事務所) from November 2002 to November 2003. Ms. Fang served at Shanghai Donghua Certified Public Accountants Co., Ltd. (上海東華會計師事務所有限公司) from June 2000 to June 2002.

Ms. Fang was certified as a certified public accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in March 2001 and as a certified tax agent by the State Taxation Administration (國家稅務總局) of the PRC in June 2000. Ms. Fang obtained her executive master of business administration from Shanghai Jiao Tong University (上海交通大學) in China in December 2013.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Zhanping (張占平), aged 43, is our independent non-executive Director. He was appointed as a Director in May 2021.

Mr. Zhang has extensive experience in law and corporate governance. Mr. Zhang has served as an independent director of Delixi New Energy Technology Co., Ltd. (德力西新能源科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603032), since December 2023. He joined Shanghai Yingdong Law Firm (上海瀛東律師事務所) in April 2017, where he currently serves as an honorary senior partner. Prior to that, he served as a judicial officer at the People's Court of Yangpu District, Shanghai (上海市楊浦區人民法院).

Mr. Zhang obtained his bachelor's degree in law from Hefei University of Technology (合肥工業大學) in China in July 2005. He obtained his postgraduate diploma with a major in civil and commercial law from East China University of Political Science and Law (華東政法大學) in China in June 2010. He further obtained an executive master of business administration from the Antai College of Economics and Management at Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院) in China in December 2021. He was awarded the legal professional qualification by the Ministry of Justice of the PRC (中華人民共和國司法部) in February 2008.

Mr. Chiu Ngam (趙岩), aged 52, was appointed as our independent non-executive Director in October 2025.

Mr. Chiu has over 27 years of extensive experience in financial management, corporate finance, and auditing. He has a proven track record in senior leadership roles at numerous companies listed on the Hong Kong Stock Exchange, particularly within the real estate sector.

Currently, Mr. Chiu serves as an independent non-executive director of Zhong An Intelligent Living Service Limited (眾安智慧生活服務有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 02271), a position he has held since December 2021 and he also serves as an independent non-executive director of International Genius Company, a company listed on the Hong Kong Stock Exchange (stock code: 0033), a position he has held since October 2025.

He also served at Radiance Holdings (Group) Company Limited (金輝控股(集團)有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 09993), from August 2019 to September 2023, holding positions including chief financial officer and company secretary. He served as the chief financial officer of Sansheng Holdings (Group) Co., Ltd. (三盛控股(集團)有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 02183), from December 2018 to August 2019. He served as the chief financial officer and company secretary of China New City Commercial Development Limited (中國新城市商業發展有限公司), a company currently known as China New City Group Limited (中國新城市集團有限公司), and listed on the Hong Kong Stock Exchange (stock code: 01321), from February 2017 to February 2019. He served as the chief financial officer and company secretary at China Sandi Holdings Limited (中國三迪控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00910), from July 2015 to February 2017. He served at China Golden Development Holdings Limited (中國金展控股有限公司), a company currently known as Century Ginwa Retail Holdings Limited (世紀金花商業控股有限公司) and listed on the Hong Kong Stock Exchange (stock code: 00162), from March 2010 to July 2015, holding positions including financial controller and company secretary. He served as the vice president of finance of a subsidiary of Genting Hong Kong Limited (雲頂香港有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00678), from April 2009 to March 2010. He served as a financial controller at China Oriental Group Company Limited (中國東方集團控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00581), from February 2008 to November 2008. He served as a group financial controller at Carrianna Group Holdings Company Limited (佳寧娜集團控股有限公司), a company formerly known as Tak Sing Alliance Holdings Limited (達成集團) and listed on the Hong Kong Stock Exchange (stock code: 00126), from May 2007 to March 2008. He served as an assistant financial controller of ITC Properties Management Limited (德祥地產管理有限公司) from June 2005 to May 2007. He served as a finance manager at Minmetals Land Limited (五礦地產有限公司), a company formerly known as ONFEM

DIRECTORS AND SENIOR MANAGEMENT

Holdings Limited (東方有色集團有限公司) and listed on the Hong Kong Stock Exchange (stock code: 00230), from May 2002 to August 2004. He served as a senior accountant at eForce Management Limited (意科管理有限公司), an operation vehicle of eForce Holdings Limited (意科控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00943), from November 2001 to May 2002. He served at PricewaterhouseCoopers Ltd. Hong Kong (香港羅兵咸永道會計師事務所) from August 1997 to November 2001.

Mr. Chiu obtained a bachelor of business administration in accounting from Hong Kong University of Science and Technology in November 1997. Mr. Chiu was certified as a certified public accountant in October 2000 and has been a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) since September 2009. He has also been a member of American Institute of Certified Public Accountants since January 1999, a certified public accountant of Washington State Board of Accountancy since January 1999, and is a member of INSOL International, a member of taxation faculty of HKICPA and a member of restructuring and insolvency faculty of HKICPA. He was awarded “The Best CFO Award” in the “2021 China Financial Awards” by China Financial Market magazine in December 2021.

SENIOR MANAGEMENT

The following table provides information about members of our senior management:

Name	Age	Positions	Date of joining our Group	Date of appointment as a senior manager	Roles and Responsibilities	Relationship with other Directors and senior management
Mr. YANG Xiaoqi (楊小奇) . . .	61	Executive Director, Chairman of the Board and Chief Executive Officer	April 2004	September 2011	Responsible for overseeing the overall strategic planning, business development and enterprise management of our Group	None
Mr. WAN Jianjun (萬建軍) . . .	54	Executive Director, Deputy General Manager and Secretary to the Board	April 2004	August 2021	Responsible for overseeing the overall management of our Group and participating in major decisions regarding business operations, capital markets, and corporate governance	None
Mr. LI Yuan (李源)	44	Executive Director and Deputy General Manager	September 2012	October 2021	Responsible for overseeing the sales, application development, product testing and smart automotive departments of our Group	None
Mr. GAO Houxin (高厚新) . . .	50	Executive Director and Deputy General Manager	May 2004	January 2015	Responsible for research and development and key technologies of our Group	None
Ms. LIU Yan (劉艷)	40	Chief Financial Officer	September 2023	April 2024	Responsible for overseeing the overall financial operations and treasury management of our Group	None
Mr. WU Youcai (吳有才) . . .	48	Deputy General Manager	March 2011	May 2024	Responsible for overseeing our Group’s supply chain, quality control, and engineering departments	None

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang Xiaoqi (楊小奇), for his biography, see “— Directors” in this section.

Mr. Wan Jianjun (萬建軍), for his biography, see “— Directors” in this section.

Mr. Li Yuan (李源), for his biography, see “— Directors” in this section.

Mr. Gao Houxin (高厚新), for his biography, see “— Directors” in this section.

Ms. Liu Yan (劉艷), aged 40, is our chief financial officer. She joined our Group in September 2023 and has served as our chief financial officer since April 2024. She is primarily responsible for overseeing the overall financial operations and treasury management of our Group.

Prior to joining our Group, Ms. Liu served as the chief financial officer of Shanghai E-Planet Electronics Technology Co., Ltd. (上海懋星電子科技有限公司) from January 2022 to September 2023. She served as the deputy general manager of finance of Shanghai Zhongliang Real Estate Group Co., Ltd. (上海中梁地產集團有限公司) from September 2018 to June 2020. She was the branch CFO of Huawei Technologies Co., Ltd. (華為技術有限公司) from May 2014 to July 2018.

Ms. Liu obtained her bachelor’s degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in China in July 2007. She was certified as a senior accountant by the Shanghai Accounting Series Senior Professional Title Review Committee in November 2022.

Mr. Wu Youcai (吳有才), aged 48, is our deputy general manager. He was appointed as the deputy general manager of our Group on May 7, 2024. He is primarily responsible for overseeing our Group’s supply chain, quality control, and engineering departments. Mr. Wu joined our Group in March 2011, and served as the director of the integrated business department and supply chain department of our Group until May 2024. He has also served as a supervisor of Jiangyin Xincheng Electronic Technology Co., Ltd (江陰芯誠電子科技有限公司) since December 2022, and Wuxi Xincheng Electronics Co., Ltd. (無錫芯誠電子有限公司) since June 2024.

Mr. Wu obtained his bachelor’s degree in microelectronics from Huazhong University of Science and Technology (華中科技大學) in China in June 1998.

INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT

Saved as disclosed above, none of our Directors or senior management had been a director of any public company the securities of which were listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this document.

Ms. Fang served as a supervisor of Shanghai Demo Investment Consulting Co., Ltd. (上海德摩投資諮詢有限公司) (“**Shanghai Demo**”), a limited liability company incorporated in the PRC on October 18, 2007, which had its business license revoked on December 28, 2016. The principal business of Shanghai Demo encompassed investment consultancy, business consultancy and enterprise management consultancy. The reason for the revocation of Shanghai Demo is no business activities. Ms. Fang has confirmed that she is not aware of any material non-compliance incidents involving Shanghai Demo with applicable laws and regulations prior to the revocation of its business license.

Ms. Fang confirmed that (i) Shanghai Demo was solvent at the time of its revocation; (ii) there was no misconduct or omission on her part leading to the revocation of Shanghai Demo and she has not engaged in any unlawful acts or omissions during the revocation process; and (iii) the revocation of Shanghai Demo has not resulted in any liability or obligation on her part.

Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of the Shareholders, nor is there any information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. Wan Jianjun (萬建軍), aged 54, is the secretary of our Board and our joint company secretary. See “— Directors” in this section for his biographical details.

Ms. Leung Hoi Yang (梁皚欣) was appointed as our joint company secretary with effect from September 26, 2025. Ms. Leung has over 14 years of experience in company secretarial and corporate governance matters of listed companies in Hong Kong. She currently serves as an assistant manager at Computershare Hong Kong Investor Services Limited (香港中央證券登記有限公司). Ms. Leung holds a degree of Bachelor of Commerce (Honours) in Accounting from Hong Kong Shue Yan University (香港樹仁大學). She is an associate member of the Hong Kong Chartered Governance Institute (香港公司治理公會) and the Chartered Governance Institute.

BOARD COMMITTEES

We have established four Board Committees in accordance with the relevant PRC laws and regulations, the Articles and the code of corporate governance practices under the Listing Rules, namely the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategy and ESG Committee. The functions of the four committees are summarized as follows:

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of Audit Committee include reviewing our Company’s financial statements, supervising internal audit functions, and ensuring compliance with relevant regulations and accounting standards. The Audit Committee aims to maintain the integrity of our Company’s financial information and protect the interests of its shareholders. Audit Committee comprises three members, namely Ms. Fang Ying, Mr. Zhang Zhanping and Mr. Chiu Ngam, with Ms. Fang Ying (being the independent non-executive Director with appropriate professional qualifications) as the chairperson.

Remuneration and Evaluation Committee

We have established the Remuneration and Evaluation Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Evaluation Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The Remuneration and Evaluation Committee comprises three members, namely Mr. Chiu Ngam, Ms. Fang Ying and Mr. Li Yuan, with Ms. Fang Ying as the chairperson of the Remuneration and Evaluation Committee.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with the Code on Corporate Governance in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The Nomination Committee comprises three members, namely Mr. Zhang Zhanping, Ms. Fang Ying and Mr. Wan Jianjun, with Mr. Zhang Zhanping as the chairperson of the Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT

Strategy and ESG Committee

We have established a Strategy and ESG Committee with written terms of reference. The primary duties of the Strategy and ESG Committee are to make recommendations to our Board on the long-term development strategy, major investments and projects and ESG-related issues of our Company. The Strategy and ESG Committee comprises three members, namely Mr. Yang Xiaoqi, Mr. Wan Jianjun and Mr. Ning Min, with Mr. Yang Xiaoqi as the chairperson of the Strategy and ESG Committee.

CONFIRMATIONS FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company’s business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

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

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) that he or she has no 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 under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his/her appointments.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive their remuneration in the form of basic annual payments and performance-related annual payments, including fees, salaries, share-based compensation, pension schemes contribution and other benefits in kind.

For the years ended December 31, 2023, 2024 and 2025, the total remuneration paid to our Directors amounted to RMB2.78 million, RMB2.90 million and RMB3.40 million, respectively, the total emoluments paid to the five highest paid individuals by us amounted to RMB8.05 million, RMB7.68 million and RMB9.65 million, respectively. None of the Directors waived or agreed to waive any emolument during the Track Record Period.

Under the arrangements in force as of the date of this document and based on the information currently available to us, our Company estimates the total remuneration payable to, and benefits in kind receivable by, the Directors by our Group for the year ended December 31, 2026 to be approximately RMB3.50 million.

During the Track Record Period, no remuneration was paid to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid to, or received by, the Directors, former Directors or the five highest paid individuals for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above and in “Financial Information,” “Accountants’ Report” and “Statutory and General Information,” no other payments have been made or are payable by our Group to the Directors in respect of the Track Record Period.

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 Xiaoqi will serve as both our chairman and chief executive officer as discussed below.

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed 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 POLICY

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company’s competitive advantage and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of our Company, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. In particular, our Company currently has one female Director in the Board and will continue to work towards enhancing the gender diversity of the Board. Our Directors have a balanced mix of knowledge and skills, and we have six non-executive Directors, including four independent non-executive Directors, with different industry backgrounds. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy. Pursuant to the board diversity policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

EMPLOYEE INCENTIVE SCHEMES

As of the Latest Practicable Date, our Company has two share incentive plans currently in effect, namely the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan. On April 27, 2026, our Company adopted a restricted stock incentive plan to provide incentives to key senior management and employees, namely the 2026 Restricted Stock Incentive Plan. As at the Latest Practicable Date, no shares have been granted under the 2026 Restricted Stock Incentive

DIRECTORS AND SENIOR MANAGEMENT

Plan. For more information, see “History, Development and Corporate Structure — Major Shareholding Changes of Our Company” and “Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 6. Share Incentive Plans”.

COMPLIANCE ADVISER

We have appointed Altus Capital Limited as the Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide our Company with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws.

The compliance adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and
- (d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or [REDACTED] of its [REDACTED] securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser shall commence on the [REDACTED] and is expected to end 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] and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

To the best of our Directors’ knowledge and information, the following persons will, immediately following the completion of the [REDACTED] (assuming the [REDACTED] are not exercised and that no changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at any general meeting of our Company:

Name of Shareholder	Nature of interest	As of the Latest Practicable Date		Assuming the [REDACTED] are not exercised		Assuming the [REDACTED] are fully exercised	
		Class and number of Shares directly and indirectly held	Approximate percentage of interest in the total issued share capital of our Company	Approximate % of shareholding in our A Shares immediately after the [REDACTED]	Approximate % of shareholding in the total share capital of our Company immediately after the [REDACTED]	Approximate % of shareholding in our A Shares immediately after the [REDACTED]	Approximate % of shareholding in the total share capital of our Company immediately after the [REDACTED]
Mr. Yang	Beneficial owner	17,430,860 A Shares	7.49%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Interests held jointly with other persons ⁽¹⁾	39,931,148 A Shares	17.15%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Chen ⁽²⁾	Beneficial owner	30,707,851 A Shares	13.19%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Interests held jointly with other persons ⁽¹⁾	26,654,157 A Shares	11.45%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Gong ⁽³⁾	Beneficial owner	5,753,877 A Shares	2.47%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Interests held jointly with other persons ⁽¹⁾	51,608,131 A Shares	22.17%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Quick Talent ⁽⁴⁾	Beneficial owner	3,469,420 A Shares	1.49%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Interests held jointly with other persons ⁽¹⁾	53,892,588 A Shares	23.15%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Orient Qihui ⁽⁵⁾	Beneficial owner	36,325,156 A Shares	15.60%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes

- (1) As of the Latest Practicable Date, Mr. Yang, Ms. Chen, Mr. Gong, and Quick Talent held approximately 7.49%, 13.19%, 2.47% and 1.49% shareholding in our Company, respectively. On December 9, 2016, Mr. Yang, Ms. Chen, Mr. Gong, and Quick Talent entered into the Acting in Concert Agreement, pursuant to which the four parties undertake to act in concert at all Shareholders’ meetings and Board meetings and co-ordinate all proposals and the nomination of directors. The Acting in Concert Agreement further stipulates that, while the parties shall first seek to reach a unanimous consensus, in the event of a disagreement, Ms. Chen, Mr. Gong and Quick Talent shall follow the decision of Mr. Yang and vote according to his instructions. The Acting in Concert Agreement is expressed to be irrevocable and remains effective for as long as any party continues to hold Shares in our Company, and the four parties agreed not to terminate the Acting in Concert Agreement unilaterally. For the purpose of the SFO, each of Mr. Yang, Ms. Chen, Mr. Gong, and Quick Talent is deemed to be interested in the Shares each other is interested in under the SFO.
- (2) Representing (i) 30,707,851 A Shares held by Ms. Chen personally; and (ii) 26,654,157 A Shares that Ms. Chen is deemed to be interested by virtue of the Acting in Concert Agreement. Apart from the aforementioned interest, as of the Latest Practicable Date, Ms. Chen also held the 2021 Convertible Bonds in the principal amount of RMB77,502,600, which are convertible into 825,267 A Shares at a conversion price of RMB91.69 per A Share. Mr. Gong Hongjia (龔虹嘉), the spouse of Ms. Chen, will be deemed to be interested in the Shares Ms. Chen is interested in for the purpose of the SFO.
- (3) Ms. Tan Li (譚莉), the spouse of Mr. Gong, will be deemed to be interested in the Shares Mr. Gong is interested in for the purpose of the SFO.

SUBSTANTIAL SHAREHOLDERS

- (4) As of the Latest Practicable Date, Quick Talent was owned as to 100% by LC FUND III, L.P., the general partner of which is LC FUND III GP LIMITED. The limited partnership interests in LC FUND III, L.P. were held as to 99% by 10 limited partners, including Right Lane Limited (南明有限公司), which held 49.41% limited partnership interests in LC FUND III, L.P. and was wholly owned by Legend Holdings. Apart from Right Lane Limited, none of the other limited partners held more than 30% of limited partnership interest in LC FUND III, L.P., and none were connected persons of our Company. The remaining 1% limited partnership interests in LC FUND III, L.P. was held by its general partner, LC FUND III GP LIMITED. LC FUND III GP LIMITED is owned by nine shareholders, none of whom individually controls more than 30% of its voting rights pursuant to its articles of association. For the purpose of the SFO, LC FUND III, L.P. (as a 100% shareholder of Quick Talent), LC FUND III GP Limited (as the general partner of LC FUND III, L.P.), Right Lane Limited (as a limited partner of LC FUND III, L.P. holding more than one third of the limited partnership interest), and Legend Holdings (as a 100% shareholder of Right Lane Limited) are deemed to be interested in the Shares held by Quick Talent.
- (5) As of the Latest Practicable Date, Orient Qihui was owned as to approximately 64.86%, 33.89% and 1.25% by Rongke Property, Rongke Zhidi and Legend Holdings. Rongke Property and Rongke Zhidi were owned as to 75.00% and 77.48% by Legend Holdings, respectively. For the purpose of the SFO, Rongke Property (as a 64.86% shareholder of Orient Qihui), Rongke Zhidi (as a 33.89% shareholder of Orient Qihui) and Legend Holdings (as an one third shareholder of each of Rongke Property and Rongke Zhidi) are deemed to be interested in the Shares held by Orient Qihui.

As of the Latest Practicable Date, Orient Qihui pledged 22,700,000 A Shares, representing 62.49% of the Shares held by Orient Qihui, in favour of Guotai Haitong Securities Co., Ltd. (國泰海通證券股份有限公司). The aforesaid pledge will expire on August 27, 2026.

Save as disclosed above and in “Appendix IV — Statutory and General Information” of this document, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] (and the [REDACTED] of any additional H Shares pursuant to the [REDACTED]), have an interest or short position in the Shares or underlying shares of our Company which would be required to be disclosed to our Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group.

SHARE CAPITAL

This section presents certain information regarding our share capital prior to and following the completion of the [REDACTED].

IMMEDIATELY BEFORE THE [REDACTED]

As of the Latest Practicable Date, the total issued capital of our Company was 232,804,819 A Shares (including 2,214,993 treasury Shares) of nominal value of RMB1.00 each, which are all listed on the ChiNext of the Shenzhen Stock Exchange.

UPON COMPLETION OF THE [REDACTED]

Immediately following completion of the [REDACTED], assuming that the [REDACTED] is not exercised and that no changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED], the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital
A Shares in issue	232,804,819	[REDACTED]
H Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	100.00

Immediately following the [REDACTED], assuming the [REDACTED] is exercised in full and that no changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED], the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital
A Shares in issue	232,804,819	[REDACTED]
H Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	100.00

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.

OUR SHARES

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. Shenzhen-Hong Kong Stock Connect has established a stock connect mechanism between Chinese Mainland and Hong Kong. Our A Shares can be subscribed for and traded by Chinese Mainland 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

SHARE CAPITAL

for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shenzhen-Hong Kong Stock Connect. Our H Shares can be [REDACTED] for or [REDACTED] by Hong Kong and other overseas [REDACTED] and qualified domestic institutional [REDACTED]. If our H Shares are eligible securities under the Southbound Trading Link, they can also be [REDACTED] for and [REDACTED] by Chinese Mainland investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

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 market prices 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股公司境内未上市股份申请“全流通”业务指引》) announced by the CSRC are not applicable to companies dual listed in China 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 holders of A Shares may convert A Share(s) 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]

Approval from holders of A Shares is required for our Company to issue H Shares and seek the [REDACTED] of H Shares on the Hong Kong Stock Exchange. Such approval was obtained by us at the shareholders’ general meeting of our Company held on October 16, 2025 and is subject to the following conditions:

- (i) *Size of the [REDACTED]*. The proposed number of H Shares to be [REDACTED] shall not exceed [REDACTED] of the total issued share capital enlarged by the H Shares to be issued pursuant to the [REDACTED] (before the exercise of the [REDACTED]). The number of H Shares to be issued pursuant to the full exercise of the [REDACTED] shall not exceed [REDACTED] of the total number of H Shares to be [REDACTED] initially under the [REDACTED].
- (ii) *Method of [REDACTED]*. The method of [REDACTED] shall be by way of [REDACTED] and [REDACTED].
- (iii) *Target investors*. Institutional investors, enterprises and natural persons outside China, as well as qualified domestic institutional investors and other investors in compliance with regulatory requirements.
- (iv) *[REDACTED] basis*. Fully considering the interests of our Company’s existing Shareholders, the domestic and overseas capital markets, and adopting a market-based [REDACTED] according to international practices, market subscriptions, roadshows and bookkeeping results.
- (v) *Validity period*. The [REDACTED] of H Shares and [REDACTED] of H Shares on the Hong Kong Stock Exchange shall be completed within 24 months from the date of passing the resolution at the shareholders’ meeting held on October 16, 2025.

There is no other approved [REDACTED] plans for our Shares except the [REDACTED].

SHARE CAPITAL

SHAREHOLDERS’ GENERAL MEETINGS

For details of circumstance under which our shareholders’ general meeting is required, see “Summary of the Articles of Association — Shareholders and Shareholders’ Meetings” in Appendix III to this document.

SHARES SCHEMES

Certain employees of our Company and our subsidiaries are eligible to subscribe in interests of our Shares through the Share Schemes. For details, see “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 6. Share Incentive Plans” in Appendix IV to this document.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with the consolidated financial statements, including the notes thereto included in the Accountants’ Report in Appendix I to this document and the selected historical financial information presented elsewhere in this document. Our consolidated financial statements were prepared in accordance with IFRSs.

This discussion of our financial condition and results of operations contains forward-looking statements which, although based on the assumptions that we consider reasonable, are subject to risks and uncertainties. Our actual performance and results are based on the assumptions about our business and may differ materially from those anticipated in the forward-looking statements as a result of certain factors, including those set out in the sections entitled “Forward-Looking Statements”, “Risk Factors” and elsewhere in this document. In addition, certain industry issues also affect our financial condition and results of operations, as described in “Industry Overview”.

OVERVIEW

We are a leading fabless chip designer and provider in China specializing in smart vision technologies. We focus on the design of vision processing ICs for security cameras, video recorders, and other vision devices in video, IoT and mobility applications.

According to Frost & Sullivan:

- We ranked No. 1 globally in terms of shipments in 2025 in the global end-side smart vision processing chip market, with a market share of over 20%.
- We ranked No. 1 globally in terms of shipments in 2025 in the global automotive ISP chip market, with a market share of over 20%.
- We ranked No. 2 globally in terms of revenue in 2025 in the global smart vision processing chip market, with a market share of 18.6%.

Our comprehensive offerings from end-side (such as security cameras) to edge-side (such as NVRs) chips combine advanced vision processing ICs with integrated on-chip AI capabilities, enhanced by software development kits, application software and AI algorithms. These integrated solutions enable our customers to accelerate product development, facilitate seamless system integration, and address a wide spectrum of application requirements.

Through continuous investment in technological innovation, stringent quality assurance processes, and a prioritized focus on customer needs, we have fostered a virtuous cycle of technology advancement, product enhancement, ecosystem growth, and constructive feedback. Our commitment to excellence is underscored by our ISO9001 certification, reflecting our dedication to the highest quality standards. These ongoing efforts have strengthened our market position in key specialized market segments. According to Frost & Sullivan, we have established ourselves as a global leading provider of smart vision processing chips and are rapidly emerging as a prominent player in the vision chip markets for smart IoT and smart mobility applications.

In 2023, 2024 and 2025, our total revenue was RMB1,822.4 million, RMB1,790.0 million and RMB1,688.2 million, respectively; while our net profit during those years was RMB252.4 million, RMB232.0 million and RMB120.3 million, respectively.

RECENT DEVELOPMENT

Based on our unaudited management accounts, we recorded a substantial increase in both revenue and net profit for the three months ended March 31, 2026 as compared to the corresponding period in 2025. This growth was primarily underpinned by a robust increase in total sales volume of over 55% and an expansion in blended ASP of more than 10%. Specifically, our smart video segment saw revenue growth exceeding 65% period-on-period, supported by a volume increase of nearly 60% and a relatively stable ASP. Our smart mobility segment recorded revenue growth of over 65%, fueled by a volume surge of more than 70% and a relatively stable ASP. This steady

FINANCIAL INFORMATION

upward trend reflects the overall resilience of end-market demand and our continued successful market penetration. Furthermore, our smart IoT segment achieved a remarkable revenue jump of over 140%, resulting from a volume increase of above 85% and a significant ASP expansion of more than 30%, primarily attributable to overall resilience of end-market demand.

Our 2026 first quarterly report was published on the Shenzhen Stock Exchange in April 2026.

On April 27, 2026, we adopted the 2026 Restricted Stock Incentive Plan to incentivize our key senior management and employees, which is subject to subsequent implementation by our Board within 60 days of such approval. As of the Latest Practicable Date, no shares have been granted under this plan. See “History — Major Shareholding Changes of Our Company” and “Appendix IV — Statutory And General Information — C. Further Information About Our Directors And Substantial Shareholders — 6. Share Incentive Plans” for details.

Our Directors confirmed that, as of the date of this document, there has been no material adverse change in our financial position since December 31, 2025, and there has been no event since December 31, 2025 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with the IFRSs which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRSs that are effective for the accounting period beginning on January 1, 2025, together with the relevant transitional provisions, have been early adopted by us in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared on the historical cost basis except for investments measured at fair value through profit or loss, equity investments designated at fair value through other comprehensive income and derivative financial instruments that are measured at fair values.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations, and financial condition are affected by a number of general factors influencing the overall performance of the industry in which we operate. These factors include macroeconomic trends, industry development, and the competitive landscape in the market. In addition to these general factors, our results of operations are affected by the following specific factors:

Industry Cycle and Downstream Market Demand

As a fabless IC design company, our business and financial performance are inherently influenced by the cyclical nature of the semiconductor industry, which moves through recurring phases of expansion, downturn, and recovery. These cycles are driven by macroeconomic conditions, technological advancements, and shifts in end-market demand and supply dynamics. Our products are primarily used in downstream applications such as security cameras, and automotive electronics, and demand in these sectors directly impacts our sales.

During the Track Record Period, our performance was impacted by a cyclical downturn in the global economy and semiconductor industry. According to Frost & Sullivan, the semiconductor industry entered a downturn in 2022, which lasted through the first quarter of 2024. This period was characterized by inventory buildups, persistent pricing pressure, and weakened market sentiment, despite continued underlying demand for semiconductor products. Throughout this downturn, competition intensified significantly, with many industry players aggressively lowering prices to maintain or expand their market share. This led to a substantial decline in ASP across multiple categories of IC products, even as end-market demand remained fundamentally robust.

FINANCIAL INFORMATION

Downstream markets developments, which can be affected by a number of factors including economic conditions, technological advancements, and the evolving needs of customers across various sectors, could have a pronounced effect on the industry and therefore our financial performance. We offer a mixed range of product portfolio across our main product lines, including smart video chips, smart IoT chips, and smart mobility chips, which are characterized by intense competition and are largely driven by the evolving needs and preferences of downstream customers. We leverage our strengths in technology, quality and services to meet varied needs from customers across different industries. Our business scale, results of operations and financial conditions will depend on our ability to maintain business relationships with existing customers and expand our customer base, especially for new products in line with downstream market demand.

Customer Concentration and Order Stability

We have a significant concentration of customers, and a substantial portion of our revenue is derived from a small number of key customers. For instance, during the Track Record Period, our largest customer accounted for a majority of our revenue. As a result, our financial performance is highly sensitive to the procurement volumes and inventory management strategies of these major customers. A reduction in orders from, or the loss of, any of our major customers could have a material adverse effect on our revenue and results of operations. For example, a reduction in procurement by our largest customer in 2023 and an inventory clearing policy by such major customer from the third quarter of 2024 to 2025 directly led to a decline in our revenue for respective years. Therefore, maintaining long-term, stable relationships with our key customers, while simultaneously expanding our customer base, is crucial for our continued growth.

Product Mix

Our financial performance relies on our ability to innovate and develop products that align with the latest technological trends and customer preferences and our ability to offer a comprehensive portfolio of products. Our product portfolio, which includes smart video chips, smart IoT chips, and smart mobility chips, caters to a wide range of video processing applications. This diversity is a key strength, enabling us to mitigate the impact of fluctuations in individual markets and capture growth opportunities across different sectors.

During the Track Record Period, as many of our smart mobility chips have passed automotive-grade certification, our product line of smart mobility generated higher and more stable gross margins compared to our product lines of smart video and smart IoT, which faced more intense market competition. For instance, our smart video product line experienced a revenue decline in 2023, primarily due to weakening economic conditions and saturation in China security camera market, which led to a significant reduction in orders from our largest customer, coupled with a decline in the ASP of our products. The ASP and gross margins of our smart video product categories vary due to factors such as competition, product mix, technical complexity, R&D investment, and market demand.

We price each product based on a variety of factors, including costs, gross margin and market prices of similar products. In 2023, 2024 and 2025, our gross profit margins were 37.6%, 37.2% and 36.6%, respectively. Specifically, sales of our smart video chips and smart mobility chips maintained relatively stable gross profit margins. Sales of our smart IoT chips faced pressure to maintain gross profit margin during the Track Record Period due to intense competition and market preference for lower-margin products. However, our product mix may fluctuate in response to the technological changes in the industries and markets to which our products are sold. If there are any significant changes in our product mix, our gross profit margin will be affected by the changes in gross profit margin attributable to each type of product.

FINANCIAL INFORMATION

We aim to further enrich our product portfolio, and maintain a strong focus on high-margin product categories. By continuously refining our product mix and leveraging technological innovation, we are committed to sustaining robust financial performance and driving long-term growth.

Product Competitiveness and R&D investment

The semiconductor industry is characterized by rapid technological advancements and evolving customer needs. To maintain our competitive edge, we continuously invest in research and development to deliver innovative products that meet market demands for higher performance, lower power consumption, and greater integration. Our ability to successfully launch new products and respond to technological trends is critical to maintaining our market share and profitability. The commercial success of the end-products that incorporate our solutions is a key determinant of our financial performance.

We have invested, and plan to continue investing, significant resources in our R&D efforts. During the Track Record Period, our R&D expenses were RMB334.8 million, RMB349.9 million and RMB351.4 million in 2023, 2024 and 2025, respectively, representing 18.4%, 19.5% and 20.8% of our total revenue during those periods, respectively. As of December 31, 2025, our R&D team consisted of 417 members, representing 76.8% of total employees as of the same date. Employee benefit expenses for our R&D staff accounted for 70.2%, 75.8% and 78.7% of our R&D expenses in 2023, 2024 and 2025, respectively.

As we believe our market success and financial performance will significantly depend on our ability to maintain our technological leadership, we will continue to invest in proprietary technology development and innovation to grow our competitive strengths against our peers.

Supply Chain Management

We operate a fabless business model, focusing on IC design and R&D, while wafer fabrication, packaging, and testing are handled by trusted partners. Consequently, our production costs and delivery capabilities are subject to factors such as wafer manufacturing capacity, raw material price fluctuations, and delivery lead times. The cost of wafers and outsourced packaging and testing services constitutes the vast majority of our cost of sales. Therefore, our ability to secure sufficient capacity from our suppliers and manage procurement costs has been and will continue to be critical to our financial performance.

Government Policies and Grants

We benefit from various preferential government policies. Our recognized government grants primarily derive from two ongoing national policies: (i) the VAT super-deduction policy; and (ii) special funds for the commercialization of high and new technology achievements.

During the Track Record Period, we were entitled to several preferential PRC enterprise income tax policies. During the Track Record Period, our Company was qualified as a key integrated circuit design enterprise encouraged by the PRC and entitled to a preferential EIT rate of 10% in 2023 and 2024, and was qualified as a High-New Technology Enterprise and entitled to a preferential tax rate of 15% during 2025. Our key subsidiaries were also entitled to preferential EIT rates: Shanghai YG was qualified as a Small and Micro Enterprise, enjoying a preferential EIT rate of 20%, and Molchip Technology was qualified as a High-New Technology Enterprise, benefiting from the relevant preferential policy of a 15% EIT rate. During the Track Record Period, our government grants were RMB33.9 million, RMB38.9 million and RMB23.0 million in 2023, 2024 and 2025, respectively.

FINANCIAL INFORMATION

Any changes to, or discontinuation of, these policies and related grants could adversely affect our profitability. Furthermore, our growing international operations are subject to risks associated with global trade policies. The imposition of export controls, tariff adjustments, or other trade restrictions could negatively impact our overseas business and overall cost structure.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. 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. Our management continually evaluates such estimates, assumptions and judgments based on past experiences and other factors, including industry practices and expectations 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. See note 2.3 to “Appendix I — Accountants’ Report” to this document for more details of our material accounting policies.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,					
	2023		2024		2025	
	RMB in thousands, except for percentages					
Revenue	1,822,382	100.0%	1,790,007	100.0%	1,688,230	100%
Cost of Sales	(1,136,711)	(62.4)%	(1,123,382)	(62.8)%	(1,070,902)	(63.4)%
Gross Profit	685,671	37.6%	666,625	37.2%	617,328	36.6%
Other income and gains	82,570	4.5%	116,053	6.5%	95,976	5.7%
Selling expenses	(20,943)	(1.1)%	(27,318)	(1.5)%	(48,058)	(2.8)%
Administrative expenses	(128,430)	(7.0)%	(126,409)	(7.1)%	(138,090)	(8.2)%
Research and development expenses	(334,815)	(18.4)%	(349,898)	(19.5)%	(351,419)	(20.8)%
Reversal of impairment losses/(impairment losses) on financial assets, net	(1,095)	(0.1)%	(228)	0.0%	739	0.0%
Other expenses	(1,306)	(0.1)%	(23,006)	(1.3)%	(26,484)	(1.6)%
Finance costs	(33,149)	(1.8)%	(29,830)	(1.7)%	(31,343)	(1.9)%
Share of loss of associates	(1,429)	(0.1)%	(1,794)	(0.1)%	(3,522)	(0.2)%
Profit/(loss) before tax	247,074	13.6%	224,195	12.5%	115,127	6.8%
Income tax (expense)/credit	5,293	0.3%	7,765	0.4%	5,213	0.3%
Profit for the year/period	252,367	13.8%	231,960	13.0%	120,340	7.1%

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, our revenue primarily derived from the sales of our smart video, smart IoT, and smart mobility IC products. We also generate revenue from providing technical services and other ancillary activities. Our revenue slightly decreased by 1.8% from RMB1,822.4 million in 2023 to RMB1,790.0 million in 2024, and further decreased by 5.7% to RMB1,688.2 million in 2025.

FINANCIAL INFORMATION

Revenue by Product Line

The following table sets forth a breakdown of our revenue by major product lines:

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB in thousands, except for percentages</i>					
Smart Video	1,218,584	66.9%	1,203,950	67.3%	1,003,933	59.5%
Smart IoT	313,798	17.2%	278,057	15.5%	338,833	20.1%
Smart Mobility	188,045	10.3%	237,107	13.2%	279,520	16.6%
Others ⁽¹⁾	101,955	5.6%	70,893	4.0%	65,944	3.8%
Total	1,822,382	100.0%	1,790,007	100.0%	1,688,230	100.0%

(1) Primarily included technical and other ancillary services, which we mainly provided customized chip solutions for our customers.

During the Track Record Period, our primary revenue sources were the sales of our smart video, smart IoT, and smart mobility ICs. Additionally, we generate revenue through technical services and other ancillary activities.

Our revenue experienced a downward trend during the Track Record Period, decreasing from RMB1,822.4 million in 2023 to RMB1,790.0 million in 2024, and further to RMB1,688.2 million in 2025, which was mainly due to a decrease in revenue from the sales of smart IoT and smart video ICs primarily attributed to lower ASP resulting from price competition and changes in product mix during the relevant years.

The table below sets forth the average price range and the sales volume of our products:

	Year ended December 31,					
	2023		2024		2025	
	<i>Sales volume in thousands; ASP in RMB</i>					
	Sales volume	ASP ⁽¹⁾	Sales volume	ASP ⁽¹⁾	Sales volume	ASP ⁽¹⁾
Smart Video	79,781.6	15.3	90,815.9	13.3	93,281.0	10.8
Smart IoT	27,115.1	11.6	28,870.3	9.6	38,598.6	8.8
Smart Mobility	33,175.8	5.7	39,875.5	6.0	46,269.3	6.0

(1) ASP is calculated through dividing revenue by the relevant sales volume during the same period, which represented the average price at which our products were sold to our customers.

Revenue by Geographical Location

The following table sets forth a breakdown of our revenue by geographical location, in absolute amounts and as a percentage of total revenue, for the period indicated:

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB in thousands, except for percentages</i>					
Chinese Mainland	1,656,414	90.9%	1,652,472	92.3%	1,516,951	89.9%
Overseas	165,968	9.1%	137,535	7.7%	171,279	10.1%
Total	1,822,382	100.0%	1,790,007	100.0%	1,688,230	100.0%

FINANCIAL INFORMATION

During the Track Record Period, a majority of our revenue was from Chinese Mainland. Our overseas revenue was mainly from sales to Hong Kong.

Cost of Sales

Our cost of sales consists of (i) raw materials, primarily consist of wafers and KGD, (ii) packaging and testing costs, and (iii) others. The following table sets forth a breakdown of our cost of sales by nature:

	Year ended December 31,					
	2023		2024		2025	
	RMB in thousands					
Raw Materials	821,671	72.3%	854,818	76.1%	827,126	77.2%
Packaging and Testing	207,956	18.3%	181,298	16.1%	181,740	17.0%
Others ⁽¹⁾	107,084	9.4%	87,266	7.8%	62,036	5.8%
Total	1,136,711	100.0%	1,123,382	100.0%	1,070,902	100.0%

(1) Others primarily consist of staff costs, depreciation, and logistics costs.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by product line and geographic location for the year indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
RMB in thousands, except for percentages						
<i>By product line and service</i>						
Smart Video	445,709	36.6%	449,228	37.3%	358,720	35.7%
Smart IoT	96,627	30.8%	74,113	26.7%	70,024	20.7%
Smart Mobility	82,966	44.1%	113,182	47.7%	130,715	46.8%
Others ⁽¹⁾	60,369	59.2%	30,102	42.5%	57,869	87.8%
<i>By geographic location</i>						
Chinese Mainland.	618,640	37.3%	607,495	36.8%	528,678	34.9%
Overseas	67,030	40.4%	59,130	43.0%	88,650	51.8%
Total	685,671	37.6%	666,625	37.2%	617,328	36.6%

(1) Primarily included technical and other ancillary services, which we mainly provided customized chip solutions for our customers.

During the Track Record Period, our overall gross profit decreased by 2.8% from RMB685.7 million in 2023 to RMB666.6 million in 2024, and further decreased by 7.4% to RMB617.3 million in 2025. The continuous decrease in our gross profit was largely in line with our revenue contraction over the same period, which was mainly attributable to sustained pricing pressure from market competition and the temporary inventory restructuring policy adopted by a major customer within the smart video segment.

FINANCIAL INFORMATION

Our gross profit margin slightly decreased from 37.6% in 2023 to 37.2% in 2024, driven by intensifying market competition in our smart video and smart IoT product lines, which were partially offset by the gross profit margin growth of the smart mobility line which rose from 44.1% in 2023 to 47.7% in 2024. Our gross profit margin further decreased to 36.6% in 2025. This decline was caused by a combination of factors, including (i) a higher proportion of sales being derived from lower-margin products across our three product lines as our large customers continued to place orders for more cost-effective products in light of end-market’s preference for value of money, and (ii) a continued decline in the gross profit margin of smart IoT chips, driven by our efforts to lower prices to maintain market share and stay competitive in the smart IoT market.

Our gross profit from the others segment was RMB60.4 million, RMB30.1 million, and RMB57.9 million for the years ended December 31, 2023, 2024 and 2025, respectively, representing gross profit margins of 59.2%, 42.5%, and 87.8% for the same years. The year-on-year fluctuations were primarily attributable to changes in the mix of customized technical solutions and ancillary services provided. Specifically, the technical services provided in 2024 yielded lower profitability compared to those in 2023, and the overall margin increase in 2025 was primarily driven by a significant increase in the revenue contribution from our consigned procurement services. These consigned procurement services have been offered since 2023 with high gross margins and experienced a surge in demand in 2025 from a new customer acquired in 2024. We also reduced certain low-margin technical services in 2025.

Other Income and Gains

The following table sets forth a breakdown of our other income and gains for the year indicated:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB in thousands</i>		
Government grants	33,863	38,861	22,979
Interest income	28,591	37,223	47,211
Value-added tax additional deduction	9,595	31,590	21,381
Others	186	284	1,780
Total other income	72,235	107,958	93,351
Gain on disposal of investment measured at fair value through profit or loss, net	3,603	3,046	2,616
Gain on settlement of derivative financial instruments	142	918	—
Fair value gains, net:			
– Investments measured at fair value through profit or loss, net.	3,522	3,866	—
Fair value gains, net:			
– Derivative financial instruments	—	265	—
Gain on sales of property, plant and equipment.	—	—	9
Foreign exchange gains, net	3,068	—	—
Total gains.	10,335	8,095	2,625
Total	82,570	116,053	95,976

FINANCIAL INFORMATION

Selling Expenses

Our selling expenses primarily consist of: (i) employee benefit expenses, (ii) share-based payments, (iii) business development expenses, (iv) exhibition fees and (v) marketing expenses. The following table sets forth a breakdown of our selling expenses:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB in thousands</i>		
Employee benefit expenses	15,336	20,269	39,186
Share-based payments	1,545	413	(50) ⁽¹⁾
Exhibition fees	1,359	977	1,075
Business development expenses	1,295	2,038	2,874
Marketing expenses	660	1,468	899
Others	748	2,153	4,074
Total	20,943	27,318	48,058

(1) We recorded a reversal of share-based payment expenses of RMB50.0 thousands in 2025, which was primarily attributable to the lapse of certain share incentives as the relevant performance targets under our share incentive schemes were not achieved, resulting in the reversal of previously recognized expenses.

Administrative Expenses

Our administrative expenses primarily consist of: (i) depreciation and amortization expenses, (ii) office expenses, (iii) employee benefit expenses, (iv) consulting and service fees, (v) utilities and property management fees and (vi) share-based payments. The following table sets forth a breakdown of our administrative expenses:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB in thousands</i>		
Depreciation and amortization expenses	76,145	76,665	77,528
Employee benefit expenses	27,183	30,947	39,241
Office expenses	3,274	2,574	2,926
Consulting and service fees	5,241	4,646	4,107
Utilities and property management fees	2,708	2,867	2,578
Share-based payments	3,438	933	637
Others	10,441	7,777	11,073
Total	128,430	126,409	138,090

Research and Development Expenses

Our research and development expenses primarily consist of: (i) employee benefit expenses, (ii) depreciation and amortization expenses, and (iii) technical service fees. The following table sets forth a breakdown of our research and development expenses:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB in thousands</i>		
Employee benefit expenses	234,943	265,127	276,412
Depreciation and amortization expenses	53,849	49,262	50,051
Technical service fees	11,754	12,788	10,239

FINANCIAL INFORMATION

	Year ended December 31,		
	2023	2024	2025
	<i>RMB in thousands</i>		
Testing and processing fees	3,389	7,930	3,529
Share-based payments	22,474	7,014	2,422
Material costs	4,489	3,315	4,237
Others	3,917	4,462	4,529
Total	334,815	349,898	351,419

Finance Cost

Our finance costs primarily consist of interest expense on banks borrowings, convertible bonds, bill discounting and lease liabilities. The following table sets forth a breakdown of our financial costs:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB in thousands</i>		
Interest on bank borrowings	4,533	1,938	2,365
Interest on convertible bonds	26,181	27,293	28,237
Interest on bills discounting	1,546	72	431
Interest on lease liabilities	848	522	307
Other finance costs	41	5	3
Total	33,149	29,830	31,343

Income tax (expense)/credit

We recorded an income tax credit of RMB5.3 million, RMB7.8 million and RMB5.2 million in 2023, 2024 and 2025, respectively. The significant variance from the statutory tax rate is primarily attributable to preferential tax rates enjoyed by our Company and certain subsidiaries as well as the impact of the super-deduction policy for qualified research and development expenses.

During the Track Record Period, our Company was qualified as a key integrated circuit design enterprise encouraged by the PRC and entitled to a preferential enterprise income tax (EIT) rate of 10% from 2023 to 2024, and was qualified as a High-New Technology Enterprise and entitled to a preferential tax rate of 15% during 2025. Our key subsidiaries were also entitled to preferential EIT rates: Shanghai YG was qualified as a Small and Micro Enterprise, enjoying a preferential EIT rate of 20%, and Molchip Technology was qualified as a High-New Technology Enterprise, benefiting from the relevant preferential policy of a 15% EIT rate. For the details of statutory tax rate and preferential income tax rates applicable to our Company and our subsidiaries, see note 10 to “Appendix I — Accountants’ Report” to this document.

During the Track Record Period and as of the Latest Practicable Date, we did not have any dispute with any tax authority.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

The following discussion compares the major components of our results of operations.

FINANCIAL INFORMATION

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Revenue

Our revenue decreased by 5.7% from RMB1,790.0 million in 2024 to RMB1,688.2 million in 2025. This decrease was primarily due to a decrease in revenue from our smart video product line, partially offset by the continued growth in our smart IoT and smart mobility product lines.

Smart Video

Our revenue from this product line decreased by 16.6% from RMB1,204.0 million in 2024 to RMB1,004.0 million in 2025. This revenue decline was primarily due to a shift in product mix as market demand trended towards products with lower ASP, which outweighed the growth in our sales volume. While overall end-market demand remained resilient and total sales volume increased by 2.7% from 90.8 million units in 2024 to 93.3 million units in 2025, customer procurement shifted and became more concentrated on lower-priced products, as the ASP of our smart video products experienced a decrease from RMB13.3 per unit in 2024 to RMB10.8 per unit in 2025. Since 2025, domestic manufacturers have rapidly entered the intelligent vision chip market, increasing competition and driving down prices. Major downstream customers used their bargaining power and cost-cutting strategies to force suppliers to lower prices during inventory restructuring throughout 2025. To cut costs and adapt to shifting demand, downstream buyers shifted toward basic chip models, lowering the overall ASP in the market. Our ASP for smart video products are affected by this overall drop and further led to a decrease in the overall segment revenue despite volume growth.

Smart IoT

Our revenue from this product line increased by 21.8% from RMB278.1 million in 2024 to RMB338.8 million in 2025. Sales volume of our smart IoT products increased by 33.7% from 28.9 million units in 2024 to 38.6 million units in 2025, as we expanded a large number of new customers, leading to an increase in sales of products in 2025. During the same period, the ASP of this product line decreased by 8.6% from RMB9.6 per unit in 2024 to RMB8.8 per unit in 2025, resulted mainly from our proactive market expansion efforts, which successfully broadened our customer base and resulted in increased orders from newly acquired customers.

Smart Mobility

Our revenue from this product line grew by 17.9% from RMB237.1 million in 2024 to RMB279.5 million in 2025, mainly driven by our successful business expansion, new applications of existing products, and the continuous acquisition of new customers in the automotive sector. Our sales volume of this product line increased by 16.0% from 39.9 million units in 2024 to 46.3 million units in 2025. Meanwhile, the ASP of our smart mobility product line remained stable at RMB6.0 per unit for 2024 and 2025 years. The stability in ASP reflects this product line’s higher barrier, leading to less price volatility as compared with other product lines.

Others

Our revenue from others decreased from RMB70.9 million in 2024 to RMB65.9 million in 2025, reflecting fluctuations in customer demand for technical and other ancillary services during the period.

Cost of Sales

Our cost of sales decreased by 4.7% from RMB1,123.4 million in 2024 to RMB1,070.9 million period in 2025, generally in line with the decrease in our revenue.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

Our gross profit decreased by 7.4% from RMB666.6 million in 2024 to RMB617.3 million in 2025. Our overall gross profit margin decreased from 37.2% to 36.6% for the respective years. The decrease in overall gross profit margin was mainly due to decreases in gross profit margins of our smart IoT and smart video product lines.

Smart Video

The gross profit for this product line decreased by 20.1% from RMB449.2 million in 2024, to RMB358.7 million in 2025, and the gross profit margin decreased from 37.3% to 35.7%. This decline was primarily driven by a shift in the sales mix towards products with lower gross profit margins, as well as a decrease in the unit prices of certain products.

Smart IoT

The gross profit for this product line declined by 5.5% from RMB74.1 million in 2024, to RMB70.0 million in 2025. The gross profit margin experienced a sharp compression from 26.7% to 20.7% during the years, primarily due to continued intense competition and our subsequent strategic pricing adjustments to successfully acquire new end customers and maintain current end customers and capture additional market share.

Smart Mobility

The gross profit for the product line increased by 15.5% from RMB113.2 million in 2024 to RMB130.7 million in 2025, generally in line with the revenue growth in this segment. The gross profit margin remained relatively stable at 47.7% and 46.8% for the respective years. Smart mobility chips remained our highest-margin product line. The product line benefits from high technical barriers and a relatively stable competitive landscape, which support a relatively stable ASP.

Others

Our gross profit from the others segment increased to RMB57.9 million in 2025, and our gross profit margin for this segment increased from 42.5% in 2024 to 87.8% in 2025. This increase was primarily driven by a significant increase in the revenue contribution from our consigned procurement services. These services have been offered since 2023 with high gross margins and experienced a surge in demand in 2025 from a new major customer acquired in 2024, which significantly enhanced our overall margin for the others segment in 2025. We also reduced certain low-margin technical services in 2025.

Other Income and Gains

Our other income and gains decreased by 17.3% from RMB116.1 million in 2024 to RMB96.0 million in 2025. This was primarily due to a decrease in government grants from RMB38.9 million to RMB23.0 million in 2024 and 2025 respectively, because many government grants in 2024 were of one-off nature.

Selling Expenses

Our selling expenses increased by 76.2% from RMB27.3 million in 2024 to RMB48.1 million in 2025. This increase was primarily driven by increase in employee benefit expenses attributable to the expanded number of relevant employees. The expansion was specifically focused on adding crucial field application engineers, aimed at boosting technical support and market penetration.

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expenses remained relatively stable at RMB126.4 million in 2024 and RMB138.1 million in 2025, respectively.

Research and Development Expenses

Our research and development expenses remained relatively stable at RMB349.9 million in 2024 and RMB351.4 million in 2025, reflecting our sustained commitment to innovation and product development.

Finance Cost

Our finance costs remained relatively stable at RMB29.8 million in 2024 and RMB31.3 million in 2025, respectively.

Income Tax Credit

Our income tax credit decreased from RMB7.8 million in 2024 to RMB5.2 million in 2025, primarily due to decline in revenue.

Profit for the Period

As a result of the foregoing, our profit for the period decreased by 48.1% from RMB232.0 million in 2024 to RMB120.3 million in 2025, and our net profit margin decreased from 13.0% to 7.1% for the respective years.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue decreased slightly from RMB1,822.4 million in 2023 to RMB1,790.0 million in 2024. The decrease was mainly due to decreases in revenue from our product lines of smart IoT and smart video, largely offset by an increase in revenue from our smart mobility product line.

Smart Video

Our revenue for this product line decreased slightly from RMB1,218.6 million in 2023 to RMB1,204.0 million in 2024. This slight decline was primarily attributable to a strategic price reduction and the effect of our product mix shift. Specifically, in response to the intensified market competition in the smart video chip market, we actively adopted price reduction strategies to maintain the stability of orders from our largest customer. Furthermore, the ASP was constrained by a change in product mix towards higher volumes of lower-priced products.

Smart IoT

Our revenue from this product line decreased by 11.4% from RMB313.8 million in 2023 to RMB278.1 million in 2024. This decline was primarily a consequence of a decrease in our ASP by 17.2% from RMB11.6 per unit in 2023 to RMB9.6 per unit in 2024. The sales volume for this product line increased by 6.5% from 27.1 million units in 2023 to 28.9 million units in 2024. This was mainly attributable to intensified market competition, where we strategically reduced prices to ensure market share and drive sales volume.

FINANCIAL INFORMATION

Smart Mobility

Our revenue from this product line increased by 26.1% from RMB188.0 million in 2023 to RMB237.1 million in 2024. This expansion in revenue was the result of a significant increase in sales volume by 20.2% from 33.2 million units in 2023 to 39.9 million units in 2024. The ASP of this product line also increased from RMB5.7 per unit in 2023 to RMB6.0 per unit in 2024.

This strong performance was primarily due to increased demand from our key customers within the electric vehicle market in China, supported by government policy incentives.

Others

Revenue from other activities, mainly technical and other ancillary services, decreased from RMB102.0 million in 2023 to RMB70.9 million in 2024, reflecting changes in client demand for these services.

Cost of Sales

Our cost of sales decreased by 1.2% from RMB1,136.7 million in 2023 to RMB1,123.4 million in 2024, generally in line with the decrease in revenue.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 2.8% from RMB685.7 million in 2023 to RMB666.6 million in 2024. Our overall gross profit margin slightly decreased from 37.6% in 2023 to 37.2% in 2024, mainly due to a change in product mix where products with relatively lower gross profit margins accounted for a slightly larger proportion of our sales. This marginal compression was primarily due to fierce market competition in the smart IoT and smart video product lines, which offset the strong margin performance of the smart mobility product line.

Smart Video

The gross profit for this product line remained relatively stable at RMB445.7 million in 2023 and RMB449.2 million in 2024, while the gross profit margin also remained relatively stable at 36.6% in 2023 and 37.3% in 2024, respectively.

Smart IoT

The gross profit for this product line declined by 23.3% from RMB96.6 million in 2023 to RMB74.1 million in 2024. The gross profit margin decreased from 30.8% in 2023 to 26.7% in 2024. This decline was a direct consequence of the intensified market competition as we adopted strategic price concessions to drive volume and ensure market share.

Smart Mobility

The gross profit for this product line achieved strong growth, increasing by 36.4%, from RMB83.0 million in 2023 to RMB113.2 million in 2024. This increase was driven by the 26.1% increase in revenue as the product lines gained penetration in the new energy vehicle market. The gross profit margin increased from 44.1% in 2023 to 47.7% in 2024. This positive movement was supported by robust demand in the electric vehicle market and the high technological barriers of automotive-grade chips.

FINANCIAL INFORMATION

Others

Our gross profit from the others segment decreased from RMB60.4 million in 2023 to RMB30.1 million in 2024, and our gross profit margin for this segment decreased from 59.2% to 42.5% over the same period, primarily due to shifts in the mix of customized technical solutions and ancillary services provided.

Other Income and Gains, Net

Our other income and gains increased by 40.6% from RMB82.6 million in 2023 to RMB116.1 million in 2024. This was primarily driven by a significant increase in VAT additional deduction, which rose from RMB9.6 million in 2023 to RMB31.6 million in 2024.

Selling Expenses

Our selling expenses increased by 30.4% from RMB20.9 million in 2023 to RMB27.3 million in 2024. The increase was primarily due to a RMB4.9 million rise in employee benefit expenses, driven by the expansion of after-sales support department in a subsidiary and company-wide salary adjustments.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB128.4 million in 2023 and RMB126.4 million in 2024.

Research and Development Expenses

Our R&D expenses increased by 4.5% from RMB334.8 million in 2023 to RMB349.9 million in 2024, reflecting our sustained strategic focus on technological innovation and new product development.

Finance Costs

Our finance costs decreased by 10.0% from RMB33.1 million in 2023 to RMB29.8 million in 2024. This was primarily due to lower interest on bank borrowings resulting from our decreased bank borrowings and declined prevailing marketing interest rate.

Income Tax Credit

Our income tax credit increased from RMB5.3 million in 2023 to RMB7.8 million in 2024. The income tax credit in both years was primarily a result of increased additional deduction on research and development costs.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 8.1% from RMB252.4 million in 2023 to RMB232.0 million in 2024. Our net profit margin decreased from 13.8% in 2023 to 13.0% in 2024.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of dates indicated, which has been extracted from our audited consolidated financial statements included in Appendix I to this document.

FINANCIAL INFORMATION

	As of December 31,		
	2023	2024	2025
	<i>RMB in thousands</i>		
Total current assets	2,686,192	2,967,837	3,223,902
Total non-current assets	991,146	914,073	923,857
Total assets	3,677,338	3,881,910	4,147,759
Total current liabilities	317,026	327,816	446,684
Total non-current liabilities	576,107	582,296	602,047
Total liabilities	893,133	910,112	1,048,731
Net current assets	2,369,166	2,640,021	2,777,218
Net assets	2,784,205	2,971,798	3,099,028
Share capital	230,587	231,807	232,533
Treasury shares	—	(70,624)	(70,624)
Reserves	2,315,037	2,597,855	2,749,131
Non-controlling interests	238,581	212,760	187,988
Total Equity	2,784,205	2,971,798	3,099,028

Current Assets and Current Liabilities

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	February 28,
	<i>RMB in thousands</i>			2026
				<i>(unaudited)</i>
Current assets				
Inventories	353,061	485,657	439,030	568,340
Trade and bills receivables	460,133	532,593	476,396	368,796
Prepayments, other receivables and other assets	69,490	102,606	147,846	124,044
Investments measured at fair value through profit or loss	120,854	100,338	—	330,000
Derivative financial assets	—	265	—	—
Pledged deposits	—	—	58,596	47,933
Cash and bank balances	1,682,654	1,746,378	2,102,034	1,793,958
Total current assets	2,686,192	2,967,837	3,223,902	3,233,071
Current liabilities				
Trade and bills payables	90,215	112,162	158,309	175,910
Contract liabilities	19,628	30,132	57,969	48,889
Other payables and accruals	84,890	90,346	110,157	75,809
Derivative financial liabilities	918	—	—	—
Interest-bearing bank borrowings	108,160	85,840	106,387	86,932
Convertible bonds	2,354	3,529	4,705	6,579
Lease liabilities	7,141	5,637	5,552	5,418
Tax payable	3,720	170	3,605	3,381
Total current liabilities	317,026	327,816	446,684	402,918
Net current assets	2,369,166	2,640,021	2,777,218	2,830,153

FINANCIAL INFORMATION

Our net current assets increased from RMB2,369.2 million as of December 31, 2023 to RMB2,640.0 million as of December 31, 2024, then remained relatively stable at RMB2,777.2 million as of December 31, 2025, and further increased to RMB2,830.2 million as of February 28, 2026. The overall increase during the Track Record Period was primarily attributable to the growth in cash and bank balances generated from our operating activities, which primarily reflected our strong liquidity position and conservative cash management strategy.

Our net current assets remained relatively stable at RMB2,640.0 million as of December 31, 2024 to RMB2,777.2 million as of December 31, 2025. Our total current assets increased from RMB2,967.8 million as of December 31, 2024 to RMB3,223.9 million as of December 31, 2025, primarily due to: (i) the increase in cash and bank balances of RMB355.7 million; (ii) the recognition of pledged deposits of RMB58.6 million; and partially offset by (iii) the decrease in trade and bills receivables of RMB56.2 million.

Our net current assets increased by 11.4% from RMB2,369.2 million as of December 31, 2023 to RMB2,640.0 million as of December 31, 2024, primarily due to the increase in our total current assets, which outweighed the increase in our total current liabilities. Our total current assets increased from RMB2,686.2 million as of December 31, 2023 to RMB2,967.8 million as of December 31, 2024, primarily due to: (i) the increase in inventories of RMB132.6 million; (ii) the increase in trade and bills receivables of RMB72.5 million; and (iii) the increase in cash and bank balances of RMB63.7 million.

SELECTED BALANCE SHEET ITEMS

Inventories

Our inventories consisted of raw materials, work-in-progress goods, and finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB in thousands</i>		
Raw materials	152,869	201,538	157,905
Work in progress	98,131	83,947	172,162
Finished goods	115,687	209,835	115,438
Less: provision for impairment	(13,626)	(9,663)	(6,475)
Total	<u>353,061</u>	<u>485,657</u>	<u>439,030</u>

Our inventories decreased by 9.6% from RMB485.7 million as of December 31, 2024 and RMB439.0 million as of December 31, 2025, primarily due to decrease in finished goods and raw materials, reflecting high consumption to meet customer demand and the ramp-up of our production activities in the second half of 2025. Such production ramp-up also resulted in a corresponding increase in our work-in-progress as of December 31, 2025.

Our inventories increased by 37.6% from RMB353.1 million as of December 31, 2023 to RMB485.7 million as of December 31, 2024, primarily due to an increase in raw materials and finished goods in anticipation of increasing sales and new product launches in second half of 2024. This growth was primarily attributable to the low pricing environment for our major procurement raw material, Known Good Die (KGD), which enabled our Group to strategically pre-stock certain long-term used models.

The table below sets forth an aging analysis for our inventories, net of provision for impairment as of the dates indicated.

FINANCIAL INFORMATION

	As of December 31,		
	2023	2024	2025
	<i>RMB in thousands</i>		
Within 1 year	326,048	445,564	398,585
1 to 2 years	11,867	26,236	31,035
Over 2 years	15,146	13,857	9,410
Total	<u>353,061</u>	<u>485,657</u>	<u>439,030</u>

Our provision for impairment of inventories amounted to RMB12.2 million, RMB4.5 million, and RMB3.4 million as of December 31, 2023, 2024 and 2025, respectively. We adhere to a prudent principle in assessing inventory impairment by making full provisions for raw materials with slowed utilization rates and finished goods with sales performance below our initial expectations. We periodically assess the net realizable value of our inventories and provide for inventory impairment based on the difference between the cost of the inventories and the net realizable value. When estimating the net realizable value of inventories, our management considers the purpose for which the inventories are held, as well as future use or sales as the basis for estimation. Where the expectation is different from the original estimate, such difference will impact on the carrying value of the inventories and write-down of inventories in the period in which such estimates have been changed. We believe that we have made sufficient provision for inventory impairment during the Track Record Period.

We believe maintaining appropriate levels of inventories dynamically helps us fully address our customers’ demand and achieve customer satisfaction without adversely affecting our liquidity. We have in place a set of policies and procedures to manage our inventories. For details, see “Business — Manufacturing and Procurement” and “Business — Inventory Management.”

The following table sets forth the average inventory turnover days for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Average inventory turnover days ⁽¹⁾	138	136	157

(1) Average inventory turnover days for each period equals the average of the beginning and ending balances of inventory for that period divided by cost of sales for that period and multiplied by 365 days for 2023, 2024 and 2025.

Our average inventory turnover days were 138 days and 136 days in 2023 and 2024, respectively, which we consider relatively stable. Our average inventory turnover days slightly increased to 157 days in 2025, primarily attributable to our strategic pre-stocking of KGD for certain long-term used models, which was facilitated by the prevailing low pricing of these principal raw materials in 2024.

As of February 28, 2026, RMB170.8 million, or 38.9% of our total inventories as of December 31, 2025 were subsequently utilized or sold.

FINANCIAL INFORMATION

Trade and Bills Receivables

Our trade and bills receivables represent outstanding amount due from our customers for sales of products or provision of services in the ordinary course of business. 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
	<i>RMB in thousands</i>		
Trade Receivables	443,068	477,657	426,089
Bills Receivables	22,327	60,242	54,806
Less: Impairment losses	(5,262)	(5,306)	(4,499)
Total	460,133	532,593	476,396

Our trade and bills receivables decreased by 10.6% from RMB532.6 million as of December 31, 2024, to RMB476.4 million as of December 31, 2025, which was generally in line with the trend of revenue decrease.

Our trade and bills receivables increased by 15.7% from RMB460.1 million as of December 31, 2023 to RMB532.6 million as of December 31, 2024. This increase was principally due to (i) slower collection from a new major customer, attributable to the use of a supply chain financial instrument under the payment terms, where cash settlement occurred only upon maturity, and our accounting policy of continuing to recognize the receivables until actual cash receipt. The outstanding balance as at 31 December 2024 was subsequently fully settled by April 2025; and (ii) an increase in bank acceptance bills held by our Group, both of which contributed to the higher year-end balance.

The following table sets forth an aging analysis of our trade and bills receivables, based on invoice date information and net of loss allowance, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB in thousands</i>		
Within one year	460,126	532,583	476,384
– 0-6 months	459,884	524,489	476,384
– 6-12 months	242	8,094	–
Over one year	7	10	12
Total	460,133	532,593	476,396

The following table sets forth the number of turnover days for our trade and bills receivables for the period indicated:

	Years ended December 31,		
	2023	2024	2025
Average trade and bills receivables turnover days ⁽¹⁾	79	101	109

(1) Average trade and bills receivables turnover days equal the average of the opening and closing balances of net trade and bills receivables of the year indicated divided by the revenue of the same year and multiplied by 365 days for 2023, 2024 and 2025.

FINANCIAL INFORMATION

Our trade and bills receivables turnover days increased from 79 days in 2023 to 101 days in 2024. This trend was primarily due to (i) a slower collection from a new major customer; and (ii) increased bills receivable balance attributed to a rise in our bank acceptance bills.

As of February 28, 2026, RMB386.9 million, or 80.5%, of our trade and bills receivables as of December 31, 2025 had been subsequently settled.

Investments measured at fair value through profit or loss

Our investments measured at fair value through profit or loss primarily include structured deposits and debt investments.

Our investments measured at fair value through profit or loss slightly decreased from RMB188.0 million as of December 31, 2024 to RMB175.0 million as of December 31, 2025.

Our investments measured at fair value through profit or loss increased slightly from RMB178.4 million as of December 31, 2023 to RMB188.0 million as of December 31, 2024.

We have established a formal investment management policy governing our investments measured at fair value through profit or loss. Such investments primarily comprise equity investments, entrusted wealth management products, entrusted loans, and investments in tradable or available-for-sale financial assets. Our investment strategy is aligned with our long-term development objectives and aims to enhance sustainable growth and shareholder value.

Our internal control framework incorporates a tiered approval mechanism based on the materiality of the proposed investment. Depending on the relevant threshold, investment proposals require approval from our general manager, our Board, or our shareholders in general meeting. Our Board is responsible for reviewing major investment initiatives, while designated functional departments conduct feasibility studies, due diligence, and post-investment monitoring. For significant investments, we engage independent auditors or valuers to ensure proper risk assessment.

In terms of management expertise, we rely on the collective experience of our relevant departments, each performing clearly defined roles to ensure disciplined execution and effective risk management throughout the investment process. Our Board is involved in approving investments that meet or exceed prescribed thresholds based on asset value, revenue, net profit, or transaction amount. Transactions above certain higher thresholds additionally require shareholder approval. Following our [REDACTED], all such investments will comply with the notifiable transaction requirements under Chapter 14 of the Hong Kong Listing Rules.

Trade and Bills Payables

Trade and bills payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. The following table sets a breakdown of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB in thousands</i>		
Trade payables	90,215	112,162	113,271
Bills payables	—	—	45,038
Total	<u>90,215</u>	<u>112,162</u>	<u>158,309</u>

FINANCIAL INFORMATION

Our trade and bills payables increased by 41.1% from RMB112.2 million as of December 31, 2024 to RMB158.3 million as of December 31, 2025. This fluctuation was primarily due to the timing of settlement of major outstanding balances and the normal cyclical variations in our procurement volume during 2025. It also reflected the introduction of bills payables of RMB45.0 million as an alternative settlement method for a portion of our obligations.

Our trade and bills payables increased from RMB90.2 million as of December 31, 2023 to RMB112.2 million as of December 31, 2024. This increase was primarily attributable to the extended credit periods granted to us by our major suppliers.

The following table sets forth an aging analysis of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB in thousands</i>		
Within 1 year	88,557	109,092	153,522
1 to 2 years	1,658	1,412	4,036
2 to 3 years	–	1,658	–
Over 3 years.	–	–	751
Total	<u>90,215</u>	<u>112,162</u>	<u>158,309</u>

The following table sets forth the number of turnover days for our trade and bills payables for the period indicated:

	As of December 31,		
	2023	2024	2025
Average trade and bills payables turnover days ⁽¹⁾	27	33	46

(1) Trade and bills payables turnover days is calculated as the average of the beginning and ending balances of trade and bills payables for that period, divided by cost of sales for the corresponding period, and then multiplied by 365 days for 2023, 2024 and 2025.

Our average trade and bills payables turnover days increased from 27 days in 2023 to 33 days in 2024, and further increased to 46 days in 2025. This increase trend was primarily attributable to the timing and volume of procurement from suppliers during the year.

As of February 28, 2026, RMB110.3 million, or 69.7%, of our trade and bills payables as of December 31, 2025 had been subsequently settled.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our capital expenditure and working capital requirements primarily through cash generated from operating activities and bank loans. As of December 31, 2023, 2024 and 2025, we had cash and bank balances of approximately RMB1,682.7 million, RMB1,746.4 million and RMB2,102.0 million, respectively.

As of February 28, 2026, we had committed unutilized banking facilities of RMB106.0 million.

FINANCIAL INFORMATION

Going forward, we anticipate that our operating cash flows, available bank borrowings, and the [REDACTED] from the [REDACTED] will collectively fulfill our working capital, capital expenditures, and liquidity needs. Our capacity to meet financial commitments will hinge on our operational performance and cash flow generation, which are influenced by economic conditions and various external factors. Should our current funds prove inadequate, we will consider securing additional credit or engaging in equity financing.

Working Capital Sufficiency

Our Directors are of the view that, taking into account our available resources including cash and bank balances on hand and bank borrowings, we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

Cash Flows

The following table sets forth selected cash flow statement information for the period indicated:

	Years ended December 31,		
	2023	2024	2025
	<i>RMB in thousands</i>		
Net cash flows from operating activities .	453,202	283,566	444,054
Net cash flows used in investing activities	(39,125)	(112,935)	(75,368)
Net cash flows from/(used in) financing activities	(51,976)	(106,282)	8,610
Net increase/(decrease) in cash and cash equivalents	362,101	64,349	377,296
Cash and cash equivalents at beginning of the period	1,316,680	1,682,654	1,746,378
Cash and cash equivalents at end of the period	1,682,654	1,746,378	2,102,034

Net Cash Flows from Operating Activities

In 2025, we had net cash flows from operating activities of RMB444.1 million. This consisted of our profit before tax of RMB115.1 million, adjusted for non-cash items mainly including (i) amortization of other intangible assets of RMB99.8 million and (ii) depreciation of property, plant and equipment of RMB63.5 million. The amount was further affected by changes in working capital, which primarily included (i) a decrease in trade and bills receivables of RMB55.5 million, (ii) a decrease in inventories of RMB43.3 million, and (iii) an increase in trade and bills payables of RMB46.1 million.

In 2024, we had net cash flows from operating activities of RMB283.6 million. This primarily consisted of our profit before tax of RMB224.2 million, adjusted for non-cash items mainly including (i) depreciation and amortization expenses of RMB169.2 million and (ii) share-based payment expenses of RMB8.6 million. The amount was significantly offset by cash used in working capital, which included an increase in inventories of RMB137.1 million.

In 2023, we had net cash flows from operating activities of RMB453.2 million. This primarily consisted of our profit before tax of RMB247.1 million, adjusted for non-cash items mainly including (i) depreciation and amortization expenses of RMB161.4 million and (ii) impairment of

FINANCIAL INFORMATION

inventories of RMB12.2 million. The amount was further affected by changes in working capital, including (i) a decrease in inventories of RMB139.0 million, which was partially offset by (ii) an increase in trade and bills receivables of RMB149.7 million.

Net Cash Flows Used in Investing Activities

In 2025, we had net cash used in investing activities of RMB75.4 million. This primarily consisted of (i) purchases of investments measured at FVTPL at RMB739.0 million, (ii) RMB42.0 million purchase of items of property, plant, and equipment, and (iii) RMB27.1 million purchase of shares in associates. These outflows were partially offset by RMB750.1 million used in proceeds from disposal of investments measured at FVTPL.

In 2024, we had net cash used in investing activities of RMB112.9 million. This was primarily driven by cash outflows for (i) purchases of financial assets at FVTPL of RMB876.5 million and (ii) purchases of items of property, plant and equipment of RMB79.6 million. These outflows were largely offset by proceeds from the maturity of financial assets at FVTPL of RMB873.9 million.

In 2023, we had net cash used in investing activities of RMB39.1 million. The net cash outflow resulted from (i) purchases of financial assets at FVTPL of RMB300.0 million and (ii) purchases of items of property, plant and equipment of RMB74.1 million. These outflows were substantially offset by proceeds from the maturity of financial assets at FVTPL of RMB395.4 million.

Net Cash Flows from/(Used in) Financing Activities

In 2025, we had net cash flows from financing activities of RMB8.6 million. This was primarily driven by cash outflows for (i) proceeds from the issuance of shares of RMB46.4 million and (ii) new bank loans of RMB157.6 million. These inflows were substantially offset by cash outflows used in (i) repayment of bank loans of RMB135.5 million, (ii) dividends paid to shareholders of RMB27.6 million, and (iii) payment of [REDACTED] of RMB[REDACTED].

In 2024, we had net cash used in financing activities of RMB106.3 million. This was primarily driven by cash outflows for (i) repayment of bank loans of RMB198.1 million and (ii) the repurchase of treasury shares of RMB70.6 million. These were partially offset by cash inflows from (i) new bank loans of RMB174.3 million and (ii) proceeds from the issue of shares of RMB32.0 million.

In 2023, we had net cash used in financing activities of RMB52.0 million. This resulted from cash outflows for (i) the repayment of bank loans of RMB145.7 million and (ii) dividends paid of RMB41.4 million. These outflows were largely offset by cash inflows from (i) new bank loans of RMB115.6 million and (ii) proceeds from the issue of shares of RMB36.5 million.

INDEBTEDNESS

The table below sets forth the breakdowns of our indebtedness as of the dates indicated:

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB in thousands			(unaudited)
Current				
Interest-bearing bank and other borrowings	108,160	85,840	106,387	86,932

FINANCIAL INFORMATION

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	<i>RMB in thousands</i>			<i>(unaudited)</i>
Convertible bonds	2,354	3,529	4,705	6,579
Lease liabilities	7,141	5,637	5,552	5,418
Non-current				
Convertible bonds	518,609	538,758	557,028	555,154
Lease liabilities	7,596	2,180	7,940	6,596
Total	643,860	635,944	681,612	660,679

Interest-Bearing Bank and Other Borrowings

Our interest-bearing bank and other borrowings consist of bank loans and endorsed bills that have not matured.

We had interest-bearing bank and other borrowings of RMB108.2 million, RMB85.8 million and RMB106.4 million as of December 31, 2023, 2024 and 2025, primarily related to finance our working capital. For details, see note 31 to “Appendix I — Accountants’ Report.”

Convertible Bonds

The balance of our convertible bonds (comprising both current and non-current portions) increased during the Track Record Period, rising from RMB521.0 million as of December 31, 2023 to RMB561.7 million as of December 31, 2025. The persistent increase in the carrying value of the convertible bonds is primarily attributable to the amortization of the interest adjustment component related to the bond’s liability element. As a compound financial instrument, the bond’s liability element is systematically amortized over the life of the bond. This amortization process corresponds to an increase in the recorded carrying value of the bond liability on our statement of financial position. There is an inherent risk that the bonds may not be fully converted into equity upon maturity, which would require us to use cash resources for settlement. We believe that we maintain sufficient monetary funds and a robust liquidity position, which is expected to cover this potential cash settlement obligation.

Lease Liabilities

Our lease liabilities (comprising both current and non-current portions) primarily relate to the leasing of office premises used for business operations. The total lease liabilities consistently decreased throughout the Track Record Period, which amounted to RMB14.7 million as of December 31, 2023, RMB7.8 million as of December 31, 2024, and RMB13.5 million as of December 31, 2025. This sustained reduction was mainly driven by the regular scheduled repayment of principal on the lease obligations and the amortization of the related right-of-use assets.

Except as disclosed above, as of Latest Practicable Date, we did not have any material mortgages, charges, debentures, loan capital issued and outstanding or agreed to be issued, debt securities, loans, bank overdrafts or other indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees. Our Directors have confirmed that there has been no material change in our indebtedness from December 31, 2025 to the Latest Practicable Date.

FINANCIAL INFORMATION

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, we did not have any material contingent liabilities.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

During the Track Record Period, our capital expenditures were primarily for the acquisition of (i) property, plant and equipment, such as machinery and electronic devices, and (ii) intangible assets, such as non-patent technology and software. All research and development expenses were charged to profit or loss as incurred and were not capitalized.

Our total capital expenditures were RMB124.2 million, RMB85.5 million and RMB59.8 million in 2023, 2024 and 2025, respectively. The fluctuations in capital expenditure reflect our ongoing investments in equipment and technology to support our business operations and growth.

Capital Commitments

As of December 31, 2023, 2024 and 2025, we did not have any significant capital commitments.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the period/as of the date indicated:

	As of/Year ended December 31,		
	2023	2024	2025
Gross profit margin ⁽¹⁾	37.6%	37.2%	36.6%
Current ratio ⁽²⁾	8.47	9.05	7.22
Gearing ratio ⁽³⁾	23.1%	21.4%	22.0%

(1) Gross profit margin is calculated as gross profit for the period divided by revenue for the corresponding period and multiplied by 100%.

(2) Current ratio is calculated as current assets divided by current liabilities as of the end of the relevant period.

(3) Gearing ratio is calculated as total debts, comprising borrowings, convertible bonds and lease liabilities, divided by total equity as of the end of the relevant period.

Current ratio

We maintained a strong and consistently high current ratio, which amounted to 8.47 times as of December 31, 2023, 9.05 times as of December 31, 2024, and 7.22 times as of December 31, 2025. This demonstrates our strong ability to maintain ample short-term liquidity and financial flexibility. This strength is primarily due to our consistent strategy of holding a substantial portion of our operating cash in highly liquid current assets.

Gearing ratio

Our gearing ratio remained at a consistently healthy and low level throughout the Track Record Period, stabilizing between 21.4% and 23.1%. This ratio slightly decreased from 23.1% as of December 31, 2023 to 21.4% as of December 31, 2024, indicating a modest decrease in financial leverage and strengthening of the capital structure relative to the growth in equity. Our gearing ratio then remained relatively stable at 22.0% as of December 31, 2025.

FINANCIAL INFORMATION

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

FINANCIAL RISK DISCLOSURE

The main risks arising from our financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. See note 43 to “Appendix I — Accountants’ Report.”

Interest rate risk

At the end of each of the Track Record Periods, we had no significant interest risk as we did not have long-term debt obligations with a floating interest rate.

Foreign Exchange Risk

We have transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units’ functional currencies.

We are primarily exposed to changes in RMB/USD exchange rates. We use derivative financial instruments, such as currency swap contracts, to manage our foreign currency risk.

Credit Risk

Credit risk refers to the risk that our counterparties may default on their contractual obligations, resulting in financial losses. Our maximum exposure to credit risk that will cause a financial loss to the us due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognized assets as stated in the consolidated statements of financial position.

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Liquidity Risk

Liquidity risk is the risk that we may encounter difficulty in meeting our financial obligations. We monitor and maintain a level of cash and cash equivalents that management deems adequate to finance our operations and mitigate the effects of cash flow fluctuations. We aim to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings.

DIVIDEND POLICY

In 2023, 2024 and 2025, we declared and paid final dividends in respect of the previous year of RMB41.4 million, RMB27.4 million and RMB27.6 million, respectively. Subject to 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 pursuant to our dividend policy under the Articles of Association, if we record profit and positive accumulated undistributed profits for a given year, we will distribute no less than 10% of the distributable profits realized in that year (calculated based on the lower of the distributable profits in the consolidated financial statements or the parent company’ financial statements), except for under special circumstances as stipulated in our Articles of Association. Our future profit

FINANCIAL INFORMATION

distributions may be carried out in the form of cash dividends or stock dividends or a combination of both. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders’ meetings as well as our Articles of Association and the relevant PRC laws.

We do not have a fixed dividend distribution ratio. Our Board may recommend dividend distributions after considering factors such as industry characteristics, stage of development, business model, profitability, debt repayment capacity, significant capital expenditure plans, investor returns, and any other matters deemed relevant. Subject to applicable PRC laws and regulations and in accordance with our Articles of Association, provided the conditions for cash dividend distribution are satisfied, we shall distribute not less than 10% of the lower of distributable profits between the consolidated financial statements and the parent company for the relevant fiscal year as cash dividends annually.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had RMB1,873.5 million in distributable reserves, available for distribution to our shareholders.

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 required under Rules 13.13 to 13.19 of the Listing Rules upon the [REDACTED] of the H Shares on the Stock Exchange.

RELATED PARTY TRANSACTIONS

Related party transactions are set out in note 40 to “Appendix I — Accountants’ Report.” Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and at arm’s length basis. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

[REDACTED]

FINANCIAL INFORMATION

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to the owners of our Company has been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the [REDACTED] on the consolidated net tangible assets attributable to owners of our Company as of December 31, 2025 as if the [REDACTED] had taken place on December 31, 2025.

The unaudited [REDACTED] adjusted consolidated net tangible assets attributable to owners of our Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as of December 31, 2025 or any future date following the [REDACTED]. See “Appendix IIA — Unaudited [REDACTED] Financial Information” to this document for more detail.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

For a detailed description of our future plans, see “Business — Our Strategies.”

[REDACTED]

We estimate that the [REDACTED] from the [REDACTED] will be approximately [REDACTED], assuming an [REDACTED] of [REDACTED] per Share, being the mid-point of the [REDACTED] of [REDACTED] per Share to [REDACTED] per Share, after deducting [REDACTED] and estimated [REDACTED] expenses paid and payable by us in the [REDACTED], taking into account any additional discretionary incentive fee.

We intend to use the [REDACTED] from the [REDACTED] for the following purposes:

	From January 1, 2026 to December 31, 2026	From January 1, 2027 to December 31, 2027	From January 1, 2028 to December 31, 2028	After January 1, 2028	Total	Approximate Percentage of the Total
					(HK\$ million)	
1. Expand R&D platform and enhance R&D capabilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2. Expand product lines and enrich downstream applications	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
3. Improve our domestic and overseas sales and technical support network	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
4. Strategic investments and/or M&A to achieve our long-term expansion strategy	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
5. Working capital and general purposes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

- Approximately [REDACTED]%, or [REDACTED], will be used for the expansion of our R&D team and capabilities in the next three years, of which:
 - Approximately [REDACTED]%, or [REDACTED], will be used for personnel recruitment which will primarily cover salaries and benefits for new hires, aiming at expanding our R&D team with experienced cross-disciplinary talent. Our recruitment plans include:
 - [one to three] senior technical managers to lead key R&D projects;
 - [20 to 25] AI engineers and researchers focusing on the creation and optimization of AI algorithms;
 - [five to ten] members of IC design process team. We plan to establish a design process team to optimize chip design and improve manufacturing yield through advanced process integration, thereby lowering our manufacturing costs and enhancing product quality;

FUTURE PLANS AND [REDACTED]

- [15 to 25] chip R&D engineers. We plan to recruit chip R&D engineers to support chip R&D process, thereby enhancing our core design capabilities and ensuring our overall product development;
- [two to five] members of computer-aided design team. We plan to form a dedicated computer-aided design team to implement advanced electronic design automation tools, enhance design efficiency, and streamline the chip development workflows; and
- [45 to 55] members of software development team. We plan to expand our software development team to improve operating system support, customization, and optimization of IC application software.
- Approximately [REDACTED]%, or [REDACTED] will be used to provide performance-based incentives for our employees, ensuring the stability and continuity of our business and particularly, our technical expertise.
- Approximately [REDACTED]%, or [REDACTED], will be allocated to the upgrade of our R&D infrastructure to support our expanding R&D activities. Among this amount:
 - Approximately [REDACTED] will be used to purchase advanced equipment, including simulation acceleration tools, chip verification and testing instruments, and for leasing servers for AI training;
 - Approximately [REDACTED] will be used to acquire EDA tools and other software licenses to facilitate our daily operations after the expansion of our working personnel; and
 - Approximately [REDACTED] will be allocated to purchase essential electronic components like PCBs for prototype design and engineering samples in chip testing. These upgrades should greatly improve our R&D efficiency and technology.
- Approximately [REDACTED]%, or [REDACTED], will be allocated to expanding our product portfolio and enriching applications in the next three years, of which:
 - Approximately [REDACTED]%, or [REDACTED], will be allocated to smart video segment. Specifically, approximately [REDACTED] will be used to support research, development, and tape-out of edge AI chips with mid-to-high computing power, as well as the engineering cost and procurement or licensing of key IP modules in relation to the edge AI chips; approximately [REDACTED] will be used to expand product lines, such as NVR SoCs and other related solutions, to address market demand for intelligent video applications;
 - Approximately [REDACTED]%, or [REDACTED], will be allocated to the smart IoT segment. Specifically, approximately [REDACTED] will go towards developing platform-based vision intelligence terminal chips and supporting their software and hardware ecosystem; [REDACTED] will be allocated for AI wearable visual chips for products such as action cameras; and [REDACTED] will support smart IoT IPC SoC chip development to boost integration and market presence in security and smart home applications; and

FUTURE PLANS AND [REDACTED]

- Approximately [REDACTED]%, or [REDACTED], will be allocated to the smart mobility segment, with an emphasis on R&D as well as the commercialization of new automotive-grade ISP chips. The funds will support progress toward functional safety certification and automotive-grade product registration, positioning us to capitalize on opportunities in the rapidly growing smart vehicle market and further enhance our technological capabilities and competitive standing in the automotive vision processing market.
- Approximately [REDACTED]%, or [REDACTED], will be used to expand our domestic and overseas marketing and technical support in the next three years starting with Southeast Asia. These funds will help set up R&D and marketing centers abroad and improve regional technical services to drive global growth.

Our strategy includes setting up overseas R&D and marketing centers, expanding localized technical support teams, and launching targeted promotional initiatives, including but not limited to international advertising campaigns and participation in major industry exhibitions, to enhance our global visibility and brand recognition. We plan to expand our marketing center in Singapore to cover Southeast Asia and Taiwan in 2026, followed with, establishing a marketing center in Japan or Korea to cover East Asia in 2027, and a marketing center in Latin America to cover North and South America 2028.

In addition, we intend to recruit experienced professionals with international backgrounds and overseas market expertise to broaden our sales network coverage, improve sales and marketing efficiency, and strengthen our relationships with major global customers. These initiatives are expected to further reinforce our global presence and customer engagement capabilities.

- Approximately [REDACTED]%, or [REDACTED], will be allocated for strategic investments and acquisitions over the next three to five years, targeting core video, audio, and transmission technologies that complement our existing portfolio. These funds may support further investment in current portfolio companies or the acquisition of assets or businesses with synergistic technologies, intellectual property, products, or solutions relevant to emerging applications. These actions aim to create synergies in technology, intellectual property, product integration, supply chain, customer base, and sustainable growth, reinforcing our position in intelligent vision technology.

According to Frost & Sullivan, it is estimated that there are over 50 available targets in the markets.

As of the Latest Practicable Date, we have not identified any specific acquisition or investment targets. Any potential opportunities will be carefully evaluated and pursued in an orderly manner, taking into account market conditions, technological alignment, and potential investment returns.

- Approximately [REDACTED]%, or [REDACTED], will be used for working capital and general corporate purposes.

In the event that the [REDACTED] is set at the [REDACTED] or the [REDACTED] of the indicative [REDACTED], the [REDACTED] of the [REDACTED] will increase or decrease by approximately [REDACTED], respectively.

FUTURE PLANS AND [REDACTED]

The additional [REDACTED] that we would receive if the [REDACTED] is exercised in full would be (i) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the [REDACTED]), (ii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the mid-point of the [REDACTED]) and (iii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the [REDACTED]).

To the extent that the [REDACTED] from the [REDACTED] (including the [REDACTED] from the exercise of the [REDACTED]) are either more or less than expected, we may adjust our allocation of the [REDACTED] for the above purposes on a pro rata basis.

To the extent that the [REDACTED] from the [REDACTED] are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we will only deposit such funds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdictions) for so long as it is deemed to be in the best interests of our Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report received from the Company’s reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in the document.

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI FULLHAN MICROELECTRONICS CO., LTD. AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Shanghai Fullhan Microelectronics Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-70, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-70 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the initial [REDACTED] of the 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 2.1 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.

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 the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 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.

APPENDIX I

ACCOUNTANTS’ REPORT

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 financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange 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 I-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Certified Public Accountants
Hong Kong

[date]

APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young 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

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
REVENUE	5	1,822,382	1,790,007	1,688,230
Cost of sales		(1,136,711)	(1,123,382)	(1,070,902)
Gross profit		685,671	666,625	617,328
Other income and gains	5	82,570	116,053	95,976
Selling expenses		(20,943)	(27,318)	(48,058)
Administrative expenses		(128,430)	(126,409)	(138,090)
Research and development expenses . . .		(334,815)	(349,898)	(351,419)
(Impairment losses)/reversal of impairment losses on financial assets, net		(1,095)	(228)	739
Other expenses		(1,306)	(23,006)	(26,484)
Finance costs	7	(33,149)	(29,830)	(31,343)
Share of loss of associates	17	(1,429)	(1,794)	(3,522)
PROFIT BEFORE TAX	6	247,074	224,195	115,127
Income tax credit	10	5,293	7,765	5,213
PROFIT FOR THE YEAR		252,367	231,960	120,340
Attributable to:				
Owners of the parent		252,492	257,650	144,952
Non-controlling interests		(125)	(25,690)	(24,612)
		252,367	231,960	120,340
EARNINGS PER SHARE				
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic earnings per share (RMB)	12	1.10	1.12	0.63
Diluted earnings per share (RMB)	12	1.10	1.12	0.63

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
PROFIT FOR THE YEAR	<u>252,367</u>	<u>231,960</u>	<u>120,340</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	<u>—</u>	<u>(19)</u>	<u>(327)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates	<u>—</u>	<u>—</u>	<u>(1)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>—</u>	<u>(19)</u>	<u>(328)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>252,367</u>	<u>231,941</u>	<u>120,012</u>
Attributable to:			
Owners of the parent	252,492	257,640	144,784
Non-controlling interests	<u>(125)</u>	<u>(25,699)</u>	<u>(24,772)</u>
	<u>252,367</u>	<u>231,941</u>	<u>120,012</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	255,443	250,081	230,998
Right-of-use assets	14	12,648	6,495	13,386
Goodwill	15	271,837	250,653	250,653
Other intangible assets	16	334,582	256,216	166,643
Investments in associates	17	40,103	44,059	67,427
Deferred tax assets	19	—	1,122	2,295
Investments measured at fair value				
through profit or loss	24	57,544	87,615	175,001
Equity investments designated at fair value through other comprehensive income	20	188	188	188
Prepayments, other receivables and other assets	23	18,801	17,644	17,266
Total non-current assets		991,146	914,073	923,857
CURRENT ASSETS				
Inventories	21	353,061	485,657	439,030
Trade and bills receivables	22	460,133	532,593	476,396
Prepayments, other receivables and other assets	23	69,490	102,606	147,846
Investments measured at fair value				
through profit or loss	24	120,854	100,338	—
Derivative financial instruments	30	—	265	—
Pledged deposits		—	—	58,596
Cash and bank balances	25	1,682,654	1,746,378	2,102,034
Total current assets		2,686,192	2,967,837	3,223,902
CURRENT LIABILITIES				
Trade and bills payables	26	90,215	112,162	158,309
Contract liabilities	28	19,628	30,132	57,969
Other payables and accruals	27	84,890	90,346	110,157
Derivative financial instruments	30	918	—	—
Interest-bearing bank and other borrowings	31	108,160	85,840	106,387
Convertible bonds	29	2,354	3,529	4,705
Lease liabilities	14	7,141	5,637	5,552
Tax payable		3,720	170	3,605
Total current liabilities		317,026	327,816	446,684
NET CURRENT ASSETS		2,369,166	2,640,021	2,777,218
TOTAL ASSETS LESS				
CURRENT LIABILITIES		3,360,312	3,554,094	3,701,075
NON-CURRENT LIABILITIES				
Lease liabilities	14	7,596	2,180	7,940
Convertible bonds	29	518,609	538,758	557,028
Deferred tax liabilities	19	44,977	34,793	26,037
Deferred income	32	4,925	6,565	11,042

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current liabilities		576,107	582,296	602,047
Net assets		2,784,205	2,971,798	3,099,028
EQUITY				
Equity attributable to owners				
of the parent				
Share capital	33	230,587	231,807	232,533
Treasury shares	33	–	(70,624)	(70,624)
Reserves	35	2,315,037	2,597,855	2,749,131
		2,545,624	2,759,038	2,911,040
Non-controlling interests		238,581	212,760	187,988
Total equity		2,784,205	2,971,798	3,099,028

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent											Non-controlling interests	Total equity
	Share capital	Share premium*	Other equity instruments*	Treasury shares	Exchange fluctuation reserve*	Statutory reserves*	Retained profits*	Share based payment reserve*	Other reserve*	Total			
											RMB'000 Note 33		
As at 1 January 2023	229,622	451,950	92,355	–	1,409	102,695	1,247,186	140,551	4,343	2,270,111	238,706	2,508,817	
Profit for the year	–	–	–	–	–	–	252,492	–	–	252,492	(125)	252,367	
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	–	–	
Total comprehensive income for the year	–	–	–	–	–	–	252,492	–	–	252,492	(125)	252,367	
Conversion of convertible bonds	2	87	(22)	–	–	–	–	–	–	67	–	67	
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	27,459	–	27,459	–	27,459	
Exercise of share options	963	50,189	–	–	–	–	–	(14,226)	–	36,926	–	36,926	
Appropriation to surplus reserve	–	–	–	–	–	12,599	(12,599)	–	–	–	–	–	
Dividends distribution	–	–	–	–	–	–	(41,438)	–	–	(41,438)	–	(41,438)	
Share of other capital reserves of associates	–	–	–	–	–	–	–	–	7	7	–	7	
As at 31 December 2023	230,587	502,226	92,333	–	1,409	115,294	1,445,641	153,784	4,350	2,545,624	238,581	2,784,205	

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2024

	Attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital	Share premium*	Other equity instruments*	Treasury shares	Exchange fluctuation reserve*	Statutory reserves*	Retained profits*	Share based payment reserve*	Other reserve*	Total		
	RMB'000 Note 33	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 33	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 35	RMB'000	RMB'000	RMB'000
As at 1 January 2024	230,587	502,226	92,333	–	–	115,294	1,445,641	153,784	4,350	2,545,624	238,581	2,784,205
Profit for the year	–	–	–	–	–	–	257,650	–	–	257,650	(25,690)	231,960
Exchange differences on translation of foreign operations	–	–	–	–	(10)	–	–	–	–	(10)	(9)	(19)
Total comprehensive income for the year	–	–	–	–	(10)	–	257,650	–	–	257,640	(25,699)	231,941
Conversion of convertible bonds	2	215	(37)	–	–	–	–	–	–	180	–	180
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	8,647	–	8,647	–	8,647
Exercise of share options	1,218	45,082	–	–	–	–	–	(1,303)	–	44,997	–	44,997
Shares repurchased	–	–	–	(70,624)	–	–	–	–	–	(70,624)	–	(70,624)
Appropriation to surplus reserve	–	–	–	–	–	610	(610)	–	–	–	–	–
Dividends distribution	–	–	–	–	–	–	(27,428)	–	–	(27,428)	–	(27,428)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	2	2	(122)	(120)
As at 31 December 2024	231,807	547,523	92,296	(70,624)	1,399	115,904	1,675,253	161,128	4,352	2,759,038	212,760	2,971,798

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2025

Attributable to owners of the parent												
Share capital	Share premium*	Other equity instruments*	Treasury shares	Exchange fluctuation reserve*	Statutory reserves*	Retained profits*	Share based payment reserve*	Other reserve*	Total	Non-controlling interests	Total equity	
RMB'000 Note 33	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 33	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 35	RMB'000 Note 35	RMB'000	RMB'000	RMB'000	
As at 1 January 2025	231,807	547,523	92,296	(70,624)	1,399	115,904	1,675,253	161,128	4,352	2,759,038	212,760	2,971,798
Profit for the year	-	-	-	-	-	-	144,952	-	-	144,952	(24,612)	120,340
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	(1)	(1)	-	(1)
Exchange differences on translation of foreign operations	-	-	-	-	(167)	-	-	-	-	(167)	(160)	(327)
Total comprehensive income for the year	-	-	-	-	(167)	-	144,952	-	(1)	144,784	(24,772)	120,012
Conversion of convertible bonds	1	104	(20)	-	-	-	-	-	-	85	-	85
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	3,078	-	3,078	-	3,078
Exercise of share options	725	39,958	-	-	-	-	-	(9,020)	-	31,663	-	31,663
Appropriation to surplus reserve	-	-	-	-	-	363	(363)	-	-	-	-	-
Dividends distribution	-	-	-	-	-	-	(27,608)	-	-	(27,608)	-	(27,608)
As at 31 December 2025	232,533	587,585	92,276	(70,624)	1,232	116,267	1,792,234	155,186	4,351	2,911,040	187,988	3,099,028

* These reserve accounts represent the total consolidated reserves of RMB2,315,037,000, RMB2,597,855,000 and RMB2,749,131,000, in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		247,074	224,195	115,127
Adjustments for:				
Finance costs	7	33,149	29,830	31,343
Interest income		(28,591)	(37,223)	(47,211)
Impairment of goodwill	6	–	21,184	–
Impairment losses/(reversal of impairment losses) on financial assets, net	22, 23	1,095	228	(739)
Impairment of inventories	6	12,159	4,470	3,368
Depreciation of property, plant and equipment	6, 13	63,499	65,953	63,524
Amortisation of other intangible assets	6, 16	97,898	103,283	99,794
Depreciation of right-of-use assets	6, 14	6,287	6,298	6,325
Share-based payment	6	27,459	8,647	3,078
Loss/(gain) on disposal of long-term assets, net	6	25	86	(9)
Fair value changes in investments measured at fair value through profit or loss, net	6	(3,522)	(3,866)	4,614
Fair value changes in derivative financial instruments, net	6	918	(265)	–
Gain on disposal of investment measured at fair value through profit or loss, net	5	(3,603)	(3,046)	(2,616)
Loss/(gain) on settlement of derivative financial instruments	6	(142)	(918)	265
Share of losses of associates		1,429	1,794	3,522
Foreign exchange (gain)/loss, net		(3,068)	848	20,986
		452,066	421,498	301,371
Changes in operating assets and liabilities:				
Decrease/(increase) in inventories		138,995	(137,066)	43,259
(Increase)/decrease in trade and bills receivables		(149,717)	(71,012)	55,505
(Increase)/decrease in prepayments, other receivables and other assets		(13,018)	(16,835)	(43,494)
Increase in trade and bills payables		9,900	21,947	46,147
Increase in other payables and accruals		20,193	22,758	21,618
(Decrease)/increase in contract liabilities		(29,266)	10,504	27,837
Increase in deferred income		4,925	1,640	4,477
Increase in pledged deposits		–	–	(58,596)
Cash generated from operations		434,078	253,434	398,124
Interest received		28,591	37,223	47,211
Income tax paid		(9,467)	(7,091)	(1,281)
Net cash flows from operating activities.		453,202	283,566	444,054

APPENDIX I

ACCOUNTANTS’ REPORT

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of investments measured at fair value through profit or loss		395,373	873,900	750,131
Dividends received from an associate . . .		651	250	250
Purchases of items of property, plant and equipment		(74,149)	(79,608)	(41,968)
Additions to other intangible assets		(61,215)	(24,917)	(17,811)
Disposal of items of property, plant and equipment		215	(17)	170
Purchases of investments measured at fair value through profit or loss		(300,000)	(876,543)	(739,000)
Purchase shares in associates		—	(6,000)	(27,140)
Net cash flows used in investing activities		(39,125)	(112,935)	(75,368)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares		36,533	31,990	46,383
New bank loans		115,587	174,301	157,551
Repayment of bank loans		(145,728)	(198,100)	(135,522)
Interest paid		(10,583)	(8,670)	(11,309)
Dividends paid		(41,438)	(27,428)	(27,608)
Lease payments	14(b)	(6,347)	(7,631)	(7,927)
Repurchase of treasury shares		—	(70,624)	—
Payment of [REDACTED]		—	—	[REDACTED]
Acquisition of non-controlling interests .		—	(120)	—
Net cash flows (used in)/from financing activities		(51,976)	(106,282)	8,610
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS .				
Cash and cash equivalents at beginning of year		362,101	64,349	377,296
Effect of foreign exchange rate changes, net		1,316,680	1,682,654	1,746,378
		3,873	(625)	(21,640)
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		1,682,654	1,746,378	2,102,034
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		1,682,654	1,746,378	2,102,034
Cash and cash equivalents as stated in the statements of cash flows		1,682,654	1,746,378	2,102,034

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	220,183	226,232	201,319
Right-of-use assets	14	5,096	2,056	6,910
Other intangible assets	16	76,270	66,322	35,161
Investments in associates	17	40,103	38,451	55,249
Investments in subsidiaries	18	596,022	596,174	613,115
Investments measured at fair value through profit or loss	24	57,544	87,615	175,001
Prepayments, other receivables and other assets	23	14,252	15,244	15,465
Total non-current assets		<u>1,009,470</u>	<u>1,032,094</u>	<u>1,102,220</u>
CURRENT ASSETS				
Inventories	21	235,793	330,692	267,899
Trade and bills receivables	22	327,662	458,851	350,859
Amounts due from subsidiaries	22	10,099	3,478	28,145
Prepayments, other receivables and other assets	23	32,617	54,386	83,385
Investments measured at fair value through profit or loss	24	120,854	100,338	–
Derivative financial instruments	30	–	265	–
Pledged deposits		–	–	45,050
Cash and bank balances	25	1,581,008	1,653,410	1,978,284
Total current assets		<u>2,308,033</u>	<u>2,601,420</u>	<u>2,753,622</u>
CURRENT LIABILITIES				
Trade and bills payables	26	63,543	100,158	130,299
Amounts due to subsidiaries	26	18,662	24,907	21,770
Contract liabilities	28	12,510	19,617	49,509
Other payables and accruals	27	49,724	62,754	71,874
Derivative financial instruments	30	796	–	–
Interest-bearing and other bank borrowings	31	80,060	61,540	23,986
Convertible bonds	29	2,354	3,529	4,705
Lease liabilities	14	3,276	2,247	2,630
Tax payable		3,656	–	–
Total current liabilities		<u>234,581</u>	<u>274,752</u>	<u>304,773</u>
NET CURRENT ASSETS		<u>2,073,452</u>	<u>2,326,668</u>	<u>2,448,849</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,082,922</u>	<u>3,358,762</u>	<u>3,551,069</u>
NON-CURRENT LIABILITIES				
Lease liabilities	14	2,247	–	3,851
Deferred tax liabilities	19	8,730	6,785	6,266
Convertible bonds	29	518,609	538,758	557,028
Deferred income	32	4,925	4,925	9,402
Total non-current liabilities		<u>534,511</u>	<u>550,468</u>	<u>576,547</u>
Net assets		<u>2,548,411</u>	<u>2,808,294</u>	<u>2,974,522</u>
EQUITY				
Share capital	33	230,587	231,807	232,533
Treasury shares	33	–	(70,624)	(70,624)
Reserves	35	2,317,824	2,647,111	2,812,613
Total equity		<u>2,548,411</u>	<u>2,808,294</u>	<u>2,974,522</u>

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company was established in the People’s Republic of China (the “PRC”) on 6 April 2004. The Company’s ordinary shares were listed on the Shenzhen Stock Exchange on 20 February 2017. The registered office of the Company is located at 6th Floor, No. 717, Yishan Road, Xuhui District, Shanghai, the PRC.

During the Relevant Periods, the Company and its subsidiaries (collectively, the “Group”) were involved in the fabless design of chip products specializing in intelligent vision technologies.

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, and the principal subsidiaries are set out below:

Name	Notes	Place and date of incorporation/registration and operations	Nominal value of issued ordinary share capital/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
Shanghai YG Electronics Technology Co., Ltd.	(1), (2)	PRC/Chinese Mainland 11 May 2015	RMB6,000,000	52.5	–	Research, develop and transfer of service
Molchip Technology (Shanghai) Co., Ltd.	(3)	PRC/Chinese Mainland 29 March 2018	RMB79,340,077	51	–	Design of integrated circuit

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate the names of these companies as they do not have official English names.

Notes:

- (1) The statutory financial statements of this entity for the year ended 31 December 2023 prepared in accordance with PRC Generally Accepted Accounting Principles were audited by BDO (立信會計師事務所(特殊普通合夥)), a certified public accounting firm registered in the PRC. The statutory financial statements of this entity for the years ended 31 December 2024 and 2025 prepared in accordance with PRC Generally Accepted Accounting Principles were audited by RSM China CPA LLP (容誠會計師事務所(特殊普通合夥)), a certified public accounting firm registered in the PRC.
- (2) The Group held a 51% equity interest in Shanghai YG Electronics Technology Co., Ltd upon the of this entity. On 31 July 2024, the Group acquired 1.5% non-controlling interests in Shanghai YG Electronics Technology Co., Ltd.
- (3) The statutory financial statements of this entity for the years ended 31 December 2023 prepared in accordance with PRC Generally Accepted Accounting Principles were audited by BDO (立信會計師事務所(特殊普通合夥)), a certified public accounting firm registered in the PRC and the statutory financial statements of this entity for the years ended 31 December 2024 and 2025 prepared in accordance with PRC Generally Accepted Accounting Principles were audited by RSM China CPA LLP (容誠會計師事務所(特殊普通合夥)), a certified public accounting firm registered in the PRC.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention except for investments measured at fair value through profit or loss, equity investments designated at fair value through other comprehensive income and derivative financial instruments which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Group for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

APPENDIX I

ACCOUNTANTS’ REPORT

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and amended IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
<i>Annual Improvements to IFRS Accounting Standards – Volume II</i>	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7¹</i>

1 Effective for annual periods beginning on or after 1 January 2026

2 Effective for annual/reporting periods beginning on or after 1 January 2027

3 No mandatory effective date yet determined but available for adoption

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required.

The application of IFRS 18 will have no material impact on the consolidated statements of financial position of the Group, but will have impact on the presentation of the consolidated statements of profit or loss. Except for IFRS 18, the directors of the Company anticipate that the application of these new and revised IFRS Accounting Standards will have no material impact on the Group’s financial performance and financial position in the foreseeable future.

APPENDIX I

ACCOUNTANTS’ REPORT

2.3 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group’s investments in associates are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses. The Group’s share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group’s investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group’s investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its structured deposits, derivative financial instruments and certain debt and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value

APPENDIX I

ACCOUNTANTS’ REPORT

measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and non-current assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use (“VIU”) and its fair value less costs of disposal (“FVLCD”), and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person’s family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

APPENDIX I

ACCOUNTANTS’ REPORT

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	1.90% to 4.75%
Machinery	9.50% to 31.67%
Electronic devices	19.00% to 31.67%
Office equipment	19.00% to 31.67%
Vehicles	19.00% to 31.67%
Others	10.00% to 50.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised 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 recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Other intangible assets (other than goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other intangible assets are assessed to be finite. Other intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an other intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 to 10 years.

Patents and non-patented technology

Purchased patents and non-patented technology is stated at cost less any impairment losses and is amortised on the straight-line basis over the shorter of expected useful life and the authorisation life. The amortization period of patents and non-patented technology ranges from 2 to 7 years.

Research and development expenses

All research and development expenses are charged to profit or loss as incurred.

APPENDIX I

ACCOUNTANTS’ REPORT

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings.	1 to 5 years
Motor vehicles	5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as an operating lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income, and fair value through profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and debt investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the debt investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

Derecognition of financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

APPENDIX I

ACCOUNTANTS’ REPORT

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, and derivative financial instruments.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and bills payables, other payables and accruals, derivative financial instruments, interest-bearing bank and other borrowings and convertible bonds.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and bills payables, other payables, and borrowings)

After initial recognition, trade and bills payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders’ equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as foreign currency swap contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

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 statement of profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises material cost and manufacturing cost arising from outsourcing wafer fabrication, chip packaging and testing. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and bank balances

Cash and bank balances in the statement of financial position comprise cash on hand and deposit at banks.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and highly liquid deposits that are readily convertible into known amounts of cash, subject to insignificant risk of changes in value and held for the purpose of meeting short-term cash commitment, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset 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 asset to be recovered.

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.

APPENDIX I

ACCOUNTANTS’ REPORT

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the products is transferred to the customer, generally on acceptance of the delivered products.

(b) Provision of technical services

Revenue from the provision of technical services is recognised at a point in time upon completion of the provision of services as none of the following criteria are met: (i) the customer simultaneously receives and consumes the benefits as the Group performs; (ii) the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (iii) the asset delivered has no alternative use and the Group has an enforceable right to payment for performance completed to date.

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, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Dividend income is recognised when the shareholders’ right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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 are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

Several employee incentive schemes are operated for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by management valuation using the Black-Scholes model or stock market price, or based on investors’ recent investment price, further details of which are given in note 34 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which

APPENDIX I

ACCOUNTANTS’ REPORT

the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

Other employee benefits

Pension schemes

The employees of the Company and the Group’s subsidiaries which operate in Chinese Mainland are required to participate in a central pension schemes operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed dividends are disclosed in the notes to the financial statements.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

APPENDIX I

ACCOUNTANTS’ REPORT

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Principal versus agent considerations

The Group needs to determine whether it is a principal or an agent in revenue transactions by evaluating the nature of its promise to the customer. The Group is a principal and therefore records revenue on a gross basis if it controls promised goods before transferring the goods to the customer. Otherwise, the Group is an agent and records as revenue the net amount if its role is to arrange to provide the goods. To assess whether the Group controls the goods before they are transferred to the customer, the Group has considered various factors, including but not limited to whether the Group (i) is the principal in the arrangement, (ii) has general inventory risk, (iii) has latitude in establishing the selling price and (iv) has significant involvement in the determination of product and service specifications.

Deferred tax assets

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

The Group has tax losses of RMB373,542,000, RMB474,457,000 and RMB602,659,000 as at the end of each of the Relevant Periods, respectively. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward. Further details on deferred taxes are disclosed in note 19 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill were RMB271,837,000, RMB250,653,000 and RMB250,653,000 as at the end of each of the Relevant Periods, respectively. Further details are given in note 15 to the Historical Financial Information.

Share-based payments

Certain employee incentive schemes were in place for the purpose of providing incentives to the Company’s directors and the Group’s employees. The grant date fair value of the shares of the employee incentive schemes was mainly determined by Black-Scholes Model, or stock market price, or based on investors’ recent investment price. Further details are contained in note 34 to the Historical Financial Information.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future.

APPENDIX I

ACCOUNTANTS’ REPORT

Impairment of inventories

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

Fair value measurement for unlisted investments

The Group made unlisted debt and equity investments and those investments are accounted for as financial assets at fair value through profit or loss. The fair values of those investments are determined using valuation techniques and the Group exercises judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date. Further details are included in note 42 to the Historical Financial Information. The valuation requires the Group to determine the comparable companies and select the price multiple, or recent transaction price. The Group classifies the fair value of these investments as Level 3. Should any of the estimates and assumptions change, it may lead to a material change in the fair values of these financial assets.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the design and sale of chip products and the provision of technical services. Information reported to the Group’s chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group’s resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Chinese Mainland	1,656,414	1,652,472	1,516,951
Overseas	165,968	137,535	171,279
Total revenue	<u>1,822,382</u>	<u>1,790,007</u>	<u>1,688,230</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

Most of the Group’s non-current assets are located in Chinese Mainland. Thus, no further geographical information is presented.

Information about major customers

External customers that individually contributed over 10% of the total revenue of the Group during each of the Relevant Periods were as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer A	1,301,626	1,193,909	951,049
Customer B	258,319	284,029	310,303

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from contracts with customers	<u>1,822,382</u>	<u>1,790,007</u>	<u>1,688,230</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Types of goods or services			
Sale of products	1,747,738	1,743,572	1,664,050
Technical services	74,644	46,435	24,180
Total	<u>1,822,382</u>	<u>1,790,007</u>	<u>1,688,230</u>
Geographical markets			
Chinese Mainland	1,656,414	1,652,472	1,516,951
Overseas	165,968	137,535	171,279
Total	<u>1,822,382</u>	<u>1,790,007</u>	<u>1,688,230</u>
Timing of revenue recognition			
Transferred at a point in time	<u>1,822,382</u>	<u>1,790,007</u>	<u>1,688,230</u>

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	<u>48,894</u>	<u>19,628</u>	<u>30,132</u>

(b) Performance obligations

Information about the Group’s performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon acceptance of delivered products and payment generally varies between 60 days and 90 days.

Provision of services

The performance obligation is satisfied at the point in time once the services are completed and accepted by customers. Contract price is usually paid by customers within 60 to 90 days.

All amounts of transaction prices allocated to the performance obligations of sale of products and provision of services are expected to be recognised as revenue within one year. The Group has no significant unsatisfied performance obligations arising from revenue contracts that have an original expected duration of more than one year, thus management applied practical expedient under IFRS 15 and is not disclosing the aggregate amount of the transaction prices allocated to the performance obligations that are unsatisfied or partially satisfied at the end of each reporting period.

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other income			
Government grants	33,863	38,861	22,979
Interest income	28,591	37,223	47,211
Value-added tax additional deduction	9,595	31,590	21,381
Others	186	284	1,780
Total other income	<u>72,235</u>	<u>107,958</u>	<u>93,351</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Gains			
Gain on disposal of investment measured at fair value through profit or loss, net	3,603	3,046	2,616
Gain on settlement of derivative financial instruments	142	918	–
Fair value gains, net:			
– Investments measured at fair value through profit or loss, net.	3,522	3,866	–
Fair value gains, net:			
– Derivative financial instruments	–	265	–
Gain on disposal of property, plant and equipment . .	–	–	9
Foreign exchange gains, net	3,068	–	–
Total gains	10,335	8,095	2,625
Total other income and gains	82,570	116,053	95,976

6. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost of sales of goods and services	1,124,552	1,118,912	1,067,534
Depreciation of property, plant and equipment* 13	63,499	65,953	63,524
Amortisation of other intangible assets* 16	97,898	103,283	99,794
Depreciation of right-of-use assets* 14(a)	6,287	6,298	6,325
Research and development expenses	334,815	349,898	351,419
Lease payments not included in the measurement of lease liabilities 14(c)	1,168	762	370
Employee benefit expense (including directors’, chief executive’s and supervisors’ remuneration (note 8))**:			
Wages and salaries	253,654	276,226	290,694
Share-based payments	27,459	8,647	3,078
Pension scheme contributions, social welfare and other welfare	42,170	45,616	66,669
Impairment losses/(reversal of impairment losses) of trade receivables and other receivables 22, 23	1,095	228	(739)
Impairment losses on inventories	12,159	4,470	3,368
Impairment of goodwill	–	21,184	–
Interest income	(28,591)	(37,223)	(47,211)
Gain on disposal of investment measured at fair value through profit or loss, net . . .	(3,603)	(3,046)	(2,616)
Loss/(gain) on disposal of items of property, plant and equipment, and other intangible assets, net.	25	86	(9)
Fair value changes in derivative financial instruments	918	(265)	–
Fair value (gains)/losses on investment measured at fair value through profit or loss, net	(3,522)	(3,866)	4,614
(Gain)/loss on settlement of derivative financial instruments.	(142)	(918)	265
Foreign exchange (gains)/losses, net	(3,068)	848	20,986

* The depreciation of property, plant and equipment, amortisation of other intangible assets and depreciation of right-of-use assets are included in “Cost of sales”, “Selling expenses”, “Administrative expenses”, and “Research and development expenses” in profit or loss.

** The wages and salaries, share-based payment and pension scheme contributions, social welfare and other welfare are included in “Cost of sales”, “Selling expenses”, “Administrative expenses”, and “Research and development expenses” in profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on bank borrowings	4,533	1,938	2,365
Interest on convertible bonds	26,181	27,293	28,237
Interest on bills discounting	1,546	72	431
Interest on lease liabilities	848	522	307
Other finance costs	41	5	3
Total	<u>33,149</u>	<u>29,830</u>	<u>31,343</u>

8. DIRECTORS’, CHIEF EXECUTIVE’S AND SUPERVISORS’ REMUNERATION

The remuneration, including fees, salaries, allowances, benefits in kind and pension scheme contributions and social welfare contributed by the Group and by the individuals, paid or payable to directors and supervisors of the Company during the years ended 31 December 2023, 2024 and 2025 is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fees	<u>288</u>	<u>288</u>	<u>308</u>
Other emoluments:			
Salaries, allowances and bonuses	2,605	3,337	3,091
Pension scheme contributions and social welfare	1,477	1,223	828
Subtotal	<u>4,082</u>	<u>4,560</u>	<u>3,919</u>
Total	<u>4,370</u>	<u>4,848</u>	<u>4,227</u>

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the years ended 31 December 2023, 2024, and 2025 were as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Mr. Zhang Wenjun	96	96	96
Ms. Fang Ying	96	96	96
Mr. Zhang Zhanping	96	96	96
Mr. Zhao Yan	—	—	20
Total	<u>288</u>	<u>288</u>	<u>308</u>

Notes:

- (i) Mr. Zhang Wenjun was appointed as an independent director of the Company with effect from May 2021 to Jan 2026.
- (ii) Ms. Fang Ying was appointed as an independent director of the Company with effect from May 2021.
- (iii) Mr. Zhang Zhanping was appointed as an independent director of the Company with effect from May 2021.
- (iv) Mr. Zhao Yan was appointed as an independent director of the Company with effect from October 2025.

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Chief executive, directors and supervisors

	Salaries, allowances and bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2023			
Directors:			
Mr. Yang Xiaoqi (i)	551	258	809
Mr. Chen Hao (i)	—	—	—
Mr. Li Peng (i)	—	—	—
Mr. Wan Jianjun (i)	547	258	805
Mr. Li Yuan (i)	619	258	877
Mr. Yang Xiaohe (i)	—	—	—
Subtotal	1,717	774	2,491
Supervisors:			
Mr. Chen Xiaochun (ii)	402	258	660
Mr. Zhuang Sihong (ii)	187	187	374
Mr. Tang Yong (ii)	299	258	557
Subtotal	888	703	1,591
Total	2,605	1,477	4,082

	Salaries, allowances and bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2024			
Directors:			
Mr. Yang Xiaoqi (i)	751	—	751
Mr. Chen Hao (i)	—	—	—
Mr. Li Peng (i)	—	—	—
Mr. Wan Jianjun (i)	630	266	896
Mr. Li Yuan (i)	703	266	969
Mr. Yang Xiaohe (i)	—	—	—
Subtotal	2,084	532	2,616
Supervisors:			
Mr. Chen Xiaochun (ii)	556	266	822
Mr. Zhuang Sihong (ii)	277	159	436
Mr. Tang Yong (ii)	420	266	686
Subtotal	1,253	691	1,944
Total	3,337	1,223	4,560

	Salaries, allowances and bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2025			
Directors:			
Mr. Yang Xiaoqi (i)	750	—	750
Mr. Chen Hao (i)	—	—	—
Mr. Li Peng (i)	—	—	—
Mr. Ning Min (i)	—	—	—
Mr. Wan Jianjun (i)	733	268	1,001
Mr. Li Yuan (i)	1,069	268	1,337
Mr. Yang Xiaohe (i)	—	—	—
Subtotal	2,552	536	3,088

APPENDIX I

ACCOUNTANTS’ REPORT

	Salaries, allowances and bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB’000	RMB’000	RMB’000
Supervisors:			
Mr. Chen Xiaochun (ii)	256	111	367
Mr. Zhuang Sihong (ii)	117	70	187
Mr. Tang Yong (ii)	166	111	277
Subtotal	539	292	831
Total	3,091	828	3,919

Notes:

- (i) Mr. Yang Xiaoqi was appointed as chairman of the board with effect from April 2004, and was appointed as Chief Executive Officer of the Company with effect from September 2011.
- Mr. Chen Hao was appointed as a director of the Company with effect from March 2019 to October 2025.
- Mr. Li Peng was appointed as a director of the Company with effect from December 2020 to October 2025.
- Mr. Ning Min was appointed as a director of the Company with effect from October 2025.
- Mr. Wan Jianjun was appointed as a director with effect from September 2021, and was appointed as deputy general manager with effect from August 2021.
- Mr. Li Yuan was appointed as a director with effect from May 2022, was appointed as a deputy general manager with effect from October 2021.
- Mr. Yang Xiaohe was appointed as a director from December 2022.
- (ii) Mr. Chen Xiaochun was appointed as a supervisor of the Company with effect from April 2013 to May 2025.
- Mr. Zhuang Sihong was appointed as a supervisor of the Company with effect from January 2015 to May 2025.
- Mr. Tang Yong was appointed as a supervisor of the Company with effect from January 2015 to May 2025.

9. FIVE HIGHEST PAID EMPLOYEES

None of the five individuals with the highest emoluments in the Group during the years ended 31 December 2023, 2024 and 2025 were directors or supervisors. Details of the remuneration for the Relevant Periods of the highest paid employees who are neither a director nor a supervisor of the Company are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries, allowances and bonuses	5,918	6,073	8,220
Share-based payment expenses	839	467	89
Pension scheme contributions	1,291	1,142	1,340
Total	8,048	7,682	9,649

The numbers of non-director, non-chief executive and non-supervisor highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees		
	Year ended 31 December		
	2023	2024	2025
Nil to HKD1,000,000	—	—	—
HKD1,000,001 to HKD1,500,000	—	2	—
HKD1,500,001 to HKD2,000,000	4	2	1
HKD2,000,001 to HKD2,500,000	1	1	4
Total	5	5	5

APPENDIX I

ACCOUNTANTS’ REPORT

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and/or operate.

Chinese Mainland

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax for the Group entities is calculated based on the statutory tax rate of 25% during the Relevant Periods, except for the Company and certain subsidiaries of the Group in Chinese Mainland set out below.

The Company was qualified as recognised as an integrated circuit design enterprise and entitled to a preferential corporate income tax rate of 10% from 2023 to 2024 and was qualified as a High and New Technology Enterprise (“HNTE”) and entitled to a preferential tax rate of 15% during 2025.

Molchip Technology (Shanghai) Co., Ltd. was qualified as a High and New Technology Enterprise (“HNTE”) and entitled to a preferential tax rate of 15% during the Relevant Periods. Moreover, Molchip Technology (Shanghai) Co., Ltd. was entitled to an exemption from income tax for the first two years, commencing from the first year that it generates taxable profit, and a deduction of 50% on the income tax rate for the following three years.

Shanghai YG Electronics Technology Co., Ltd was qualified as Small and Micro Enterprises and entitled to a preferential income tax rate of 20% during the Relevant Periods.

The income tax expense/(credit) of the Group for the Relevant Periods is analysed as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current – Chinese Mainland.	7,327	3,541	4,716
Deferred tax expense (note 19)	(12,620)	(11,306)	(9,929)
Total tax credit for the year	<u>(5,293)</u>	<u>(7,765)</u>	<u>(5,213)</u>

A reconciliation of the tax credit applicable to profit before tax at the preferential tax rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax credit at the effective tax rate, is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit before tax	247,074	224,195	115,127
Tax at the preferential tax rate	24,707	22,420	17,269
Impact of different tax rates on subsidiaries	2,781	44	452
Expenses not deductible for tax.	261	686	1,077
Effect of tax rate changes on opening deferred tax balance	–	–	3,443
Tax losses and deductible temporary differences not recognised.	9,219	13,355	17,464
Additional deduction on research and development costs	(42,261)	(44,270)	(44,918)
Tax credit at the Group’s effective tax rate	<u>(5,293)</u>	<u>(7,765)</u>	<u>(5,213)</u>

11. DIVIDENDS

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Final dividends in respect of the previous year, declared or paid during the year	41,438	27,428	27,608
Total	<u>41,438</u>	<u>27,428</u>	<u>27,608</u>

APPENDIX I

ACCOUNTANTS’ REPORT

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the Relevant Periods attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares outstanding during the Relevant Periods.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares that remained unexercised under share option incentive plans assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the Relevant Periods in respect of a dilution as the impact of convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December		
	2023	2024	2025
Earnings			
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000)	252,492	257,650	144,952
Shares			
Weighted average number ('000) of ordinary shares outstanding during the year used in the basic earnings per share calculation	230,104	229,811	229,940
Earnings per share			
Basic earnings per share (RMB)	1.10	1.12	0.63
Diluted earnings per share (RMB)	1.10	1.12	0.63

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery	Electronic devices	Office equipment	Vehicles	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023								
At 1 January 2023								
Cost.	153,331	163,928	79,701	3,998	1,182	9,517	843	412,500
Accumulated depreciation.	(16,559)	(84,615)	(46,260)	(2,724)	(633)	(3,479)	–	(154,270)
Net carrying amount	136,772	79,313	33,441	1,274	549	6,038	843	258,230
At 1 January 2023, net of accumulated depreciation	136,772	79,313	33,441	1,274	549	6,038	843	258,230
Additions	–	32,378	27,888	250	217	–	219	60,952
Transfers	–	–	–	–	–	1,062	(1,062)	–
Disposals	–	(195)	(14)	(31)	–	–	–	(240)
Depreciation provided during the year.	(3,368)	(28,322)	(29,170)	(377)	(210)	(2,052)	–	(63,499)
At 31 December 2023, net of accumulated depreciation	133,404	83,174	32,145	1,116	556	5,048	–	255,443
At 31 December 2023								
Cost.	153,331	195,952	107,419	4,181	1,399	10,579	–	472,861
Accumulated depreciation.	(19,927)	(112,778)	(75,274)	(3,065)	(843)	(5,531)	–	(217,418)
Net carrying amount	133,404	83,174	32,145	1,116	556	5,048	–	255,443

APPENDIX I

ACCOUNTANTS’ REPORT

	Buildings	Machinery	Electronic devices	Office Equipment	Vehicles	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024								
At 1 January 2024								
Cost.	153,331	195,952	107,419	4,181	1,399	10,579	–	472,861
Accumulated depreciation. . . .	(19,927)	(112,778)	(75,274)	(3,065)	(843)	(5,531)	–	(217,418)
Net carrying amount	133,404	83,174	32,145	1,116	556	5,048	–	255,443
At 1 January 2024, net of accumulated depreciation	133,404	83,174	32,145	1,116	556	5,048	–	255,443
Additions	–	37,599	22,945	72	–	–	–	60,616
Disposals	–	–	(23)	(2)	–	–	–	(25)
Depreciation provided during the year.	(3,368)	(40,091)	(19,917)	(330)	(195)	(2,052)	–	(65,953)
At 31 December 2024, net of accumulated depreciation	130,036	80,682	35,150	856	361	2,996	–	250,081
At 31 December 2024								
Cost.	153,331	233,551	130,064	4,195	1,399	10,579	–	533,119
Accumulated depreciation. . . .	(23,295)	(152,869)	(94,914)	(3,339)	(1,038)	(7,583)	–	(283,038)
Net carrying amount	130,036	80,682	35,150	856	361	2,996	–	250,081
	Buildings	Machinery	Electronic devices	Office equipment	Vehicles	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025								
At 1 January 2025								
Cost.	153,331	233,551	130,064	4,195	1,399	10,579	–	533,119
Accumulated depreciation. . . .	(23,295)	(152,869)	(94,914)	(3,339)	(1,038)	(7,583)	–	(283,038)
Net carrying amount	130,036	80,682	35,150	856	361	2,996	–	250,081
At 1 January 2025, net of accumulated depreciation	130,036	80,682	35,150	856	361	2,996	–	250,081
Additions	–	35,131	8,751	202	–	505	–	44,589
Disposals	–	–	(147)	(1)	–	–	–	(148)
Reclassification	–	(6,174)	6,174	–	–	–	–	–
Depreciation provided during the year.	(3,368)	(37,915)	(19,742)	(364)	(195)	(1,940)	–	(63,524)
At 31 December 2025, net of accumulated depreciation	126,668	71,724	30,186	693	166	1,561	–	230,998
At 31 December 2025								
Cost.	153,331	253,355	151,673	4,381	1,399	11,084	–	575,223
Accumulated depreciation. . . .	(26,663)	(181,631)	(121,487)	(3,688)	(1,233)	(9,523)	–	(344,225)
Net carrying amount	126,668	71,724	30,186	693	166	1,561	–	230,998

The Company

	Buildings	Machinery	Electronic devices	Office equipment	Vehicles	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023								
At 1 January 2023								
Cost.	153,331	125,592	57,870	2,622	1,182	5,169	843	346,609
Accumulated depreciation. . . .	(16,559)	(69,990)	(36,185)	(2,217)	(633)	(2,159)	–	(127,743)
Net carrying amount	136,772	55,602	21,685	405	549	3,010	843	218,866

APPENDIX I

ACCOUNTANTS’ REPORT

	Buildings	Machinery	Electronic devices	Office equipment	Vehicles	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023, net of accumulated depreciation	136,772	55,602	21,685	405	549	3,010	843	218,866
Additions	–	16,837	27,258	245	216	–	219	44,775
Transfers	–	–	–	–	–	1,062	(1,062)	–
Disposals	–	(195)	(14)	–	–	–	–	(209)
Depreciation provided during the year.	(3,368)	(14,810)	(23,655)	(125)	(210)	(1,081)	–	(43,249)
At 31 December 2023, net of accumulated depreciation	133,404	57,434	25,274	525	555	2,991	–	220,183
At 31 December 2023								
Cost	153,331	142,076	84,959	2,866	1,398	6,231	–	390,861
Accumulated depreciation	(19,927)	(84,642)	(59,685)	(2,341)	(843)	(3,240)	–	(170,678)
Net carrying amount	133,404	57,434	25,274	525	555	2,991	–	220,183

	Buildings	Machinery	Electronic devices	Office equipment	Vehicles	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024							
Cost	153,331	142,076	84,959	2,866	1,398	6,231	390,861
Accumulated depreciation	(19,927)	(84,642)	(59,685)	(2,341)	(843)	(3,240)	(170,678)
Net carrying amount	133,404	57,434	25,274	525	555	2,991	220,183
At 1 January 2024, net of accumulated depreciation	133,404	57,434	25,274	525	555	2,991	220,183
Additions	–	33,508	22,466	72	–	–	56,046
Disposals	–	–	(23)	(2)	–	–	(25)
Depreciation provided during the year.	(3,368)	(29,377)	(15,843)	(109)	(194)	(1,081)	(49,972)
At 31 December 2024, net of accumulated depreciation	130,036	61,565	31,874	486	361	1,910	226,232
At 31 December 2024							
Cost	153,331	175,584	107,124	2,881	1,398	6,231	446,549
Accumulated depreciation	(23,295)	(114,019)	(75,250)	(2,395)	(1,037)	(4,321)	(220,317)
Net carrying amount	130,036	61,565	31,874	486	361	1,910	226,232

	Buildings	Machinery	Electronic devices	Office equipment	Vehicles	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025							
At 1 January 2025							
Cost	153,331	175,584	107,124	2,881	1,398	6,231	446,549
Accumulated depreciation	(23,295)	(114,019)	(75,250)	(2,395)	(1,037)	(4,321)	(220,317)
Net carrying amount	130,036	61,565	31,874	486	361	1,910	226,232
At 1 January 2025, net of accumulated depreciation	130,036	61,565	31,874	486	361	1,910	226,232
Additions	–	18,966	5,052	201	–	505	24,724
Disposals	–	–	(147)	(1)	–	–	(148)
Depreciation provided during the year.	(3,368)	(30,924)	(13,761)	(143)	(195)	(1,098)	(49,489)
At 31 December 2025, net of accumulated depreciation	126,668	49,607	23,018	543	166	1,317	201,319
At 31 December 2025							
Cost	153,331	194,550	109,711	3,066	1,399	6,736	468,793
Accumulated depreciation	(26,663)	(144,943)	(86,693)	(2,523)	(1,233)	(5,419)	(267,474)
Net carrying amount	126,668	49,607	23,018	543	166	1,317	201,319

APPENDIX I

ACCOUNTANTS’ REPORT

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and motor vehicles used in its operations. Leases of buildings and motor vehicles generally have lease terms between 1 and 5 years. Other buildings generally have lease terms of 12 months or less and are individually of short-term leases.

(a) Right-of-use assets

The carrying amounts of the Group’s right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

	Buildings	Motor vehicles	Total
	RMB’000	RMB’000	RMB’000
At 1 January 2023	17,165	51	17,216
Additions	1,719	–	1,719
Depreciation charge	(6,236)	(51)	(6,287)
At 31 December 2023 and 1 January 2024	12,648	–	12,648
Additions	277	–	277
Depreciation charge	(6,298)	–	(6,298)
Lease modification	(132)	–	(132)
At 31 December 2024 and 1 January 2025	6,495	–	6,495
Additions	10,864	489	11,353
Depreciation charge	(6,243)	(82)	(6,325)
Lease modification	1,863	–	1,863
At 31 December 2025	12,979	407	13,386

The Company

	Buildings	Motor vehicles	Total
	RMB’000	RMB’000	RMB’000
At 1 January 2023	7,489	51	7,540
Additions	568	–	568
Depreciation charge	(2,961)	(51)	(3,012)
At 31 December 2023 and 1 January 2024	5,096	–	5,096
Depreciation charge	(3,040)	–	(3,040)
At 31 December 2024 and 1 January 2025	2,056	–	2,056
Additions	7,592	489	8,081
Depreciation charge	(3,145)	(82)	(3,227)
At 31 December 2025	6,503	407	6,910

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Carrying amount at the beginning of the year.	18,517	14,737	7,817
New leases.	1,719	277	11,353
Lease modification	–	(88)	1,942
Accretion of interest recognised during the year	848	522	307
Payments.	(6,347)	(7,631)	(7,927)
Carrying amount at the end of the year	14,737	7,817	13,492
Analysed into:			
Current portion	7,141	5,637	5,552
Non-current portion	7,596	2,180	7,940

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year	7,874	5,523	2,247
New leases	568	—	8,081
Accretion of interest recognised during the year . . .	317	185	115
Payments	(3,236)	(3,461)	(3,962)
Carrying amount at the end of the year	<u>5,523</u>	<u>2,247</u>	<u>6,481</u>
Analysed into:			
Current portion	3,276	2,247	2,630
Non-current portion	<u>2,247</u>	<u>—</u>	<u>3,851</u>

The maturity analysis of lease liabilities is disclosed in note 43 to the Historical Financial Information.

- (c) The amounts recognised in profit or loss in relation to leases are as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	848	522	307
Depreciation charge of right-of-use assets	6,287	6,298	6,325
Expenses relating to short-term leases and leases of low-value assets	1,168	762	370
Total amount recognised in profit or loss	<u>8,303</u>	<u>7,582</u>	<u>7,002</u>

- (d) The total cash outflows for leases are disclosed in note 37(c) to the Historical Financial Information.

The Group as a lessor

The Group leases its certain equipments under operating lease arrangements. Rental income recognised by the Group during the years ended 31 December 2023, 2024 and 2025 was nil, RMB360,000, and RMB1,468,000, respectively.

As at the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under operating leases with its tenants are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within one year	—	360	1,341
	<u>—</u>	<u>360</u>	<u>1,341</u>

15. GOODWILL

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost	276,158	276,158	276,158
Accumulated impairment	(4,321)	(25,505)	(25,505)
Net carrying amount	<u>271,837</u>	<u>250,653</u>	<u>250,653</u>

The goodwill mainly arose from acquisitions of two subsidiaries in 2015 and 2021 with original amount of RMB4,321,000 (which was fully impaired) and RMB271,837,000, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

The movements in provision

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year	4,321	4,321	25,505
Impairment losses recognised	—	21,184	—
Carrying amount at the end of the year	<u>4,321</u>	<u>25,505</u>	<u>25,505</u>

The impairment loss recognised was included in “Other expenses” in the consolidated statements of profit or loss.

Impairment tests for goodwill

The goodwill balance as of 31 December 2023, 2024 and 2025 was related to the acquisition of a subsidiary in 2021 which the Group holds 51% shareholdings. The goodwill is allocated to the group of assets of that subsidiary and impairment review was conducted by the management as at each year end. For the purpose of impairment review, the recoverable amount is determined based on higher of FVLCD and VIU. VIU is used based on management’s assessment. The VIU calculations are conducted by management using pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the terminal growth rates. There were no material changes in the methodology applied in the VIU calculations among the years of 2023, 2024 and 2025. As of 31 December 2025, there is no further impairment indicator or significant changes of that subsidiary from the last impairment assessment made in end of 2024.

The following are the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill. The pre-tax discount rates applied to the cash flow projections were 12.1%, 12.5% and 12.2% as at 31 December 2023, 2024 and 2025, respectively. The compound growth rate of revenue over the forecast period were 12%, 12% and 11% as at 31 December 2023, 2024 and 2025, respectively. The growth rates used to extrapolate revenue beyond the five-year period were 2%, 2% and 2% as at 31 December 2023, 2024 and 2025, respectively.

Sensitivity to change in key assumption:

Management of the Company has performed sensitivity test to consider whether any reasonably possible change in any of these assumptions would result in impairment. If the there would be 1% of the growth rate or increasing 0.5% of pre-tax discount rate, with all other assumptions held constant, the headroom will be removed. The impacts on the amount by which the CGU’s recoverable amount above its carrying amount (headroom) would be as below:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Headroom (attributed to the Company by holding 51% shares)	10,874	(21,184)	4,563
Impact by decreasing the growth rate	(8,592)	(6,630)	(4,506)
Impact by increasing pre-tax discount rate	(4,643)	(3,570)	(4,551)

Based on the results of the impairment assessment, the Company determines that except for the impairment loss amounting to RMB21.18 million was recognized during the year ended 31 December 2024, there is no impairment on goodwill as for 31 December 2023 and 2025, respectively.

16. OTHER INTANGIBLE ASSETS

The Group

	Software	Non-patented technology	Patents	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023				
At 1 January 2023:				
Cost	44,168	556,174	18,427	618,769
Accumulated amortisation	(24,770)	(210,140)	(14,594)	(249,504)
Net carrying amount	<u>19,398</u>	<u>346,034</u>	<u>3,833</u>	<u>369,265</u>
Cost at 1 January 2023, net of accumulated amortisation	19,398	346,034	3,833	369,265
Additions	12,116	51,099	—	63,215
Amortisation provided during the year	(12,208)	(82,771)	(2,919)	(97,898)
At 31 December 2023	<u>19,306</u>	<u>314,362</u>	<u>914</u>	<u>334,582</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Software	Non-patented technology	Patents	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023:				
Cost	56,284	607,273	18,427	681,984
Accumulated amortisation	(36,978)	(292,911)	(17,513)	(347,402)
Net carrying amount	19,306	314,362	914	334,582
31 December 2024				
At 1 January 2024:				
Cost	56,284	607,273	18,427	681,984
Accumulated amortisation	(36,978)	(292,911)	(17,513)	(347,402)
Net carrying amount	19,306	314,362	914	334,582
Cost at 1 January 2024, net of accumulated amortisation	19,306	314,362	914	334,582
Additions	20,200	4,717	–	24,917
Amortisation provided during the year . . .	(14,145)	(88,224)	(914)	(103,283)
At 31 December 2024	25,361	230,855	–	256,216
At 31 December 2024:				
Cost	76,484	611,990	18,427	706,901
Accumulated amortisation	(51,123)	(381,135)	(18,427)	(450,685)
Net carrying amount	25,361	230,855	–	256,216
31 December 2025				
At 1 January 2025:				
Cost	76,484	611,990	18,427	706,901
Accumulated amortisation	(51,123)	(381,135)	(18,427)	(450,685)
Net carrying amount	25,361	230,855	–	256,216
Cost at 1 January 2025, net of accumulated amortisation	25,361	230,855	–	256,216
Additions	4,568	5,658	–	10,226
Disposals	(5)	–	–	(5)
Amortisation provided during the year . . .	(13,859)	(85,935)	–	(99,794)
At 31 December 2025	16,065	150,578	–	166,643
At 31 December 2025:				
Cost	77,009	615,692	18,427	711,128
Accumulated amortisation	(60,944)	(465,114)	(18,427)	(544,485)
Net carrying amount	16,065	150,578	–	166,643

The Company

	Software	Non-patented technology	Patents	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023				
At 1 January 2023:				
Cost	42,747	56,888	18,427	118,062
Accumulated depreciation	(24,003)	(44,115)	(14,594)	(82,712)
Net carrying amount	18,744	12,773	3,833	35,350
Cost at 1 January 2023, net of accumulated amortisation	18,744	12,773	3,833	35,350
Additions	12,117	58,084	–	70,201
Amortisation provided during the year . . .	(11,694)	(14,668)	(2,919)	(29,281)
At 31 December 2023	19,167	56,189	914	76,270
At 31 December 2023:				
Cost	54,864	114,972	18,427	188,263
Accumulated amortisation	(35,697)	(58,783)	(17,513)	(111,993)
Net carrying amount	19,167	56,189	914	76,270

APPENDIX I

ACCOUNTANTS’ REPORT

	Software	Non-patented technology	Patents	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024				
At 1 January 2024:				
Cost	54,864	114,972	18,427	188,263
Accumulated depreciation	(35,697)	(58,783)	(17,513)	(111,993)
Net carrying amount	<u>19,167</u>	<u>56,189</u>	<u>914</u>	<u>76,270</u>
Cost at 1 January 2024, net of accumulated amortisation	19,167	56,189	914	76,270
Additions	20,075	7,867	–	27,942
Amortisation provided during the year . . .	(13,977)	(22,999)	(914)	(37,890)
At 31 December 2024	<u>25,265</u>	<u>41,057</u>	<u>–</u>	<u>66,322</u>
At 31 December 2024:				
Cost	74,939	122,839	18,427	216,205
Accumulated amortisation	(49,674)	(81,782)	(18,427)	(149,883)
Net carrying amount	<u>25,265</u>	<u>41,057</u>	<u>–</u>	<u>66,322</u>
31 December 2025				
At 1 January 2025:				
Cost	74,939	122,839	18,427	216,205
Accumulated depreciation	(49,674)	(81,782)	(18,427)	(149,883)
Net carrying amount	<u>25,265</u>	<u>41,057</u>	<u>–</u>	<u>66,322</u>
Cost at 1 January 2025, net of accumulated amortisation	25,265	41,057	–	66,322
Additions	3,847	–	–	3,847
Disposals	(5)	–	–	(5)
Amortisation provided during the year . . .	(13,528)	(21,475)	–	(35,003)
At 31 December 2025	<u>15,579</u>	<u>19,582</u>	<u>–</u>	<u>35,161</u>
At 31 December 2025:				
Cost	74,743	120,885	18,427	214,055
Accumulated amortisation	(59,164)	(101,303)	(18,427)	(178,894)
Net carrying amount	<u>15,579</u>	<u>19,582</u>	<u>–</u>	<u>35,161</u>

17. INVESTMENTS IN ASSOCIATES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of net assets	<u>40,103</u>	<u>44,059</u>	<u>67,427</u>

The Group’s outstanding balances with the associates are disclosed in note 40 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

The associates of the Group are considered not individually material for the Relevant Periods and the following table illustrates the aggregate financial information of the Group’s associates:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Share of the associates’ loss for the year	(1,429)	(1,794)	(3,522)
Share of the associates’ other comprehensive income	—	—	(1)
Share of the associates’ total comprehensive income	(1,429)	(1,794)	(3,523)
Aggregate carrying amount of the Group’s investments in the associates	40,103	44,059	67,427

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Share of net assets	40,103	38,451	55,249

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Share of the associates’ loss for the year	(1,429)	(1,403)	(2,951)
Share of the associates’ other comprehensive income	—	—	—
Share of the associates’ total comprehensive income	(1,429)	(1,403)	(2,951)
Aggregate carrying amount of the Group’s investments in the associates	40,103	38,451	55,249

18. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Investments, at cost	596,022	596,174	613,115
Impairment losses on investments in subsidiaries	—	—	—
Investments in subsidiaries	596,022	596,174	613,115

19. DEFERRED TAX

The Group

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Lease liabilities	Amortisation allowance less than related amortisation	Impairment	Provision for inventories	Deferred income	Unrecognised profit	Fair value changes of derivative financial instruments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023	787	731	371	156	—	—	—	2,045
Deferred tax credited/(charged) to profit or loss during the year	(235)	106	40	1,102	493	—	80	1,586
Gross deferred tax assets at 31 December 2023 and 1 January 2024	552	837	411	1,258	493	—	80	3,631
Deferred tax credited/(charged) to profit or loss during the year	(327)	(93)	74	(404)	—	1,122	(80)	292

APPENDIX I

ACCOUNTANTS’ REPORT

	Lease liabilities	Amortisation allowance less than related amortisation	Impairment	Provision for inventories	Deferred income	Unrecognised profit	Fair value changes of derivative financial instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 31 December 2024 and 1 January 2025	225	744	485	854	493	1,122	–	3,923
Deferred tax credited/(charged) to profit or loss during the year	747	96	43	(64)	918	1,173	–	2,913
Gross deferred tax assets at 31 December 2025	972	840	528	790	1,411	2,295	–	6,836

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries	Interest payables	Depreciation allowance in excess of related depreciation	Fair value adjustments of equity investments designated at fair value through other comprehensive income	Right-of-use assets	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	44,485	8,392	3,970	1,527	749	519	59,642
Deferred tax charged/(credited) to profit or loss during the year	(8,238)	(2,056)	(676)	–	(239)	175	(11,034)
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	36,247	6,336	3,294	1,527	510	694	48,608
Deferred tax (credited)/charged to profit or loss during the year	(8,238)	(1,993)	(806)	–	(304)	327	(11,014)
Gross deferred tax liabilities at 31 December 2024 and 1 January 2025	28,009	4,343	2,488	1,527	206	1,021	37,594
Deferred tax charged/(credited) to profit or loss during the year	(8,238)	(524)	484	764	769	(271)	(7,016)
Gross deferred tax liabilities at 31 December 2025	19,771	3,819	2,972	2,291	975	750	30,578

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	–	1,122	2,295
Net deferred tax liabilities recognised in the consolidated statement of financial position	44,977	34,793	26,037

APPENDIX I

ACCOUNTANTS’ REPORT

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Tax losses	373,542	474,457	572,335
Deductible temporary differences	11,881	9,318	10,617
Total	<u>385,423</u>	<u>483,775</u>	<u>582,952</u>

The Group has above tax losses that are available for offsetting against future taxable profits with carryforward periods of one year to indefinite. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Company

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Lease liabilities	Amortisation allowance less than related amortisation	Impairment	Provision for inventories	Deferred income	Fair value adjustments of derivative financial instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	787	731	371	156	–	–	2,045
Deferred tax credited/(charged) to profit or loss during the year . . .	(235)	106	40	1,102	493	80	1,586
Gross deferred tax assets at 31 December 2023 and 1 January 2024	552	837	411	1,258	493	80	3,631
Deferred tax credited/(charged) to profit or loss during the year . . .	(327)	(93)	74	(405)	–	(80)	(831)
Gross deferred tax assets at 31 December 2024 and 1 January 2025	225	744	485	853	493	–	2,800
Deferred tax credited/(charged) to profit or loss during the year . . .	747	96	43	(63)	918	–	1,741
Gross deferred tax assets at 31 December 2025	<u>972</u>	<u>840</u>	<u>528</u>	<u>790</u>	<u>1,411</u>	<u>–</u>	<u>4,541</u>

Deferred tax liabilities

	Interests payable	Depreciation allowance in excess of related depreciation	Fair value adjustments of equity investments designated at fair value through other comprehensive income	Right-of-use assets	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	8,392	3,970	1,527	749	519	15,157
Deferred tax charged/(credited) to profit or loss during the year	(2,056)	(676)	–	(239)	175	(2,796)
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	6,336	3,294	1,527	510	694	12,361
Deferred tax (credited)/charged to profit or loss during the year	(1,993)	(806)	–	(304)	327	(2,776)

APPENDIX I

ACCOUNTANTS’ REPORT

	Interests payable	Depreciation allowance in excess of related depreciation	Fair value adjustments of equity investments designated at fair value through other comprehensive income	Right-of-use assets	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 31 December 2024 and 1 January 2025	4,343	2,488	1,527	206	1,021	9,585
Deferred tax charged/(credited) to profit or loss during the year	(524)	484	764	769	(271)	1,222
Gross deferred tax liabilities at 31 December 2025	<u>3,819</u>	<u>2,972</u>	<u>2,291</u>	<u>975</u>	<u>750</u>	<u>10,807</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	—	—	—
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>8,730</u>	<u>6,785</u>	<u>6,266</u>

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Unlisted equity investments	<u>188</u>	<u>188</u>	<u>188</u>

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

21. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	152,869	201,538	157,905
Work in progress	98,131	83,947	172,162
Finished goods	<u>115,687</u>	<u>209,835</u>	<u>115,438</u>
	366,687	495,320	445,505
Provision for impairment losses on inventories	<u>(13,626)</u>	<u>(9,663)</u>	<u>(6,475)</u>
	<u>353,061</u>	<u>485,657</u>	<u>439,030</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	115,034	142,306	136,172
Work in progress	49,735	60,075	80,104
Finished goods	83,605	136,856	56,893
	248,374	339,237	273,169
Provision for impairment losses on inventories	(12,581)	(8,545)	(5,270)
	235,793	330,692	267,899

22. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	443,068	477,657	426,089
Bills receivable	22,327	60,242	54,806
Impairment	(5,262)	(5,306)	(4,499)
Net carrying amount	460,133	532,593	476,396

The Group’s trading terms with its customers are mainly on credit. The credit period is generally 60 to 90 days. Each customer has a maximum credit limit. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the Group’s trade and bills receivable as at the end of each of the Relevant Periods, based on the invoice date information and net of loss allowance, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	460,126	532,583	476,384
Over 1 year	7	10	12
Total	460,133	532,593	476,396

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	4,229	5,262	5,306
Impairment losses, net (reversed)/recognised	1,033	51	(807)
Amount written off as uncollectible	–	(7)	–
At end of year	5,262	5,306	4,499

Bank acceptance bills issued by reputable banks are measured at fair value through other comprehensive income and are considered as having very low credit risk and the loss allowance is assessed to be minimal at the end of each of the Relevant Periods.

The Group applies the simplified approach in calculating ECLs for trade and bills receivables. Trade and bills receivables relating to customers not sharing similar credit risk with others are assessed individually for impairment allowance, for instance, customers with known financial difficulties or significant doubt on collection. The remaining trade and bills receivables are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on past due information for groupings of customers that have similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than five years and are not subject to enforcement activity.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group

Set out below is the information about the credit risk exposure on the Group’s trade and bills receivables using a provision matrix:

	Current to 1 year	1 to 2 years	Total
As at 31 December 2023			
<i>On a collective basis:</i>			
Expected credit loss rate	1.13%	12.50%	1.13%
Gross carrying amount (RMB’000)	465,387	8	465,395
Expected credit losses (RMB’000)	5,261	1	5,262
	Current to 1 year	1 to 2 years	Total
As at 31 December 2024			
<i>On a collective basis:</i>			
Expected credit loss rate	0.99%	9.09%	0.99%
Gross carrying amount (RMB’000)	537,888	11	537,899
Expected credit losses (RMB’000)	5,305	1	5,306
	Current to 1 year	1 to 2 years	Total
As at 31 December 2025			
<i>On a collective basis:</i>			
Expected credit loss rate	0.94%	7.69%	0.94%
Gross carrying amount (RMB’000)	480,882	13	480,895
Expected credit losses (RMB’000)	4,498	1	4,499

The net carrying amount due from a Group’s associate included in the above is as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Shenzhen Jingshuo Technology Co., Ltd.	–	–	499
Zhuhai Digital Power Technology Co., Ltd	2,231	–	–
Total	<u>2,231</u>	<u>–</u>	<u>499</u>

The balance is unsecured, interest-free and on credit terms similar to those offered to the major customers of the Group.

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivables	311,512	403,645	299,282
Bills receivable	20,096	59,771	54,806
Impairment	<u>(3,946)</u>	<u>(4,565)</u>	<u>(3,229)</u>
Net carrying amount	<u>327,662</u>	<u>458,851</u>	<u>350,859</u>

An ageing analysis of the Company’s trade and bills receivable as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 1 year	<u>327,662</u>	<u>458,851</u>	<u>350,859</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At beginning of year	3,566	3,946	4,565
Impairment losses, net recognised/(reversed)	380	619	(1,336)
At end of year.	<u>3,946</u>	<u>4,565</u>	<u>3,229</u>

Set out below is the information about the credit risk exposure on the Company’s trade and bills receivables using a provision matrix:

	Current to 1 year
As at 31 December 2023	
<i>On a collective basis:</i>	
Expected credit loss rate	1.19%
Gross carrying amount (RMB’000).	331,608
Expected credit losses (RMB’000)	3,946

	Current to 1 year
As at 31 December 2024	
<i>On a collective basis:</i>	
Expected credit loss rate	0.99%
Gross carrying amount (RMB’000).	463,416
Expected credit losses (RMB’000)	4,565

	Current to 1 year
As at 31 December 2025	
<i>On a collective basis:</i>	
Expected credit loss rate	0.91%
Gross carrying amount (RMB’000).	354,088
Expected credit losses (RMB’000)	3,229

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Amounts due from subsidiaries	<u>7,399</u>	<u>1,078</u>	<u>26,045</u>

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current portion:			
Loan receivables	2,371	–	1,755
Deposits and other receivables	4,584	3,514	3,131
Equity incentive exercise funds	2,030	15,037	317
Prepayments to suppliers	59,299	75,586	127,430
[REDACTED]	–	–	[REDACTED]
Other tax recoverable	1,561	6,955	828
Prepaid tax	–	2,046	2,615
	<u>69,845</u>	<u>103,138</u>	<u>148,446</u>
Impairment allowance	<u>(355)</u>	<u>(532)</u>	<u>(600)</u>
	<u>69,490</u>	<u>102,606</u>	<u>147,846</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current portion:			
Prepayments for long-term assets	2,222	4,516	7,714
Loan receivables	16,579	13,128	9,552
	18,801	17,644	17,266
Total	88,291	120,250	165,112

An impairment analysis was performed at the end of each of the Relevant Periods. As there was no significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months. During the Relevant Periods, the Group estimated that the expected credit loss rate for deposits and other receivables was minimal.

The above balances were interest-free and unsecured.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current portion:			
Loan receivables	2,371	–	1,455
Equity incentive exercise funds	2,030	15,037	317
Deposits and other receivables	3,344	1,729	1,622
Prepayments to suppliers	25,043	35,857	65,299
[REDACTED]	–	–	[REDACTED]
Prepaid tax	–	2,046	2,615
	32,788	54,669	83,678
Impairment allowance	(171)	(283)	(293)
	32,617	54,386	83,385
Non-current portion:			
Prepayments for long-term assets	373	4,517	7,714
Loan receivables	13,879	10,727	7,751
	14,252	15,244	15,465
Total	46,869	69,630	98,850

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts due from subsidiaries	2,700	2,400	2,100

24. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current portion:			
Structured deposits	120,854	100,338	–
Sub-total	120,854	100,338	–
Non-current portion:			
Debt investments	57,544	87,615	175,001
Sub-total	57,544	87,615	175,001
Total	178,398	187,953	175,001

APPENDIX I

ACCOUNTANTS’ REPORT

The structured deposits were issued by banks and securities companies, which were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The debt investments were classified and measured at fair value through profit or loss as they are not held within the business model with the objective to collect contractual cashflows nor the business model with the objective of both collecting contractual cashflows and selling.

25. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	1,682,654	1,746,378	2,102,034
Pledged deposits*.	—	—	58,596
Total	<u>1,682,654</u>	<u>1,746,378</u>	<u>2,160,630</u>

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances			
Denominated in RMB	1,427,957	1,346,934	1,417,459
Denominated in USD.	254,561	399,255	684,251
Denominated in HKD	136	129	116
Denominated in Singapore dollar (“SGD”)	—	60	208
Total	<u>1,682,654</u>	<u>1,746,378</u>	<u>2,102,034</u>
Pledged deposits denominated in RMB	<u>—</u>	<u>—</u>	<u>58,596</u>

* Pledged deposits of RMB58,584,000 at 31 December 2025 were pledged for the issuance of bank acceptance notes. RMB12,000 was frozen due to prolonged use.

The RMB is not freely convertible into other currencies, however, under Chinese Mainland’s Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates or relevant deposits rates.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	1,581,008	1,653,410	1,978,284
Pledged deposits	—	—	45,050
Total	<u>1,581,008</u>	<u>1,653,410</u>	<u>2,023,334</u>

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances			
Denominated in RMB	1,336,848	1,264,725	1,304,850
Denominated in USD.	244,160	388,685	673,434
Total	<u>1,581,008</u>	<u>1,653,410</u>	<u>1,978,284</u>
Pledged deposits denominated in RMB	<u>—</u>	<u>—</u>	<u>45,050</u>

APPENDIX I

ACCOUNTANTS’ REPORT

26. TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	90,215	112,162	113,271
Bills payable	—	—	45,038
Total	<u>90,215</u>	<u>112,162</u>	<u>158,309</u>

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the purchase date, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	88,557	109,092	153,522
1 to 2 years	1,658	1,412	4,036
2 to 3 years	—	1,658	—
Over 3 years	—	—	751
Total	<u>90,215</u>	<u>112,162</u>	<u>158,309</u>

The trade and bills payables are non-interest-bearing and are normally settled within 45 days upon receipt of the invoice.

The net carrying amount of due to a Group’s associate included in the above is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Shanghai Micropower Co., Ltd.	—	282	628
	<u>—</u>	<u>282</u>	<u>628</u>

The balances are unsecured, interest-free and on credit terms similar to those offered to the major customers of the Group.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	63,543	100,158	85,261
Bills payable	—	—	45,038
Total	<u>63,543</u>	<u>100,158</u>	<u>130,299</u>

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the purchase date, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	62,057	98,526	125,512
1 to 2 years	1,486	146	4,036
2 to 3 years	—	1,486	—
Over 3 years	—	—	751
Total	<u>63,543</u>	<u>100,158</u>	<u>130,299</u>

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts due to subsidiaries	16,034	22,246	18,658
	<u>16,034</u>	<u>22,246</u>	<u>18,658</u>

APPENDIX I

ACCOUNTANTS’ REPORT

27. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payroll and welfare payable	65,116	74,665	89,396
Other tax payables	11,112	10,654	17,632
Deposits and other payables	8,662	5,027	3,129
Total	<u>84,890</u>	<u>90,346</u>	<u>110,157</u>

Other payables were interest-free and unsecured.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payroll and welfare payable	36,562	50,085	56,153
Other tax payables	5,405	8,375	13,350
Deposits and other payables	7,757	4,294	2,371
Total	<u>49,724</u>	<u>62,754</u>	<u>71,874</u>

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts due to subsidiaries.	<u>2,186</u>	<u>2,219</u>	<u>3,111</u>

28. CONTRACT LIABILITIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Advance payments from customers	<u>19,628</u>	<u>30,132</u>	<u>57,969</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Advance payments from customers	<u>12,510</u>	<u>19,617</u>	<u>49,509</u>

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts due to subsidiaries.	<u>442</u>	<u>442</u>	<u>1</u>

APPENDIX I

ACCOUNTANTS’ REPORT

29. CONVERTIBLE BONDS

The Company issued convertible bonds (the “Convertible Bonds”) at a par value of RMB100 each with an aggregate principal amount of RMB581,190,000 issued on 6 August 2021 (the “2021 Issue”).

The Convertible Bonds are a compound instrument included a liability component and an equity component.

As of the date of issue, the fair value of the liability component of the Convertible Bonds was disclosed as below:

	2021 Issue
	<i>RMB'000</i>
Principal amount	581,190
Premium of issue	—
Transaction cost	<u>11,501</u>

Subsequent to the initial recognition, the liability component of the Convertible Bonds was carried at amortised cost using the effective interest method. The effective interest rate of the liability component of the Convertible Bonds was 5.17% per annum. The movements of the liability component and the equity component of the Convertible Bonds during the Relevant Periods are set out below:

	Liability component	Equity component	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2023	497,784	92,355	590,139
Interest expense	26,181	—	26,181
Interest paid	(2,935)	—	(2,935)
Conversion options exercised	(67)	(22)	(89)
Balance at 31 December 2023	520,963	92,333	613,296
Interest expense	27,293	—	27,293
Interest paid	(5,789)	—	(5,789)
Conversion options exercised	(180)	(37)	(217)
Balance at 31 December 2024	542,287	92,296	634,583
Interest expense	28,237	—	28,237
Interest paid	(8,706)	—	(8,706)
Conversion options exercised	(85)	(20)	(105)
Balance at 31 December 2025	<u>561,733</u>	<u>92,276</u>	<u>654,009</u>

30. DERIVATIVE FINANCIAL INSTRUMENTS

The Group

	As at 31 December					
	2023		2024		2025	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Foreign currency swaps	—	(796)	265	—	—	—
Foreign exchange options	—	(122)	—	—	—	—
Total	—	(918)	265	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The foreign exchange options and foreign currency swaps are not designated for hedging and are measured at fair value through profit or loss. Changes in the fair value of the foreign exchange options and foreign currency swaps amounting to RMB918,000, RMB265,000 and nil were (credited)/charged to the statements of profit or loss during the Relevant Periods.

The Company

	As at 31 December					
	2023		2024		2025	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Foreign currency swaps	—	(796)	265	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

APPENDIX I

ACCOUNTANTS’ REPORT

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

As at 31 December 2023			
	Effective interest rate	Maturity	
	(%)		RMB'000
Bank loans – unsecured	2.5%-3.3%	2024	108,160
Total			<u>108,160</u>

As at 31 December 2024			
	Effective interest rate	Maturity	
	(%)		RMB'000
Bank loans – unsecured	2.22%-2.9%	2025	84,341
Other borrowings – endorsed bills that have not matured	1.15%	2025	1,499
Total			<u>85,840</u>

As at 31 December 2025			
	Effective interest rate	Maturity	
	(%)		RMB'000
Bank loans – unsecured	2.3%-2.9%	2026	80,057
Other borrowings – endorsed bills that have not matured	0.61%-0.95%	2026	23,986
Bank loans – guaranteed	2.08%	2026	2,344
Total			<u>106,387</u>

The Company

As at 31 December 2023			
	Effective interest rate	Maturity	
	(%)		RMB'000
Bank loans – unsecured	2.5%-2.6%	2024	80,060
Total			<u>80,060</u>

As at 31 December 2024			
	Effective interest rate	Maturity	
	(%)		RMB'000
Bank loans – unsecured	2.22%	2025	60,041
Other borrowings – endorsed bills that have not matured	1.15%	2025	1,499
Total			<u>61,540</u>

As at 31 December 2025			
	Effective interest rate	Maturity	
	(%)		RMB'000
Other borrowings – endorsed bills that have not matured	0.61%-0.95%	2026	23,986
Total			<u>23,986</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank borrowings repayable:			
Within one year	108,160	85,840	106,387
Total	<u>108,160</u>	<u>85,840</u>	<u>106,387</u>

As at 31 December 2025, certain of the Group’s bank loans amounted to RMB2,344,000 were guaranteed by Mr. Li Wei, the legal representative of Shanghai YG Electronics Technology Co., Ltd. Except for this loan, all other borrowings are credit loans.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank borrowings repayable:			
Within one year	80,060	61,540	23,986
Total	<u>80,060</u>	<u>61,540</u>	<u>23,986</u>

32. DEFERRED INCOME

The Group

The movements in government grants for the Group during the Relevant Periods are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At 1 January	–	4,925	6,565
Government grants received during the year	4,925	1,640	8,325
Recognized in other income for the year	–	–	(3,848)
At 31 December	<u>4,925</u>	<u>6,565</u>	<u>11,042</u>

The Company

The movements in government grants for the Company during the Relevant Periods are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At 1 January	–	4,925	4,925
Government grants received during the year	4,925	–	8,325
Recognized in other income for the year	–	–	(3,848)
At 31 December	<u>4,925</u>	<u>4,925</u>	<u>9,402</u>

APPENDIX I

ACCOUNTANTS’ REPORT

33. SHARE CAPITAL AND TREASURY SHARES

The Group and the Company

Shares

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Issued and fully paid:			
Share capital.	230,587	231,807	232,533

A summary of movements in the Company’s share capital is as follows:

	As at 31 December					
	2023		2024		2025	
	Number of shares	RMB'000	Number of shares	RMB'000	Number of shares	RMB'000
At 1 January	229,622,136	229,622	230,586,837	230,587	231,806,714	231,807
Exercise of share options*.	963,364	963	1,217,681	1,218	725,168	725
Conversion of convertible bonds**.	1,337	2	2,196	2	1,162	1
At 31 December	230,586,837	230,587	231,806,714	231,807	232,533,044	232,533

* The Group has several share option schemes under which options to subscribe for the Group’s shares have been granted to certain senior executives and certain other employees. Amount of RMB963,000, RMB1,218,000 and RMB725,000 were transferred from the share based payment reserve to share capital upon the exercise of the share options during the Relevant Periods. Refer to Note 34 to the Historical Financial Information for further details.

** In 2021, the Company issued 5,811,900 convertible bonds with a nominal par value of RMB100 per bond for financing the Group’s operations. 1,337, 2,196 and 1,162 shares were issued pursuant to the exercise of the Company’s bond conversion options during the Relevant Periods.

Treasury Shares

	Number of shares	Treasury shares
		RMB'000
At 1 January 2024	—	—
Repurchase of shares	2,214,993	70,624
At 31 December 2024 and 31 December 2025	2,214,993	70,624

In 2024, the Company repurchased shares for future development through centralized price bidding by self-owned funds, which were classified as treasury shares as of 31 December 2024 and 31 December 2025.

34. SHARE-BASED PAYMENTS

In order to further establish and improve the Company’s long-term incentive mechanism, the Company has issued several share option incentive plans for the Company’s executives, key employees and other designated individuals (“Incentive Recipients”) since 2020.

On 30 March 2020, the board of directors of the Company approved a share option scheme of the Company (the “2020 Plan”) to implement equity incentives for Incentive Recipients. The Company granted a total of 497,000 share options to all the 2020 Incentive Recipients, with exercise price of RMB161.51 per each share option. The exercise price of the share options is subject to adjustment in the case of dividend distribution, or other similar changes in the Company’s share capital.

On 16 March 2021, the board of directors of the Company approved a share option scheme of the Company (the “2021 Plan”), to implement equity incentives for Incentive Recipients. Pursuant to the 2021 Plan, 1,470,000 units were initially granted; 449,800 units were subsequently granted on 14 October 2021, with exercise price of RMB123.73 and RMB169.21 per each share option, respectively. The exercise price of the share options is subject to adjustment in the case of dividend distribution, or other similar changes in the Company’s share capital.

APPENDIX I

ACCOUNTANTS’ REPORT

On 29 March 2022, the board of directors of the Company approved a share option scheme of the Company (the “2022 Plan”), to implement equity incentives for Incentive Recipients. Pursuant to the 2022 Plan, 1,734,400 units were initially granted; 67,400 units were subsequently granted on 27 October 2022, with exercise price of RMB124.23 and RMB65.22 per each share option, respectively. The exercise price of the share options is subject to adjustment in the case of dividend distribution, or other similar changes in the Company’s share capital.

Pursuant to above share option schemes, each exercise of share option needs to meet service requirements from the date of grant to the end of service period, for which the Company established a four-year graded vesting period from the grant date until the fourth anniversary of the Incentive Recipients’ continuous service, and in which the performance conditions are fulfilled under the respective incentive plan. As such, the share-based payment expenses are amortized during the vesting period at the Group’s best estimate of the number of equity instruments that will ultimately vest.

One of the subsidiaries of the Group operates several restricted stock awards (the “Share Award Plan”) which became effective since July 2021 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of its operations through relevant equity incentive platform. The exercise period of the shares granted is a graded vesting period of four years starting from commencement, with corresponding share-based payment expenses being amortized over this period.

Set out below are details of the movements of the outstanding share options and restricted shares granted during the Relevant Periods:

Year ended 31 December 2023		
	Exercise price	Number of Share Awards*
At the beginning of the year	CNY65.22-CNY169.21	3,642,458
Granted.	CNY0.29-CNY1.00	7,059,200
Forfeited and expired.	CNY31.08-CNY65.22	257,300
Exercised	CNY31.08-CNY65.22	7,137,903
At the end of the year	CNY0.29-CNY169.21	3,306,455
Year ended 31 December 2024		
	Exercise price	Number of Share Awards*
At the beginning of the year	CNY0.29-CNY169.21	3,306,455
Granted.	—	—
Forfeited and expired.	CNY30.96-CNY64.92	1,109,977
Exercised	CNY30.96-CNY64.92	448,963
At the end of the year	CNY0.29-CNY169.21	1,747,515
Year ended 31 December 2025		
	Exercise price	Number of Share Awards*
At the beginning of the year	CNY0.29-CNY169.21	1,747,515
Granted.	—	—
Forfeited and expired.	CNY30.96-CNY64.92	496,493
Exercised	CNY30.96-CNY64.92	305,129
At the end of the year	CNY0.29-CNY169.21	945,893

The Group recognised a share-based payment expense of RMB27,459,000, RMB8,647,000 and RMB3,078,000, respectively, during the years ended 31 December 2023, 2024 and 2025.

During the Relevant Periods, the fair value of share options and restricted stock granted were estimated as at the date of grant, using the Black-Scholes model or closing price of the Company’s share, taking into account the terms and conditions upon which the options or restricted stock were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0.07-0.26
Historical volatility (%)	23.02-27.14
Risk-free interest rate (%)	1.50-2.75
Closing price of the Company’s share (RMB per share).	53.03 -112.00

APPENDIX I

ACCOUNTANTS’ REPORT

35. RESERVES

The Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Historical Financial Information.

(i) Share premium

Share premium of the Group mainly represents the premium in issuing shares of the Company and the effect of implementation and unlocking of restricted shares and share option schemes.

(ii) Statutory reserve

In accordance with the Company Law of the PRC, companies which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group’s presentation currency.

(iv) Share based payment reserve

The share-based payment reserve of the Group represents the share-based compensation reserve due to equity-settled share-based payment transactions, details of which are set out in note 34 to the Historical Financial Information.

(v) Other equity instruments

Other equity instruments are equity component of convertible corporate bonds issued on 6 August 2021 at a price of RMB100 and a number of 5,811,900. Refer to Note 29 to the Historical Financial Information for details.

(vi) Other Reserve

Other reserve are mainly represents the share of capital reserves and other comprehensive income of associates and the premium in acquisition of non-controlling interests.

The Company

	Share premium	Other reserve	Other equity instruments	Share based payment reserve	Statutory reserves	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	451,950	4,343	92,355	140,551	102,695	1,245,761	2,037,655
Profit for the year	—	—	—	—	—	271,936	271,936
Total comprehensive income for the year	—	—	—	—	—	271,936	271,936
Conversion of convertible bonds . .	87	—	(22)	—	—	—	65
Recognition of equity-settled share- based payments	—	—	—	13,636	—	—	13,636
Exercise of share options	50,189	—	—	(14,226)	—	—	35,963
Appropriation to surplus reserve . .	—	—	—	—	12,599	(12,599)	—
Dividends distribution	—	—	—	—	—	(41,438)	(41,438)
Share of other capital reserves of associates	—	7	—	—	—	—	7
As at 31 December 2023 and 1 January 2024	502,226	4,350	92,333	139,961	115,294	1,463,660	2,317,824
Profit for the year	—	—	—	—	—	305,900	305,900
Total comprehensive income for the year	—	—	—	—	—	305,900	305,900
Conversion of convertible bonds . .	215	—	(37)	—	—	—	178
Recognition of equity-settled share- based payments	—	—	—	6,858	—	—	6,858
Exercise of share options	45,082	—	—	(1,303)	—	—	43,779
Appropriation to surplus reserve . .	—	—	—	—	610	(610)	—
Dividends distribution	—	—	—	—	—	(27,428)	(27,428)

APPENDIX I

ACCOUNTANTS’ REPORT

	Share premium	Other reserve	Other equity instruments	Share based payment reserve	Statutory reserves	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2024 and 1 January 2025	547,523	4,350	92,296	145,516	115,904	1,741,522	2,647,111
Profit for the year	–	–	–	–	–	159,901	159,901
Share of other comprehensive loss of associates	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	159,901	159,901
Conversion of convertible bonds . .	104	–	(20)	–	–	–	84
Recognition of equity-settled share-based payments	–	–	–	2,187	–	–	2,187
Exercise of share options	36,406	–	–	(5,468)	–	–	30,938
Appropriation to surplus reserve . .	–	–	–	–	363	(363)	–
Dividends distribution	–	–	–	–	–	(27,608)	(27,608)
As at 31 December 2025	584,033	4,350	92,276	142,235	116,267	1,873,452	2,812,613

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group’s subsidiary that have material non-controlling interests are set out below:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Percentage of equity interest held by non-controlling interests:			
Molchip Technology (Shanghai) Co., Ltd..	49%	49%	49%

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit/(loss) for the year allocated to non-controlling interests:			
Molchip Technology (Shanghai) Co., Ltd..	1,235	(27,254)	(26,605)

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Accumulated balances of non-controlling interests at the year end:			
Molchip Technology (Shanghai) Co., Ltd..	234,637	207,373	180,768

The following tables illustrate the summarised financial information of the above subsidiary on its stand-alone basis. The amounts disclosed are before any inter-company eliminations:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current assets	323,410	304,366	391,028
Non-current assets	47,004	34,422	45,464
Current liabilities	100,140	65,846	157,680
Non-current liabilities	4,968	3,820	4,989

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue	479,384	298,602	421,000
Total expense	409,323	296,558	416,863
Profit for the year	70,061	2,044	4,137
Total comprehensive income for the year	70,061	2,025	3,810
Net cash inflow from/(used in) operating activities	89,600	21,911	(8,668)
Net cash inflow used in investing activities	(20,813)	(17,235)	(23,010)
Net cash inflow (used in)/from financing activities	(93,365)	(8,175)	51,070
Effect of foreign exchange rate changes, net	(760)	(2,121)	(1,894)
Net (decrease)/increase in cash and cash equivalents	(25,338)	(5,620)	17,498

37. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2023, 2024 and 2025, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,719,000, RMB277,000 and RMB11,353,000, respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings	Lease liabilities	Convertible bonds	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	153,217	18,517	497,784	669,518
Changes from financing cash flows	(36,202)	(6,347)	(2,935)	(45,484)
New leases	—	1,719	—	1,719
Interest expense	4,533	848	26,181	31,562
Conversion options exercised	—	—	(67)	(67)
Others	(13,388)	—	—	(13,388)
At 31 December 2023 and 1 January 2024	108,160	14,737	520,963	643,860
Changes from financing cash flows	(26,603)	(7,631)	(5,789)	(40,023)
New leases	—	277	—	277
Revision of a lease term arising from a change in the non-cancellable period of a lease	—	(88)	—	(88)
Interest expense	1,938	522	27,293	29,753
Conversion options exercised	—	—	(180)	(180)
Others	2,345	—	—	2,345
At 31 December 2024 and 1 January 2025	85,840	7,817	542,287	635,944
Changes from financing cash flows	19,426	(7,927)	(8,706)	2,793
New leases	—	11,353	—	11,353
Revision of a lease term arising from a change in the non-cancellable period of a lease	—	1,942	—	1,942
Interest expense	2,365	307	28,237	30,909
Conversion options exercised	—	—	(85)	(85)
Others	(1,244)	—	—	(1,244)
At 31 December 2025	106,387	13,492	561,733	681,612

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Total cash outflow for leases

The total cash outflows for leases included in the statements of cash flows are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within operating activities	1,168	762	370
Within financing activities	6,347	7,631	7,927
Total	7,515	8,393	8,297

38. CONTINGENT LIABILITIES

As of the end of each of the Relevant Periods, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

39. PLEDGE OF ASSETS

Details of the assets pledged for the Group’s bank loans and bank acceptance notes are included in note 25 and 31 to the Historical Financial Information.

40. RELATED PARTY TRANSACTIONS

The directors are of the view that the following individuals/companies are related parties that had material transactions or balances with the Group during the Relevant Periods:

Name of related parties	Relationship with the Group
Zhuhai Digital Power Technology Co., Ltd.	Associate of the Group
Micropower Semiconductor Co., Ltd.	Associate of the Group
Shenzhen Dengzhanwu Technology Co., Ltd.	Associate of the Group
Kuangming Intelligent Technology (Wuxi) Co., Ltd.	Associate of the Group
Shenzhen Jingshuo Technology Co., Ltd.	Associate of the Group
Shanghai Shuangshen Information Technology Co., Ltd.	Associate of the Group

(a) Transactions with related parties:

In addition to the transactions detailed elsewhere in this accountants’ report, the Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Purchases of goods from related parties			
Shenzhen Jingshuo Technology Co., Ltd.	—	—	834
Micropower Semiconductor Co., Ltd.	828	2,614	2,240
Total	828	2,614	3,074
Purchases of services from related parties			
Shenzhen Jingshuo Technology Co., Ltd.	—	—	51
Kuangming Intelligent Technology (Wuxi) Co., Ltd.	—	—	594
Shanghai Shuangshen Information Technology Co., Ltd.	—	—	764
Micropower Semiconductor Co., Ltd.	—	377	—
Total	—	377	1,409
Sales of goods to related parties			
Micropower Semiconductor Co., Ltd.	183	307	364
Zhuhai Digital Power Technology Co., Ltd.	830	2,017	1,749
Shenzhen Dengzhanwu Technology Co., Ltd.	—	236	151
Shenzhen Jingshuo Technology Co., Ltd.	—	—	2,370

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Kuangming Intelligent Technology (Wuxi) Co., Ltd.	—	—	5,623
Total	<u>1,013</u>	<u>2,560</u>	<u>10,257</u>
Rendering of services to related parties			
Micropower Semiconductor Co., Ltd.	<u>1,031</u>	<u>417</u>	<u>402</u>

The sales to the related parties and the purchases from the related parties were made according to the published prices and conditions negotiated between the parties.

(b) Outstanding balances with related parties:

		As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Amounts due from related parties				
Trade and bills receivables	Shenzhen Jingshuo Technology Co., Ltd.	—	—	499
Trade and bills receivables	Zhuhai Digital Power Technology Co., Ltd	2,231	—	—
Total		<u>2,231</u>	<u>—</u>	<u>499</u>
Amounts due to related parties				
Trade and bills payables	Micropower Semiconductor Co., Ltd.	—	282	628
Contract liabilities	Micropower Semiconductor Co., Ltd.	107	230	65
Contract liabilities	Zhuhai Digital Power Technology Co., Ltd.	522	743	522
Contract liabilities	Kuangming Intelligent Technology (Wuxi) Co., Ltd.	—	—	629
Contract liabilities	Shenzhen Dengzhanwu Technology Co., Ltd.	—	26	26
Total		<u>629</u>	<u>1,281</u>	<u>1,870</u>

These balances were interest free, unsecured and repayable within 90 days.

Further details of trade related outstanding balances with related parties are included in note 22 and note 26 to the Historical Financial Information.

(c) Compensation of key management personnel of the Group:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Key management compensation	<u>6,855</u>	<u>6,914</u>	<u>6,725</u>

Further details of directors', the chief executive's and supervisors' emoluments are included in note 8 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

The Group

As at 31 December 2023

Financial assets

2023	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Investments measured at fair value through profit or loss	178,398	—	—	178,398
Equity investments designated at fair value through other comprehensive income	—	188	—	188
Trade and bills receivables	—	2,000	458,133	460,133
Financial assets included in prepayments, other receivables and other assets	—	—	25,564	25,564
Cash and bank balances	—	—	1,682,654	1,682,654
Total	<u>178,398</u>	<u>2,188</u>	<u>2,166,351</u>	<u>2,346,937</u>

Financial liabilities

2023	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Derivative financial instruments	918	—	918
Lease liabilities	—	14,737	14,737
Convertible bonds	—	520,963	520,963
Trade and bills payables	—	90,215	90,215
Financial liabilities included in other payables and accruals	—	8,662	8,662
Interest-bearing bank and other borrowings	—	108,160	108,160
Total	<u>918</u>	<u>742,737</u>	<u>743,655</u>

As at 31 December 2024

Financial assets

2024	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Investments measured at fair value through profit or loss	187,953	—	—	187,953
Derivative financial instruments	265	—	—	265
Equity investments designated at fair value through other comprehensive income	—	188	—	188
Trade and bills receivables	—	47,828	484,765	532,593
Financial assets included in prepayments, other receivables and other assets	—	—	31,679	31,679
Cash and bank balances	—	—	1,746,378	1,746,378
Total	<u>188,218</u>	<u>48,016</u>	<u>2,262,822</u>	<u>2,499,056</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Financial liabilities

2024	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Lease liabilities	—	7,817	7,817
Convertible bonds	—	542,287	542,287
Trade and bills payables	—	112,162	112,162
Financial liabilities included in other payables and accruals	—	5,027	5,027
Interest-bearing bank and other borrowings	—	85,840	85,840
Total	—	753,133	753,133

As at 31 December 2025

Financial assets

2025	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Investments measured at fair value through profit or loss	175,001	—	—	175,001
Equity investments designated at fair value through other comprehensive income	—	188	—	188
Trade and bills receivables	—	25,478	450,918	476,396
Financial assets included in prepayments, other receivables and other assets	—	—	14,755	14,755
Pledged deposits	—	—	58,596	58,596
Cash and bank balances	—	—	2,102,034	2,102,034
Total	175,001	25,666	2,626,303	2,826,970

Financial liabilities

2025	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Lease liabilities	—	13,492	13,492
Convertible bonds	—	561,733	561,733
Trade and bills payables	—	158,309	158,309
Financial liabilities included in other payables and accruals	—	3,129	3,129
Interest-bearing bank and other borrowings	—	106,387	106,387
Total	—	843,050	843,050

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, pledged deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, lease liabilities and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The Group invests in financial assets at fair value through profit or loss, which represent unlisted debt investments, and structured deposits issued by banks. The Group has estimated the fair value of debt investments at the recent transaction price of the underlying investment. For structured deposits, since the historical actual returns are consistent with expected returns, the Group measures the fair value using the expected rate of return and the investment period.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group enters into derivative financial instruments with banks. Derivative financial instruments are mainly about forward currency swaps and option contracts. The fair values of derivative financial instruments are measured based on the valuation report obtained.

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using the recent transaction price of the investments.

The Group has bank acceptance notes issued by banks in Chinese Mainland measured at fair value through other comprehensive income. The Group has estimated the fair value of these bank acceptance notes by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis at the end of each of the Relevant Periods:

As at 31 December 2023

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Investments measured at fair value through profit or loss (non-current) . . .	Valuation multiples and recent transaction method	Average multiple of peers (P/S/P/B/P/R&D)	1.4x- 10.9x	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB2,574,000
		Discounts for lack of marketability (“DLOM”)	30%	5% increase/decrease in discount would result in decrease/increase in fair value by RMB3,719,000

As at 31 December 2024

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Investments measured at fair value through profit or loss (non-current) . . .	Valuation multiples and recent transaction method	Average multiple of peers (P/S/P/B/P/R&D)	2.3x- 25.5x	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB3,941,000
		Discounts for lack of marketability (“DLOM”)	30%	5% increase/decrease in discount would result in decrease/increase in fair value by RMB5,629,000

As at 31 December 2025

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Investments measured at fair value through profit or loss (non-current) . . .	Valuation multiples and recent transaction method	Average multiple of peers (P/S/P/E/P/B/P/R&D)	1.6x- 54.2x	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB6,224,000
		Discounts for lack of marketability (“DLOM”)	30%	5% increase/decrease in discount would result in decrease/increase in fair value by RMB10,393,000

APPENDIX I

ACCOUNTANTS’ REPORT

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables	–	2,000	–	2,000
Investments measured at fair value through profit or loss (current)	–	120,854	–	120,854
Equity investments designated at fair value through other comprehensive income.	–	–	188	188
Investments measured at fair value through profit or loss (non-current) .	–	–	57,544	57,544
Total	–	122,854	57,732	180,586
	=	=	=	=

As at 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB’000	RMB’000	RMB’000	RMB’000
Derivative financial assets	–	265	–	265
Trade and bills receivables	–	47,828	–	47,828
Investments measured at fair value through profit or loss (current)	–	100,338	–	100,338
Equity investments designated at fair value through other comprehensive income.	–	–	188	188
Investments measured at fair value through profit or loss (non-current) .	–	–	87,615	87,615
Total	–	148,431	87,803	236,234
	=	=	=	=

As at 31 December 2025

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables	–	25,478	–	25,478
Equity investments designated at fair value through other comprehensive income.	–	–	188	188
Investments measured at fair value through profit or loss (non-current) .	–	–	175,001	175,001
Total	–	25,478	175,189	200,667
	=	=	=	=

APPENDIX I

ACCOUNTANTS’ REPORT

Liabilities measured at fair value:

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB’000	RMB’000	RMB’000	RMB’000
Derivative financial liabilities	–	918	–	918
	=	=	=	=

During the Relevant Periods, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise interest-bearing bank and other borrowings, cash and bank balances and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

At the end of each of the Relevant Periods, the Group had no significant interest risk as the Group did not have long-term debt obligations with a floating interest rate.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units’ functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group’s profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/(decrease) in rate of foreign exchange	Increase/(decrease) in profit before tax
	%	RMB’000
Year ended 31 December 2023		
If the RMB weakens against the USD	5	10,263
If the RMB strengthens against the USD	(5)	(10,263)
Year ended 31 December 2024		
If the RMB weakens against the USD	5	15,513
If the RMB strengthens against the USD	(5)	(15,513)
Year ended 31 December 2025		
If the RMB weakens against the USD	5	29,027
If the RMB strengthens against the USD	(5)	(29,027)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year staging as at 31 December 2023 , 2024 and 2025.

The tables below show the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year end staging classification as at 31 December 2023 , 2024 and 2025. The amounts presented are gross carrying amounts for financial assets.

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	465,395	465,395
Financial assets included in prepayments, other receivables and other assets					
– Normal**	25,564	–	–	–	25,564
Cash and bank balances					
– Not yet past due	1,682,654	–	–	–	1,682,654
Total	<u>1,708,218</u>	<u>–</u>	<u>–</u>	<u>465,395</u>	<u>2,173,613</u>

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	537,899	537,899
Financial assets included in prepayments, other receivables and other assets					
– Normal**	31,679	–	–	–	31,679
Cash and bank balances					
– Not yet past due	1,746,378	–	–	–	1,746,378
Total	<u>1,778,057</u>	<u>–</u>	<u>–</u>	<u>537,899</u>	<u>2,315,956</u>

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	480,895	480,895
Financial assets included in prepayments, other receivables and other assets					
– Normal**	14,755	–	–	–	14,755
Pledged deposits					
– Not yet past due	58,596	–	–	–	58,596
Cash and bank balances					
– Not yet past due	2,102,034	–	–	–	2,102,034
Total	<u>2,175,385</u>	<u>–</u>	<u>–</u>	<u>480,895</u>	<u>2,656,280</u>

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings.

APPENDIX I

ACCOUNTANTS’ REPORT

The maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2023					
Interest-bearing bank borrowings	109,482	—	—	—	109,482
Derivative financial instruments	918	—	—	—	918
Trade and bills payables	90,215	—	—	—	90,215
Financial liabilities included in other payables and accruals	8,662	—	—	—	8,662
Convertible bonds	5,821	8,706	11,606	594,786	620,919
Lease liabilities	7,664	5,626	2,214	—	15,504
Total	<u>222,762</u>	<u>14,332</u>	<u>13,820</u>	<u>594,786</u>	<u>845,700</u>

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2024					
Interest-bearing bank borrowings	86,819	—	—	—	86,819
Trade and bills payables	112,162	—	—	—	112,162
Financial liabilities included in other payables and accruals	5,027	—	—	—	5,027
Convertible bonds	8,706	11,606	594,786	—	615,098
Lease liabilities	5,851	2,214	—	—	8,065
Total	<u>218,565</u>	<u>13,820</u>	<u>594,786</u>	<u>—</u>	<u>827,171</u>

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2025					
Interest-bearing bank borrowings	107,351	—	—	—	107,351
Trade and bills payables	158,217	—	—	—	158,217
Financial liabilities included in other payables and accruals	3,129	—	—	—	3,129
Convertible bonds	11,606	594,786	—	—	606,392
Lease liabilities	5,961	5,104	3,006	—	14,071
Total	<u>286,264</u>	<u>599,890</u>	<u>3,006</u>	<u>—</u>	<u>889,160</u>

Capital management

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group monitors capital using a debt-to-asset ratio, which is total debt divided by total assets. The debt-to-asset ratio as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total debt	893,133	910,112	1,048,731
Total assets	3,677,338	3,881,910	4,147,759
Debt-to-asset ratios	24.29%	23.44%	25.28%

44. EVENTS AFTER THE RELEVANT PERIODS

On April 3, 2026, the Board of Directors of the Company approved the dividend proposal for the year 2025. The Company will distribute a cash dividend of RMB0.8 per 10 shares (inclusive of tax) to all shareholders, based on the total shares as of the equity registration date for distribution less the shares repurchased and held in the repurchase special account. No share dividends will be issued and no capitalization of capital reserve will be made. This dividend proposal remains subject to approval by the Company’s shareholders’ meeting.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2025.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

This appendix contains a summary of the principal provisions of the Articles of Association of the Company which will be effective from the date of [REDACTED] of H Shares on the Hong Kong Stock Exchange. This appendix is primarily intended to provide potential investors with an overview of the Company’s Articles of Association and therefore may not contain all the information that is material to potential investors.

SHARES

ISSUANCE OF SHARES

The shares of the Company shall be issued in an open, fair and equal manner. Each share of the same class shall rank *pari passu* with each other. Shares of a class in each issuance shall be issued under the same terms and at the same price. Each of the shares shall be subscribed for at the same price by any entity or individual.

INCREASE, DECREASE AND REPURCHASE OF SHARES

According to the operation and development needs of the Company, subject to the applicable laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company’s shares are listed, and the regulations of domestic and overseas securities regulatory authorities, the Company may increase the share capital in the following ways upon approval of resolutions at the shareholders’ meeting:

- (i) issuance of shares to non-specific targets;
- (ii) issuance of shares to specific targets;
- (iii) distribution of bonus shares to existing shareholders;
- (iv) converting the reserve funds into share capital;
- (v) the applicable laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company’s shares are listed, as well as other means approved or filed with the relevant domestic and overseas securities regulatory authorities.

Our Company may decrease our registered capital and shall comply with the procedures stipulated in the Company Law, the Hong Kong Listing Rules, and other applicable laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company’s shares are listed, and the Articles of Association.

The Company may acquire Shares of the Company in accordance with laws, administrative regulations, departmental rules and the Articles of Association in the following circumstances:

- (i) reducing the Company’s registered capital;
- (ii) merging with other companies which hold the Company’s shares;
- (iii) using the shares for an Stock Option Incentive Plans or equity incentive plan;
- (iv) purchasing its shares from Shareholders who have voted against the resolutions on the merger or division of the Company at a shareholders’ meeting upon their request;
- (v) using shares to convert corporate bonds issued by the Company that are convertible into stocks;

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

- (vi) necessary for the Company to maintain its value and protect the interests of the shareholders;
- (vii) other circumstances permitted by the applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory rules of the place where the Company's Shares are listed, and the relevant domestic and overseas securities regulatory authorities.

Our Company shall not engage in any activities involving the purchase or sale of its own shares, unless otherwise under the above circumstances:

The purchase of its own shares by the Company may be carried out through public centralized trading, or other methods recognized by the applicable laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company's shares are listed, and the relevant domestic and overseas securities regulatory authorities.

Where the Company purchases its own shares, it shall comply with the information disclosure obligations under the Securities Law, the Hong Kong Listing Rules, and the rules and guidelines of the Hong Kong Stock Exchange. If the Company purchases its own shares under the circumstances stipulated in (iii), (v) or (vi) above, it shall conduct the share purchase through public centralized trading, provided that the requirements of the Hong Kong Listing Rules and the relevant rules and guidelines of the Hong Kong Stock Exchange are satisfied.

A resolution shall be passed at the shareholders' meeting when the Company is to purchase its own shares under the circumstances (i) and (ii) set out above. In case of the circumstances stipulated in (iii), (v) and (vi) above, a resolution of the Company's Board shall be passed by more than two-thirds of the Directors attending the Board meeting in accordance with the provisions of the Articles of Association or the authorization of the shareholders' meeting, unless otherwise provided in the Hong Kong Listing Rules.

After the Company has acquired its own shares under the circumstances above, the shares acquired shall be cancelled within ten days from the date of acquisition (under the circumstance set out in (i) above), or shall be transferred or cancelled within six months (under the circumstances set out in (ii) and (iv) above). If the Company acquires its shares under the circumstances set out in (iii), (v) and (vi) above, the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or cancelled within three years. Where the Company acquires its own H Shares pursuant to the provisions of the Articles of Association, such shares may be either cancelled at the Company's option or held as treasury shares in compliance with the Hong Kong Listing Rules.

TRANSFER OF SHARES

Shares issued prior to the public offering of the A shares of the Company shall not be transferred within 1 year from the date on which the A shares of the Company are listed and traded on the stock exchange. Where laws, administrative regulations, the CSRC or the stock exchange prescribe otherwise regarding the transfer of the Company's shares by its shareholders or de facto controllers, such provisions shall prevail.

The directors, senior management members of the Company shall declare the Company of their holdings of shares of the Company and the changes therein. The shares transferred by them during each year of their tenures shall not exceed 25% of their total holdings of shares of the Company. The shares of the Company held by them shall not be transferred within 1 year from the date on which the Company's Shares are [REDACTED] for trading. The shares of the Company held by them shall not be transferred within half a year from their departure from the Company.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

Where the applicable laws, administrative regulations, departmental rules, normative documents, or the securities regulatory rules of the place where the Company’s shares are listed provide otherwise, the stricter requirements shall prevail.

Where shares of the Company are pledged during the restricted transfer period prescribed by applicable laws, administrative regulations, departmental rules, normative documents or the securities regulatory rules of the place where the Company’s shares are listed, the pledgee shall not exercise the pledge during such restricted transfer period.

Any gains from sale of Company’s shares by the directors and senior management members or shareholders holding 5% or more of the Company’s shares within six months after their purchase of the same, and any gains from the purchase of the shares by any of the aforesaid parties within six months after sale of the same shall be vested in the Company, and the Board of the Company shall recover such gains from the abovementioned parties. However, securities companies holding over 5% of the shares of the Company as a result of acquiring remaining underwritten shares and other circumstances stipulated by the CSRC, the Hong Kong Listing Rules and other applicable rules are not subject to the 6-month restriction when selling shares.

The shares or other securities of equity nature held by directors, senior management members or natural person shareholders referred to in the preceding paragraph shall include the shares or other securities of equity nature held by their spouses, parents or children, and those held through the accounts of others.

The shareholders may require the Board of the Company to comply with the requirement set out in the above paragraph within 30 days if the Board fails to do so. In the event the Board fails to rectify the situation within the said timeline, the shareholders may file a lawsuit to the People’s Court in their own names for safeguarding the interests of the Company.

If the Board of the Company fails to comply with the preceding paragraph, the directors responsible shall bear joint liability in accordance with the laws.

SHAREHOLDERS AND SHAREHOLDERS’ MEETINGS

Shareholders

The Company shall establish a register of shareholders in accordance with evidentiary documents provided by the securities registration and settlement authorities. The register of shareholders is sufficient evidence to prove that the shareholders hold the Company’s shares, unless there is evidence to the contrary. Shareholders shall enjoy rights and assume obligations according to the class of shares they hold. Shareholders holding shares of the same class shall enjoy the same rights and assume the same obligations. Our Company shall keep a copy of the register of holders of the overseas listed shares at our domicile. The overseas entrusted agency shall at all times maintain consistency between the original copy and the duplicate of the register of holders of the overseas listed shares. The branch register of shareholders of the Company in Hong Kong must be made available for inspection by shareholders. The Company may be allowed to close the register of members in accordance with provisions equivalent to section 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), if needed. Subject to the Articles of Association and other applicable provisions, the name of the transferee of the Company’s shares shall be entered on the register of shareholders as the holder of such shares upon transfer.

The rights of our shareholders are as follows:

- (i) to receive dividends and other forms of interest distribution according to the number of Shares held;

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

- (ii) to legally require, convene, preside over, participate in or authorize proxies of shareholders to attend the shareholders' meeting and exercise corresponding rights to speak, raise inquiries and vote (except where required to abstain from voting on relevant matters under the securities regulatory rules of the place where the Company's shares are listed);
- (iii) to supervise operations of the Company, provide suggestions or submit queries;
- (iv) to transfer, grant or pledge the Company's Shares held according to the provisions of the laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association;
- (v) to inspect and duplicate the Articles of Association, the register of shareholders, the minutes of shareholders' meetings, resolutions of the meetings of the Board of Directors, and the financial and accounting reports. If a Shareholder who separately or collectively holds 3% or more of the shares of the Company for 180 or more consecutive days requests to inspect the accounting books and vouchers of the Company, he/she shall submit a request to the Company in writing, stating the purpose. If the Company has reasonable grounds to believe that the Shareholder's inspection of the accounting books and vouchers for any improper purpose that may harm the legitimate interests of the Company, it may refuse to provide access for inspection, and shall reply to the Shareholder in writing within 15 days from the date of the Shareholder's written request, stating the reasons therefor;
- (vi) to participate in the distribution of the remaining assets of our Company according to the proportion of Shares held upon our termination or liquidation;
- (vii) to require our Company to acquire the Shares from shareholders voting against any resolutions adopted at the shareholders' meeting concerning the merger and division of the Company;
- (viii) other shareholder rights conferred by laws, administrative regulations, departmental rules or the Articles of Association.

Where resolutions of the shareholders' meeting or the Board of Directors of the Company are in violation of laws or administrative regulations, shareholders shall have the right to petition the People's Court to declare such resolutions null and void. If the procedure for convening a shareholders' meeting or a Board meeting, or the voting method used in such a meeting, violates any law, administrative regulations or the Articles of Association, or if any resolution adopted includes content that violates the Articles of Association, shareholders may, within 60 days from the date of adopting the resolution, request the people's court to annul these resolutions, except in cases where there are only minor defects in the procedure for convening the Board meeting or the voting method used in the meeting, which had no material impact on the resolution.

In the event that a director or a senior management officer other than a member of the Audit Committee violates laws, administrative regulations or the Articles of Association when performing his/her duties for the Company, thus causing losses to the Company, the shareholders who either individually or jointly having been holding more than 1% of shares of the Company for 180 consecutive days or more shall have the right to request in writing that the Audit Committee bring legal action before the People's Court. In the event that a member of the Audit Committee violates laws, administrative regulations or the Articles of Association when executing his/her duties for the Company, thus causing losses to the Company, the aforementioned shareholders may request in writing that the Board bring legal action before the People's Court.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

In the event that the Audit Committee or the Board refuses to take legal action upon receipt of the request in writing from the shareholders as prescribed in the preceding paragraph, or does not take legal action within 30 days of receiving such a request, or any emergency or failure to take immediate legal action will cause irreparable damage to the interests of the Company, the shareholders prescribed in the preceding paragraphs shall have the right to bring legal action directly before the People's Court in their own names in the interests of the Company.

In the event that some other persons infringe the legitimate rights and interests of the Company, thus causing losses to the Company, the shareholders prescribed in the Articles of Association may bring legal action before the People's Court in accordance with the provisions of the preceding two paragraphs.

In the event that a director, supervisor, or senior management officer of a wholly-owned subsidiary of the Company violates the provisions of laws, administrative regulations or the Articles of Association when performing his/her duties, thus causing losses to the Company, or in the event that any other party infringes upon the legitimate rights and interests of a wholly-owned subsidiary resulting in losses, the shareholders who either individually or jointly having been holding more than 1% of Shares of the Company for 180 consecutive days or more may, in accordance with the first three paragraphs of Article 189 of the Company Law, request in writing that the supervisory committee or the Board of a wholly-owned subsidiary bring legal action before the People's Court or bring legal action directly before the People's Court in their own names.

Shareholders of the Company shall assume the following obligations:

- (i) to abide by the laws, administrative regulations, departmental rules and the Articles of Association;
- (ii) to pay subscription monies as per the Shares subscribed for and the method of subscription;
- (iii) not to withdraw the share capitals unless prescribed otherwise in laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association;
- (iv) not to abuse shareholders' rights to impair the interests of the Company or other shareholders; not to abuse the independent status of legal person or shareholders' limited liabilities to impair the interests of the creditors of the Company;
- (v) other obligations shall be assumed as prescribed by the laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

In the event that a shareholder of the Company abuses his/her rights, thus causing losses to the Company or other shareholders, he/she shall be liable for compensation in accordance with the laws. In the event that a shareholder of the Company abuses the Company's independent status of legal person and shareholders' limited liability to evade debts, thus seriously prejudicing the interests of the Company's creditors, he/she shall be jointly and severally liable for the Company's debts.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

GENERAL PROVISIONS FOR SHAREHOLDERS' MEETINGS

The Company's shareholders' meeting shall be composed of all shareholders. The shareholders' meeting is the authority of the Company and shall exercise the following duties and powers in accordance with the law:

- (i) to elect and replace directors who are not employee representatives, and to determine matters relating to the remuneration of the relevant directors;
- (ii) to consider and approve the report of the Board;
- (iii) to consider and approve the Company's profit distribution plan and loss recovery plan;
- (iv) to make a resolution on the increase or decrease of the registered capital of the Company;
- (v) to make a resolution on the issuance of corporate bonds;
- (vi) to make a resolution on the merger, division, dissolution or liquidation of the Company, or on the change in the type of the Company;
- (vii) to amend the Articles of Association;
- (viii) to consider and approve connected transactions between the Company and its connected persons where the transaction amount exceeds RMB30 million and represents 5% or more of the absolute value of the Company's latest audited net assets (excluding transactions involving receipt of cash assets and provision of guarantees by the Company); to consider and approve transactions between the Company and its connected persons that reach the applicable thresholds requiring the shareholders' meeting to approve under Chapter 14A of the Hong Kong Listing Rules;
- (ix) to consider matters where the Company's purchase or sale of assets on a single occasion or on a cumulative basis within one year exceeds 30% of the Company's latest audited total assets; and to consider and approve notifiable transactions occurring to the Company that reach the threshold requiring the shareholders' meeting to approve under Chapter 14 of the Hong Kong Listing Rules;
- (x) to consider and approve matters relating to guarantees that, as provided in the Articles of Association, shall be submitted to the shareholders' meeting for consideration;
- (xi) to consider an equity incentive plan and Stock Option Incentive Plans;
- (xii) to consider matters concerning the Company's acquisition of its own shares pursuant to the relevant circumstances specified in the Articles of Association;
- (xiii) to consider and approve changes in the use of proceeds;
- (xiv) to make resolutions regarding the appointment, dismissal of the accounting firm undertaking the Company's audit work and its remuneration;
- (xv) to consider other matters that, under laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association, shall be decided by the shareholders' meeting.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

The following external guarantees of the Company shall be considered and passed at the shareholders' general meeting:

- (i) any guarantee provided after the total amount of guarantee to third parties provided by the Company and its controlled subsidiaries has reached or exceeded 50% of the Company's latest audited net assets;
- (ii) any guarantee amount provided to others exceeding 30% of the Company's latest audited total assets within a consecutive twelve-month period;
- (iii) any guarantee amount provided to others exceeds 50% of the Company's latest audited net assets and the absolute amount exceeds RMB50 million within a consecutive twelve-month period;
- (iv) a guarantee to be provided to a party which has an asset-liability ratio in excess of 70%;
- (v) a single guarantee for amount in excess of 10% of the latest audited net assets;
- (vi) any guarantee provided to Shareholders, actual controllers and their related persons;
- (vii) other external guarantees which required to be submitted to the shareholders' general meeting for consideration as prescribed by laws, administrative regulations, departmental regulations, normative documents, the securities regulatory rules of the place where the Company's shares are listed.

Shareholders' general meetings consist of annual general meetings and extraordinary general meetings. Annual general meeting shall be held once a year and shall be held within six months of the date of the previous financial year.

The Company shall convene an extraordinary general meeting within 2 months of the happening of an event:

- (i) the number of directors is below the required minimum quorum as prescribed in the Company Law or is less than 2/3 of the specified quorum hereunder;
- (ii) the losses not yet made up by the Company account for 1/3 of the total share capital;
- (iii) when shareholders individually or jointly holding more than 10% shares carrying voting rights of the Company (including preferred shares with restored voting rights but excluding treasury shares) request in writing to hold such meeting;
- (iv) as the Board considers it necessary;
- (v) as the Audit Committee proposes convening the meeting;
- (vi) when two or more independent directors proposes to convene;
- (vii) other cases as required by applicable laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

CONVENING OF SHAREHOLDERS' MEETINGS

The Board of Directors shall convene the shareholders' meeting on time within the prescribed time limit. With the consent of a majority of all independent directors, the independent directors shall have the right to propose to the Board the convening of an extraordinary general meeting. With respect to this proposal, the Board shall, in accordance with laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association, bring forward a feedback opinion in writing, within 10 days of receiving the proposal, on agreeing or disagreeing with convening the extraordinary general meeting. In the event that the Board agrees to convene the extraordinary general meeting, it shall issue a notice of convening a shareholders' meeting within 5 days of making a resolution. In the event that the Board does not agree to convene the extraordinary general meeting, it shall explain the reasons and make an announcement.

The Audit Committee's proposal to the Board for the convening of an extraordinary general meeting shall be made in writing. The Board shall, in accordance with laws, administrative regulations, departmental rules and the Articles of Association, bring forward a feedback opinion in writing, within 10 days of receiving the proposal, on agreeing or disagreeing with convening the extraordinary general meeting. In the event that the Board agrees to convene the extraordinary general meeting, it shall issue a notice of convening a shareholders' general meeting within 5 days of making a resolution. Any changes in the original proposal in the notice shall be approved by the Audit Committee. In the event that the Board does not agree to convene the extraordinary general meeting or does not make any feedback within 10 days of receiving the proposal, the Board shall be deemed as being unable to or as being not to perform the duty of convening the shareholders' meeting. The Audit Committee may convene and preside over a meeting on their own.

Shareholders individually or jointly holding more than 10% of Shares carrying voting rights of the Company (including preferred shares with restored voting rights but excluding treasury shares) to request the Board for convening an extraordinary general meeting, shall do so in writing. The Board shall, in accordance with laws, administrative regulations, departmental rules and the Articles of Association, bring forward a feedback opinion in writing, within 10 days of receiving the request, on agreeing or disagreeing with convening the extraordinary general meeting. In the event that the Board agrees to convene the extraordinary general meeting, it shall issue a notice of convening a shareholders' meeting within 5 days of making a resolution. Any changes in the original request in the notice shall be approved by the relevant shareholders. In the event that the Board does not agree to convene the extraordinary general meeting or does not make any feedback within 10 days of receiving the request, shareholders individually or jointly holding more than 10% of shares carrying voting rights of the Company (including preferred shares with restored voting rights but excluding treasury shares) shall propose to the Audit Committee the convening of an extraordinary general meeting, and shall do so in writing. In the event that the Audit Committee agrees to convene the extraordinary general meeting, it shall issue a notice of convening a shareholders' meeting within 5 days of receiving the request. Any changes in the original request in the notice shall be approved by the relevant shareholders. In the event that the Audit Committee does not issue a notice of extraordinary general meeting within the prescribed time limit, it shall be deemed as being not to convene and preside over the meeting. Shareholders who individually or jointly have been holding more than 10% of Shares carrying voting rights of the Company (including preferred shares with restored voting rights but excluding treasury shares) for consecutive 90 days may convene and preside over a meeting on their own.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

NOTICES OF SHAREHOLDERS' MEETINGS

The convener shall give 21 days' prior notice of an annual general meeting, and 15 days' prior notice of an extraordinary general meeting by way of announcement to each shareholder.

A notice of a shareholders' meeting shall include the following:

- (i) the time, venue, method and duration of the meeting;
- (ii) matters and proposals submitted to the meeting for consideration;
- (iii) a prominent written statement that all shareholders are entitled to attend shareholders' meeting and are entitled to appoint in writing a proxy to attend and vote at the meeting and that such proxy need not be a shareholder of the Company;
- (iv) the nature and extent of the material interests of any director and senior management members in the transaction to be discussed and the difference in case of the effect of the transaction to be discussed on such director and senior management member as shareholders insofar as it differs from the effect on the shareholders of the same class;
- (v) meeting material required for shareholders' voting;
- (vi) the record date of registration of shareholders entitled to attend the shareholders' meeting;
- (vii) convenor and chairperson of the meeting, proposer(s) of any extraordinary general meeting and their written proposal(s);
- (viii) the name and telephone number of the regular contact person for the meeting;
- (ix) voting time and procedures on the Internet or by other means.

After the shareholders' meeting notice has been issued, the shareholders' meeting shall not be postponed or cancelled without a valid reason, and the proposals listed in the notice should not be cancelled. In the event of any postponement or cancellation of the meeting, the convener shall announce and explain the reasons at least two business days before the originally scheduled date. If the securities regulatory rules of the place where the Company's Shares are listed have special provisions regarding the procedures for postponing or cancelling a shareholders' meeting, these provisions shall be followed.

CONVENING OF SHAREHOLDERS' MEETING

Shareholders may attend the shareholders' meeting in person, or they may entrust proxies to attend and vote on their behalf. Such proxies need not be shareholders of the Company.

If the shareholders' meeting requests the attendance of directors and senior management members, the directors and senior management members shall attend the meeting and accept the enquiry of shareholders.

A shareholders' meeting shall be presided over by the chairperson of the Board. Where the chairperson of the Board 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. A shareholders' meeting convened by the Audit Committee on its own shall be chaired by the convener of the Audit Committee. In the event that the convener of the Audit Committee is unable to or fails to perform his/her duties, a member of the Audit Committee jointly elected by more than half of members of the Audit Committee shall chair the meeting. A shareholders' meeting convened by shareholders on

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

their own shall be chaired by the convener or a representative elected by the convener. During a shareholders' meeting, in the event that the host of the meeting violates the Articles of Association and the rules of procedure so that the shareholders' meeting cannot proceed, a person may be elected as the host of the meeting thereat to proceed with the meeting with the consent of the shareholders with a majority of the voting rights present at the meeting.

The Company formulates the rules of procedure of the shareholders' meeting, which stipulate in detail the summoning, convening and voting procedures of the shareholders' meeting, including notice, registration, consideration of proposals, voting, counting, announcement of voting results, formation of meeting resolutions, meeting minutes and signings and announcements, etc., as well as the authorization principles of the shareholders' meeting to the Board, and the authorization content should be clear and specific.

PROPOSALS OF SHAREHOLDERS' MEETING

The content of the proposals shall fall within the terms of reference of the shareholders' meeting, with specific topics and specific resolutions, and in compliance with applicable laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association. The proposals shall be proposed in writing.

The Company shall convene a shareholders' meeting. The Board of Directors, the Audit Committee and shareholders individually or in aggregate holding 1% or more of the shares of the Company (including preferred shares with restored voting rights) shall have the right to put forward proposals to the Company.

Shareholders individually or in aggregate holding 1% or more of the shares of the Company (including preferred shares with restored voting rights) may put forward an interim proposal and submit it in writing to the convener 10 days before the shareholders' meeting. The convener shall, within 2 days after receiving the proposal, issue a supplementary notice of the shareholders' meeting to announce the content of the interim proposal, and submit the interim proposal to the shareholders' meeting for consideration, unless the interim proposal violates the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, or does not fall within the terms of reference of the shareholders' meeting.

Except for the circumstances prescribed in the preceding paragraph, after the convener has issued the notice of shareholders' meeting, the convener may not modify the proposals already listed in the notice of shareholders' meeting or add new proposals.

No vote shall be taken and no resolution shall be made at the shareholders' meeting on proposals that are not specified in the notice of the shareholders' meeting or proposals that do not comply with the provisions of the Articles of Association.

VOTING AND RESOLUTIONS AT SHAREHOLDERS' MEETINGS

Shareholders (including those shareholders who attend the shareholders' general meeting by proxy) shall exercise their voting rights based on the number of voting shares they represent, and each share shall have one vote. If the securities regulatory rules of the place where the Company's shares are listed stipulate otherwise, such provisions shall prevail.

When the Shareholders' meeting reviews major matters affecting the interests of small and medium investors, the votes of small and medium investors shall be counted separately. The results of the separate vote count shall be disclosed in a timely manner.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

The Company's own shares held by the Company do not have voting rights, and such shares shall not be counted in the total number of voting shares present at the Shareholders' meeting.

If a shareholder purchases the Company's voting shares in violation of the provisions of Article 63, Paragraphs 1 and 2 of the Securities Law, the shares exceeding the prescribed proportion shall not exercise voting rights within 36 months after purchase and shall not be counted in the total number of voting shares present at the Shareholders' meeting.

If the Hong Kong Listing Rules stipulate that any shareholder shall waive his/her voting right on a certain matter or limits any shareholder to cast affirmative or negative votes on certain matter, and in case of any violation of such relevant stipulation or limitations, votes cast by such shareholders or proxies thereof shall not be adopted.

The Board of Directors, independent Directors, shareholders holding more than 1% of the voting shares, or investor protection institutions established in accordance with laws, administrative regulations, or the securities regulatory rules of the place where the Company's shares are listed may publicly solicit shareholders' voting rights. The solicitation of shareholders' voting rights shall fully disclose specific voting intentions and other information to the solicited parties. It is prohibited to solicit shareholders' voting rights in a paid or disguised paid manner. Except for conditions stipulated in laws, the Company shall not impose a minimum shareholding ratio restriction on the solicitation of voting rights.

The resolutions of the shareholders' meeting are divided into ordinary resolutions and special resolutions. An ordinary resolution at a shareholders' meeting shall be passed by more than half of the voting rights held by the shareholders present at the shareholders' meeting (including proxies). A special resolution at a shareholders' meeting shall be passed by at least 2/3 of the voting rights held by the shareholders (including proxies) present at the shareholders' meeting.

The following matters shall be approved by the shareholders' meeting through ordinary resolutions:

- (i) the work reports of the Board;
- (ii) Board's proposed profit distribution plan and loss recovery plan;
- (iii) the appointment and removal of members of the Board and their remuneration and payment methods;
- (iv) other matters other than those approved by special resolutions stipulated in the laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

The following matters shall be approved by the shareholders' meeting through special resolution:

- (i) the increase or reduction of the registered capital of the Company;
- (ii) division, spin-off, merger, dissolution and liquidation of the Company;
- (iii) amendments to the Articles of Association;
- (iv) the purchase and sale of material assets or amount of guarantee provided to others by the Company within one year accumulate to 30% of the latest audited total assets of the Company;
- (v) equity incentive plans;

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

- (vi) other matters approved by ordinary resolutions of the shareholders' meeting pursuant to laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association, which have a significant impact on the Company and need to be passed by way of a special resolution.

Interested shareholders shall not take part in voting when connected transactions are being considered at a shareholders' meeting. The number of shares with voting rights represented by them shall not be included in the total number of valid votes; the announcement on the resolutions made at a shareholders' meeting shall fully disclose details of voting by non-interested shareholders.

DIRECTORS AND THE BOARD OF DIRECTORS

General Provisions for Directors

Directors of the Company may be natural persons. A person may not serve as a director of the Company if any of the following circumstances applies:

- (i) persons who have no or restricted capacity for civil conduct;
- (ii) persons who were sentenced to criminal punishment due to corruption, bribery, embezzlement of property, misappropriation of property or disrupting the socialist market economic order, where less than five years have lapsed since the expiration of the execution period, or who were granted probation, where less than two years have lapsed since the expiration of the probationary term;
- (iii) persons who served as a director, factory manager or manager of a company or an enterprise that declared insolvent and liquidated and were personally liable for the insolvency of such company or enterprise, and less than three years have lapsed since the date of completion of the insolvency and liquidation of that company or enterprise;
- (iv) persons who served as the legal representative of a company or an enterprise of which the business license was revoked and was ordered to close down due to violation of laws and who was personally liable for such revocation and closure, where less than three years have lapsed since the date of the revocation of the business license of that company or enterprise and was ordered to close down;
- (v) persons who have a substantial amount of personal debts due and unsettled and is listed as a mala fide judgment debtor by a People's court;
- (vi) persons who are penalized by the CSRC to be prohibited from participating in the securities markets with a period yet to be expired;
- (vii) persons who were publicly identified by a stock exchange as unsuitable for serving as directors, senior management members, etc., of a listed company, where the restriction period has not expired;
- (viii) other circumstances under which a person is prohibited from serving as a director, stipulated in laws, administrative regulations, departmental rules or the securities regulatory rules of the places where the Company's Shares are listed.

If the election or nomination of a director has violated the above provisions, such election, nomination shall be invalid. If any of the circumstances under above provisions occurs during the period of employment of a director, the Company shall dismiss the director from his/her office and cease his/her performance of duties.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

Non-employee representative directors shall be elected or replaced by the shareholders' meeting, and may be removed from office by the shareholders' meeting before the expiration of their terms of office. Directors shall be appointed for a term of 3 years. Upon expiry of the term, a director may be re-appointed.

A director's term of office commences from the date of taking office, until the current term of office of the Board ends. In the event that a director resigns due to whatever reasons, the term of office of the by-elected director will commence from the date of approval by the general meeting or the date of approval by the staff representatives meeting up to the expiry of the current term of office of the Board. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations, departmental rules and the Articles of Association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office.

The general manager or other senior management officer may concurrently serve as a director, provided that the aggregate number of the directors who concurrently serve as the general manager or other senior management members and directors who are employee representatives shall not exceed 1/2 of all the directors of the Company.

The directors shall bear the fiduciary obligations towards the Company in accordance with laws, administrative regulations, departmental rules, the securities regulatory rules of the places where the Company's Shares are listed and the Articles of Association, and shall take measures to avoid conflicts between their own interests and the Company's interests, and shall not use their positions and powers to seek improper benefits.

Directors shall observe laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, fulfill their obligations of diligence to the Company, and exercise reasonable care as a manager for the best interests of the Company when performing their duties.

Directors may resign before the expiration of their term. A director's resignation shall be submitted to the Company in writing and shall become effective immediately upon receipt by the Company. The Company shall make the requisite disclosures regarding such resignation within two trading days or the term required by the securities regulatory rules of the place where the Company's shares are listed.

Where, as a result of a director's resignation, the quorum requirement for the Board of Directors is no longer met, or number or proportion of independent directors on the Board or its special committees no longer comply with the requirements of laws and regulations, the securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association due to the resignation of an independent director, or there is no independent director with the appropriate professional qualifications or accounting or financial management expertise, the outgoing director shall continue to perform a director's functions in accordance with laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association before the newly elected director assumes office.

When a director's resignation takes effect or his term of service expires, the director shall complete all transfer procedures with the Board of Directors. His fiduciary duty towards the Company and the shareholders shall not expire after the end of his term of service and will still be effective for 1 year after the end of the term.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

No director may act in his/her name on behalf of the Company or the Board without the lawful authorization under the provisions of the Articles of Association or by the Board. Where a director acts in his/her own name, the director shall declare in advance his/her position and identity in the case that a third party would reasonably believe that the director is acting on behalf of the Company or the Board.

Independent Directors

The terms of appointment, nomination and election procedures, tenure of office, resignation and powers of independent directors shall be carried out in accordance with the relevant provisions of laws, administrative regulations, the requirements of CSRC and the stock exchange, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Board of Directors

The Company shall establish the Board of Directors composed of nine directors. The Board shall have one chairman and may elect vice chairman. The chairman and vice chairman shall be elected by a majority vote of all directors.

The Board shall exercise the following functions and powers:

- (i) to convene shareholders' meetings and report its work to the shareholders' meetings;
- (ii) to implement the resolutions of the shareholders' meetings;
- (iii) to determine the business plans and investment plans of the Company;
- (iv) to formulate the Company's profit distribution plan and loss recovery plan;
- (v) to formulate the Company's plans for increase or reduction of registered capital, issuance of bonds or other securities and listing plan;
- (vi) to formulate the Company's plans for significant acquisition, acquisition of the Company's Shares or merger, division, dissolution and change of company form;
- (vii) to decide, within the scope of the authorization granted by the shareholders' meeting, on the Company's external investments, acquisition and sale of assets, mortgage of assets, external guarantees, entrusted wealth management, related party (connected) transactions, external donations etc.; to determine matters concerning the Company's acquisition of its own shares pursuant to the circumstances contemplated by the Articles of Association;
- (viii) to decide on the establishment of the Company's internal management body;
- (ix) to decide on the appointment or dismissal of the general manager, secretary to the Board and other senior management, and to decide on their remunerations, incentives and penalties, and to decide on the appointment or dismissal of senior management members, such as the deputy general manager, chief financial officer of the Company based on the nominations by the general manager, and to decide on their remunerations, incentives and penalties;
- (x) to formulate the proposals for any amendment to the Articles of Association;
- (xi) to formulate the basic management system of the Company;

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

- (xii) to manage information disclosure of the Company;
- (xiii) to propose to the shareholders' meeting on appointment or change 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 inspect his/her work;
- (xv) to consider and approve external guarantee matters other than those requiring the shareholders' meeting to approve under Article 50 of the Articles of Association;
- (xvi) to review and oversee the Company's policies and practices regarding compliance with applicable laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company's shares are listed, and other regulatory requirements;
- (xvii) to review the Company's ongoing compliance with the Corporate Governance Code (Appendix C1 to the Hong Kong Listing Rules) and the corresponding disclosures in the corporate governance report;
- (xviii) other functions and powers conferred by laws, administrative regulations, departmental rules, the Articles of Association, the securities regulatory rules of the place where the Company's Shares are listed or those delegated by the shareholders' meeting.

In the event that the Chairman is unable or fails to perform his duties, the director jointly recommended by a majority of directors shall perform the duties related thereto.

The Board of Directors shall convene regular Board meeting at least four times each year. The Board meeting is convened by the chairman, and all Directors shall be notified in writing 14 days prior to the meeting, excluding the date on which the meeting is convened.

The Chairman shall convene and preside over a Board meeting within ten days upon receiving a proposal under any of the following circumstances:

- (i) as the shareholder(s) individually or collectively holding 10% or more of the Company's total voting shares propose to convene the meeting;
- (ii) as more than one-third of the directors jointly propose to convene the meeting;
- (iii) as more than one-half of the independent directors jointly propose to convene the meeting;
- (iv) as the Audit Committee propose to convene the meeting;
- (v) as the Chairman deems it necessary;
- (vi) where the relevant securities regulatory authorities require the Company to convene an interim Board meeting, the Chairman shall convene and preside over such meeting within ten days upon receiving the requirement from the securities regulatory authorities.

Notice of an extraordinary Board Meeting may be delivered by personal delivery, express mail, email, facsimile, telephone, or any other method approved by the Board. Such notice shall be dispatched three days prior to the meeting date.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

A Board Meeting shall not be held unless more than half of the directors are present, provided that if the Articles of Association, applicable laws, regulations, normative documents or the securities regulatory rules of the place where the Company's shares are listed provide otherwise, such provisions shall prevail. Resolutions of the Board shall be adopted by an affirmative vote of more than half of all directors, provided that if the Articles of Association, applicable laws, regulations, normative documents or the securities regulatory rules of the place where the Company's shares are listed provide otherwise, such provisions shall prevail. When voting on Board resolutions, each director shall have one vote.

Where a director has any connected relationship with the enterprise(s) or individual(s) involved in the matter to be decided at the Board meeting, he/she shall report to the Board in writing in a timely manner, or shall not exercise his/her voting rights on the resolution, nor shall he/she exercise his/her voting rights on behalf of other directors. Such Board meeting may be held when more than half of the non-connected directors attend the meeting, and the resolutions made at such Board meeting shall require adoption by more than half of all the non-connected directors. If the number of non-connected directors in presence is less than 3 persons, the matter shall be submitted to the shareholders' meeting for consideration. If there are any additional restrictions imposed by laws and regulations and the securities regulatory rules of the place where the Company's Shares are listed on the participation of directors in the Board meetings and voting, such provisions shall prevail.

Directors shall attend Board meetings in person. If any director is unable to attend the meeting for any reason, he/she may by a written power of attorney appoint another director to attend the meeting on his/her behalf. The power of attorney shall include the name of the proxy, the subject, scope of authorization and validity period, which shall be signed or officially sealed by the appointing director. A director appointed as the representative of another director to attend the meeting shall exercise the rights of a director within the scope of authorization. Where a director does not attend a Board meeting and does not appoint a proxy to attend the meeting on his/her behalf, he/she shall be deemed to have waived his/her voting rights in such meetings.

Special Committees under the Board of Directors

The Board of the Company shall have an Audit Committee, which shall exercise the functions and powers as provided by the Company Law.

The Board shall establish other special committees according to its needs, including the Strategy and ESG Committee, the Nomination Committee, and the Remuneration and Appraisal Committee, which shall perform duties in accordance with the Articles of Association and the authorization of the Board. Proposals from the special committees shall be submitted to the Board for deliberation and decision. The working procedures of the special committees shall be formulated by the Board.

Senior Management Personnel

The Company shall have one general manager, who shall be appointed or dismissed by the Board of Directors. The Company shall elect deputy general manager, who shall be appointed or dismissed by the Board of Directors.

The provisions of the Articles of Association regarding circumstances under which a person shall not serve as a director, as well as the resignation management system, shall apply mutatis mutandis to senior management personnel. The provisions of the Articles of Association regarding the fiduciary duties and diligence obligations of directors shall apply mutatis mutandis to senior management personnel.

Each term of service for the general manager is 3 years. The general manager may serve consecutive terms upon re-appointment.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

The general manager shall be accountable to the Board of Directors and shall exercise the following powers:

- (i) to preside over the Company's production and operational management, to organize the implementation of resolutions of the Board of Directors, and to report to the Board of Directors on his or her work;
- (ii) to organize the implementation of the Company's annual business plans and investment proposals;
- (iii) to draft the plan for the establishment of the Company's internal management departments;
- (iv) to draft the basic management systems of the Company;
- (v) to formulate specific rules and regulations of the Company;
- (vi) to propose to the Board of Directors the appointment or dismissal of the deputy general manager and the chief financial officer of the Company;
- (vii) to decide on the appointment or dismissal of management personnel other than those whose appointment or dismissal must be decided by the Board of Directors;
- (viii) other powers conferred by the securities regulatory rules of the place where the Company's shares are listed, the Articles of Association or the Board of Directors.

The Company shall have a Board secretary, who shall be nominated by the Chairman and appointed by the Board, and shall be accountable to the Board. The Board secretary shall be responsible for preparing the shareholders' meetings and Board meetings, safeguarding the Company's documents, managing shareholder information, handling information disclosure matters, and other related duties.

Senior management should faithfully perform their duties and safeguard the best interests of the Company and all shareholders. Senior management personnel who fail to faithfully perform their duties or violate their duty of good faith, causing damage to the interests of the Company and public shareholders, shall be liable for compensation according to the laws.

DISTRIBUTION OF PROFITS, FINANCIAL, ACCOUNTING AND AUDIT SYSTEMS

Distribution of Profits

When distributing the annual after-tax profits, the Company shall allocate 10% of the profits to the statutory reserve fund. When the accumulated amount of the statutory reserve fund reaches 50% or more of the Company's registered capital, further allocation may cease.

If the statutory reserve fund is insufficient to cover losses from previous years, the current year's profits shall first be used to offset such losses before allocating to the statutory reserve fund as stipulated above.

After allocating to the statutory reserve fund from the after-tax profits, the Company may, upon resolution of the Shareholders' General Meeting, allocate discretionary reserve funds from the after-tax profits.

The remaining after-tax profits after covering losses and allocating to reserve funds shall be distributed to shareholders in proportion to their shareholdings.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

If the shareholders’ general meeting distributes profits to shareholders in violation of the Company Law and the Hong Kong Listing Rules, such shareholders shall return the profits distributed in violation to the Company; if losses are caused to the Company, the shareholders and responsible directors and senior management personnel shall bear compensation liability.

Shares held by the Company itself shall not participate in profit distribution.

The Company’s reserve funds shall be used to cover the Company’s losses, expand the Company’s production and operations, or convert into an increase in the Company’s registered capital. When using reserve funds to cover losses, discretionary reserve funds and statutory reserve funds shall be used first; if still insufficient, capital reserve funds may be used in accordance with regulations. When the statutory reserve fund is converted into an increase in registered capital, the remaining amount of such reserve fund shall not be less than 25% of the Company’s registered capital before the conversion.

The Company may distribute dividends in the form of cash, shares, or a combination of shares and cash. The Company shall carry out annual profit distribution under the satisfaction of the conditions for profit distribution. The Board of Directors may propose interim cash distributions based on the Company’s capital requirements. The Company shall maintain the continuity and stability of its dividend distribution policy. Any amendment to the dividend distribution policy shall be subject to the approval of both the Board of Directors and the shareholders’ meeting.

Financial and Accounting Systems

The Company shall establish its financial and accounting system in accordance with laws, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed, and relevant provisions of national authorities.

The Company shall submit and disclose its annual report to the regional office of the CSRC and the stock exchange where the Company’s shares are listed within four months from the end of each accounting year; submit and disclose its semi-annual report to the regional office of the CSRC and the stock exchange where the Company’s shares are listed within two months from the end of the first six months of each accounting year.

The Company shall have no accounting books other than the statutory books. The Company’s assets shall not be deposited in any account opened under the name of an individual.

Internal Audit

The Company shall implement an internal audit system, under which the leadership structure, responsibilities and authorities, staffing, funding assurance, utilization of audit results, and accountability mechanisms of internal audit work shall be clearly defined.

The internal audit system of the Company shall be implemented upon approval by the Board of Directors and shall be disclosed externally.

Appointment of Accounting Firm

The Company shall appoint an accounting firm that complies with the provisions of the Securities Law and the securities regulatory rules of the place where the Company’s shares are listed to conduct accounting statement audit, net asset verification and other related consulting services. The term of appointment is one year and can be re-appointed.

The appointment and dismissal of accounting firm by the Company shall be decided by the shareholders’ meeting by way of ordinary resolutions. The Board of Directors may not appoint accounting firm before the approval of the shareholders’ meeting.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

The Company shall guarantee to provide the appointed accounting firm with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting materials, and shall not refuse, conceal or make false statements.

The auditing fees payable to the accounting firm shall be determined by the shareholders' meeting by way of ordinary resolutions.

The Company shall notify the accounting firm 15 days in advance when dismissing or no longer re-appointing the accounting firm. The accounting firm shall be allowed to state its opinions when the shareholders' meeting votes on dismissing the accounting firm. Where the accounting firm resigns its office, it shall make clear to the shareholders' meeting whether or not there are irregularities in the Company.

MERGER, DIVISION, CAPITAL INCREASE AND REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Reduction

The Company may carry out merger or division in accordance with the law. Merger of the Company may take two forms: merger by absorption and merger by new establishment.

If the price paid by the Company for the merger does not exceed 10% of the Company's net assets, it may be decided without a resolution of the shareholders' meeting, unless otherwise provided by the Articles of Association. If the Company merges in accordance with the above paragraphs without a resolution of the shareholders' meeting, it should be decided by a resolution of the Board.

As for a merger, the parties to the merger shall conclude an agreement and prepare balance sheets and checklists of properties. The Company shall inform creditors of the merger within 10 days from the date when the merger resolution is passed, and make announcements of the merger on newspapers or the National Enterprise Credit Information Publicity System within 30 days from that date. Within 30 days after receipt of the notices or (for those who have not received the notices) within 45 days after publication of the announcement, the creditors are entitled to require the Company to settle the debts or to provide corresponding guarantees. After the merger of the Company, the credits and debts of all the parties thereto will be inherited by the continuing company or the newly formed company after the merger.

In case of a division, the Company's properties shall be divided accordingly. In case of a division of the Company, balance sheets and checklists of properties shall be prepared. The Company shall inform the creditors within 10 days after the date of making the resolution for such division, and make announcements on newspapers or the National Enterprise Credit Information Publicity System within 30 days. Debts incurred by the Company before its division shall be jointly and severally borne by the company which exists after the division, except otherwise prescribed when the Company has reached a written agreement on debt settlement with the creditors before the division.

The Company shall prepare a balance sheet and checklists of properties when it reduces its registered capital. The Company shall notify its creditors within 10 days from the date of making the resolution on reduction in registered capital at the shareholders' meeting and shall publish an announcement on newspapers or the National Enterprise Credit Information Publicity System and the website of Hong Kong Stock Exchange within 30 days from the date of such resolution. A creditor has the right, within 30 days after receipt of such notice from the Company, or within 45 days as of the date of the announcement for those who do not receive such notice, to demand that the Company repay their debts to that creditor or provide a corresponding guarantee for such debts. Where a share repurchase by the Company results in a reduction of its registered capital, the Company shall issue relevant notifications and announcements in accordance with applicable laws and regulations.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

Where any of the registered items is changed during the process of merger or division, the Company shall go through modification registration with the company registration authority according to the law. If the Company is dissolved, it shall be deregistered according to the law. If a new company is established, it shall go through the procedures for company establishment according to the law. In case of the increase or reduction of registered capital of the Company, the Company shall go through modification registration with the corporate registration authority in accordance with laws.

Dissolution and Liquidation

The Company shall be dissolved and liquidated according to law under any of the following circumstances:

- (i) Upon the expiration of its term of operation or the occurrence of any other dissolution event as set forth in the Articles of Association;
- (ii) The shareholders' meeting decides to dissolve it;
- (iii) It needs to be dissolved due to merger or division;
- (iv) The Company's business license is revoked or it is ordered to close down or it is deregistered according to laws;
- (v) If the Company gets into serious trouble in operations and management and continual operation may incur material losses of the interests of the shareholders, and no solution can be found through any other channels, the shareholders holding more than 10% of the total voting rights of the Company may request the People's Court to dissolve the Company.

On the occurrence of the events of dissolution set out in the preceding paragraphs, the Company shall make an announcement on the National Enterprise Credit Information Publicity System and the website of Hong Kong Stock Exchange within ten days.

Upon the occurrence of the situation mentioned in (i) and (ii) of Article 205 of the Articles of Association, and where the Company has not yet distributed its property to shareholders, the Company may continue to exist by amending the Articles of Association or by resolution by the shareholders' meeting. The amendment to the Articles of Association pursuant to the above provisions shall be subject to the approval of more than two-thirds of the voting rights held by the shareholders present at the shareholders' meetings.

If the Company is dissolved in accordance with item (i), item (ii), item (iv), or item (v) of Article 205 of the Articles of Association, it shall be liquidated. The directors shall be the liquidation obligors of the Company and shall establish a liquidation committee within 15 days from the date on which the cause for dissolution arises. The liquidation committee shall be composed of the directors, unless otherwise provided in the Articles of Association or resolved by the Shareholders' General Meeting to appoint others. Where the liquidation obligors fail to perform their liquidation obligations in a timely manner and cause losses to the Company or its creditors, they shall bear liability for compensation.

The liquidation committee shall notify creditors within 10 days of its establishment, and make announcements on newspapers or the National Enterprise Credit Information Publicity System within 60 days of its establishment. Creditors shall, within 30 days from the date of receipt of notice or (for creditors who have not personally received such notice) within 45 days from the date of the notice, claim for their creditors' rights to the liquidation committee.

APPENDIX III SUMMARY OF THE ARTICLES OF ASSOCIATION

When filing their claims, creditors shall explain those creditor-related issues and provide supporting documentation thereon. The liquidation committee shall register such claims.

During the period of claiming of creditors' rights, the liquidation committee shall not make repayment to the creditors.

After liquidating the properties of the Company and preparing balance sheets and checklists of properties, the liquidation committee shall make a plan of liquidation, and report it to the shareholders' meeting or the People's Court for confirmation. The remaining properties of the Company after payment of liquidation costs, wages, social insurance premium and statutory compensation, outstanding taxes and debts of the Company, shall be distributed to the shareholders by the Company as per their shareholding percentages. During the liquidation period, the Company survives, but cannot carry out business activities unrelated to the liquidation. Before the settlement of repayments as prescribed in the above provisions, the Company's properties shall not be distributed to shareholders.

If the liquidation committee notices that the properties of the Company are insufficient for clearing off the debts after liquidating the properties of the Company and preparing balance sheets and checklists of properties, it shall apply to the People's Court for liquidation and bankruptcy. Once the People's Court accepts the application for the bankruptcy, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator appointed by the People's Court.

Following the completion of liquidation of the Company, the liquidation committee shall formulate a liquidation report, submit the same to the shareholders' meeting or the People's Court for confirmation, and submit it to the company registration authority to apply for company de-registration.

Where the Company is declared bankrupt according to law, it shall carry out bankruptcy liquidation in accordance with laws relating to the enterprise bankruptcy.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Company shall amend this Articles of Association on the occurrence of any of the following events:

- (i) After the amendment to the Company Law, the Hong Kong Listing Rules and the relevant laws, administrative regulations and the securities regulatory rules of the place where the Company's shares are listed, the provisions of the Articles of Association are in conflict with the amended laws, administrative regulations and the securities regulatory rules of the place where the Company's shares are listed;
- (ii) There is change in the Company which makes it inconsistent with the Articles of Association;
- (iii) The amendments to the Articles of Association have been decided by the shareholders' meeting.

Amendments to the Articles of Association passed by resolutions at the shareholders' meeting shall be required to be examined and approved by the competent authorities, and shall be submitted to the competent authorities for approval. If there is any change relating to the registered particulars of the Company, the changes shall be registered in accordance with law.

The Board of Directors shall revise the Articles of Association in accordance with the resolution of the shareholders' meeting regarding the revision of the Articles of Association and the approval opinion from the competent authorities.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of Our Company

Our Company, then known as Shanghai Fullhan Microelectronics Co., Ltd. (上海富瀚微電子有限公司), was incorporated on April 16, 2004. Our Company was converted into a joint stock company on January 21, 2014 and completed the listing of our A-shares on the Shenzhen Stock Exchange (stock code: 300613) in February 2017. See “History, Development and Corporate Structure — Major Shareholding Changes of Our Company” in this document.

As of the date of this document, our Company’s registered address is located at Floor 6, No. 717 Yishan Road, Xuhui District, Shanghai, China, and address of our headquarters is located at Floor 6, No. 717 Yishan Road, Xuhui District, Shanghai, China. Our Company’s corporate structure and Articles of Association are governed by PRC laws and regulations. The relevant PRC laws and regulations and a summary of the Articles of Association are set out in “Regulatory Overview” and “Appendix III — Summary of the Articles of Association” to this document, respectively.

Our principal place of business in Hong Kong is at 46th Floor, Hopewell Centre, 183 Queen’s Road Central East, Wan Chai, Hong Kong. Our Company [has been] registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on [●]. Ms. Leung has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for the service of process is the same as our principal place of business in Hong Kong.

2. Changes in the Share Capital of Our Company

As approved by the resolution of the 2023 annual general meeting of shareholders held on May 17, 2024, our Company’s issued share capital increased from RMB229,967,436, comprising 229,967,436 A Shares of nominal value of RMB1.00 each, to RMB230,782,689, comprising 230,782,689 A Shares of nominal value of RMB1.00 each, for the exercise of share options by participants under the Company’s share incentive schemes during as well as the conversion of the Company’s convertible bonds. As approved by the resolution of the 2024 annual general meeting of shareholders held on May 26, 2025, our Company’s issued share capital increased from RMB230,782,689, comprising 230,782,689 A Shares of nominal value of RMB1.00 each, to RMB232,229,690, comprising 232,229,690 A Shares of nominal value of RMB1.00 each, for the exercise of share options by participants under the Company’s share incentive schemes during as well as the conversion of the Company’s convertible bonds. A portion of awards granted pursuant to our 2020, 2021 and 2022 Stock Option Incentive Plan met the exercise conditions and the number of such awards exercised in 2024 and 2025 was 1,217,681 Shares and 725,168 Shares, respectively. In 2024 and 2025, the total number of the A Shares converted from the Company’s convertible bonds was 2,196 Shares and 1,162 Shares, respectively. As of the Latest Practicable Date, the numbers of the outstanding stock options granted under the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan were 150,956 and 219,935, respectively and the 2021 Convertible Bonds in the amount of RMB580,191,300, representing 5,801,913 bonds with a par value of RMB100 each, remained outstanding.

In addition, on February 28, 2024, Mr. Yang Xiaoqi, the Chairman of the Board of our Company, proposed that the Company use its own funds to repurchase some of the Company’s issued ordinary shares (A Shares) through centralized bidding transactions. On March 8, 2024, the Company held the eighteenth meeting of the fourth session of the Board and approved the proposal on the repurchase plan, agreeing to use no less than RMB50 million (inclusive) and no more than RMB100 million (inclusive) of its own funds to repurchase some of the Company’s A Shares through centralized bidding transactions. Pursuant to transactions conducted between March 26, 2024 to May 30, 2024, the Company repurchased a total of 2,214,993 A Shares, at price ranging between RMB28.84 and RMB35.00 per A Share. Upon completion of the repurchase, the

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

repurchased A Shares were held under our Company stock repurchase account as treasury Shares and do not carry any Shareholders’ rights, including but not limited to voting rights at the Shareholders’ meeting and dividend rights.

As approved by the resolution of the 2025 annual general meeting of shareholders held on April 27, 2026, our Company’s issued share capital increased to RMB232,804,819, comprising 232,804,819 A Shares of nominal value of RMB1.00 each, for the exercise of share options by participants under the Company’s share incentive schemes as well as the Company’s convertible bonds.

Save as disclosed above, there has been no alteration in our Company’s total issued share capital within the two years immediately preceding the date of publication of this document.

3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in note 1 to the Accountants’ Report as set out in Appendix I to this document.

Save as disclosed below, there has been no alteration in the total issued share capital of our subsidiaries during the two years immediately preceding the date of this document. For details of our subsidiaries, see “History, Development and Corporate Structure — Our Major Subsidiaries”.

(1) Fullhan Microelectronics (Chengdu) Co., Ltd.

On August 8, 2025, the share capital of Fullhan Microelectronics (Chengdu) Co., Ltd. (“**Fullhan Chengdu**”) increased from RMB20 million to RMB30 million.

4. Shareholders’ Resolutions

At the general meeting of our Company held on October 16, 2025, the following resolutions, among other things, were passed by the Shareholders:

- (i) the issuance of H Shares with a nominal value of RMB1.00 each by our Company and such H Shares be [REDACTED] on the Hong Kong Stock Exchange;
- (ii) the number of H Shares to be issued pursuant to the [REDACTED] before the exercise of the [REDACTED] shall not exceed 15% of the enlarged share capital of our Company upon completion of the [REDACTED], and the [REDACTED] shall not exceed [REDACTED]% of the above number of H Shares to be issued;
- (iii) subject to the completion of the [REDACTED], the Articles of Association to become effective on the [REDACTED] shall be conditionally adopted, and the Board and its authorized person have been authorized to amend the Articles of Association in accordance with any comments from the relevant regulatory authorities; and
- (iv) authorization of the Board and its authorized person to handle relevant matters relating to, among other things, the [REDACTED], the issue and [REDACTED] of the H Shares.

5. Restrictions on Repurchase

See “Appendix III — Summary of the Articles of Association” for details.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contract entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

- (i) the [REDACTED].

2. Intellectual Property Rights

Trademarks

(i) Registered Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registered Owner	Class	Registration Number
1. . .		PRC	the Company	9	5317727
2. . .		PRC	Molchip Technology	9	32136235
3. . .		PRC	Molchip Technology	9	32124645
4. . .		PRC	Molchip Technology	9	32122193

(ii) Trademark under Registration Process

No.	Trademark	Place of Registration	Applicant	Class	Application Number
1. . .		HK	the Company	9	307016175

APPENDIX IV STATUTORY AND GENERAL INFORMATION

Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent	Type of patent	Place of Registration	Patent Number	Owner
1. . . .	A method and device for wind noise suppression based on multiple microphones (一種基於多麥克風的風噪抑制方法與裝置)	Invention patent	PRC	ZL202210203571.X	the Company
2. . . .	A method and device for high dynamic range image compression (一種高動態範圍圖像壓縮的方法及裝置)	Invention patent	PRC	ZL202011555911.2	the Company
3. . . .	Target tracking system and method (目標跟蹤系統及方法)	Invention patent	PRC	ZL201910330691.4	the Company
4. . . .	Adaptive channel equalization method and device for coaxial video transmission systems, computer storage medium (同軸視頻傳輸系統的自適應信道均衡方法及裝置、計算機存儲介質)	Invention patent	PRC	ZL202111143640.4	the Company
5. . . .	A foreground extraction method and device, readable storage medium (一種前景提取方法及裝置、可讀存儲介質)	Invention patent	PRC	ZL201911328264.9	the Company
6. . . .	A target detection method and target detection system (一種目標檢測方法和目標檢測系統)	Invention patent	PRC	ZL202010291552.8	the Company
7. . . .	A method and device for image color correction based on a 3D look-up table (一種基於三維查找表的圖像顏色校正方法及裝置)	Invention patent	PRC	ZL201911243612.2	the Company
8. . . .	A CFA interpolation processing method and device (一種CFA插值處理方法及裝置)	Invention patent	PRC	ZL201710443972.1	the Company
9. . . .	A coding coefficient elimination method and improved HEVC coding method (一種編碼係數消除方法及改進型HEVC編碼方法)	Invention patent	PRC	ZL202010286969.5	the Company

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Patent	Type of patent	Place of Registration	Patent Number	Owner
10. . .	A method and system for high-speed long-distance data transmission in analog HD cameras (模擬高清攝像機高速長距離數據傳輸的實現方法及系統)	Invention patent	PRC	ZL201811615851.1	the Company
11. . .	A speech signal processing method and device (一種語音信號處理方法及裝置)	Invention patent	PRC	ZL201810162252.2	the Company
12. . .	A quantization noise linear fitting method, encoding device, and encoding method (一種量化噪聲線性擬合方法、編碼裝置及編碼方法)	Invention patent	PRC	ZL201710949187.3	the Company
13. . .	A method for effectively suppressing coding ringing artifacts, encoder, and encoding method (一種有效抑制編碼振鈴效應的方法、編碼器及編碼方法)	Invention patent	PRC	ZL201710996726.9	the Company
14. . .	A structural distortion evaluation method and system for RDO strategy (一種對RDO策略的結構性失真度的評估方法及系統)	Invention patent	PRC	ZL201710898532.5	the Company
15. . .	Low bitrate HEVC coding algorithm based on approximate entropy rate (近似熵率的低碼率HEVC編碼算法)	Invention patent	PRC	ZL201711392099.4	the Company
16. . .	Entropy coding system and its coding method based on H.265 video compression standard (基於視頻壓縮編碼標準H.265的熵編碼系統及其編碼方法)	Invention patent	PRC	ZL201610716252.3	the Company
17. . .	A method and device for visually lossless compression of high dynamic range images (一種高動態圖像視覺無損壓縮的方法及裝置)	Invention patent	PRC	ZL201310296563.5	the Company
18. . .	Infrared and visible light image signal processing method and its implementation device (紅外與可見光圖像信號處理方法及其實現裝置)	Invention patent	PRC	ZL201410328864.6	the Company

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Patent	Type of patent	Place of Registration	Patent Number	Owner
19. . .	A fast implementation method for video image noise estimation algorithm (一種視頻圖像噪聲估計算法的快速實現方法)	Invention patent	PRC	ZL201110068732.0	the Company
20. . .	A 3D block matching method in video noise reduction processing (一種視頻降噪處理中的三維塊匹配方法)	Invention patent	PRC	ZL200910198131.4	the Company
21. . .	A frame intra prediction mode selection method based on M algorithm and its implementation device (一種基於M算法的幀內預測模式選擇方法及其實現裝置)	Invention patent	PRC	ZL200810041733.4	the Company
22. . .	A context-based adaptive binary arithmetic encoder and its method (一種上下文自適應二進制算術編碼器及其方法)	Invention patent	PRC	ZL200710042108.7	the Company
23. . .	Method and application for processing DDR particle information and backdoor tasks in DDR simulation (DDR仿真中處理DDR顆粒信息和後門任務的方法及應用)	Invention patent	PRC	ZL202011286254.6	Molchip Technology
24. . .	Virtual VDP device and application supporting decoded frame rate control in video surveillance (視頻監控中支持解碼幀率控制的虛擬VDP裝置及應用)	Invention patent	PRC	ZL202111508127.0	Molchip Technology
25. . .	A DSP-based real-time intelligent surveillance target detection method and device (基於DSP的實時智能監控目標檢測方法及裝置)	Invention patent	PRC	ZL202010832881.9	Molchip Technology
26. . .	Video image processing equipment, system, and method based on local non-uniform resolution (基於局部非均勻分辨率的視頻圖像處理設備、系統及方法)	Invention patent	PRC	ZL201811212816.5	Molchip Technology
27. . .	Encoding method and application supporting adaptive allocation of decoded compressed frame buffer (支持解碼壓縮幀緩存自適應分配的編碼方法及應用)	Invention patent	PRC	ZL202010550928.2	Molchip Technology

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Patent	Type of patent	Place of Registration	Patent Number	Owner
28. . .	Method and device for improving target detection performance of detection neural networks (提升檢測神經網絡目標檢測性能的方法及裝置)	Invention patent	PRC	ZL202010835666.4	Molchip Technology
29. . .	Region camera-based target tracking method, device, and system (基於區域攝像頭的目標追蹤方法、裝置及系統)	Invention patent	PRC	ZL201911361106.3	Molchip Technology
30. . .	Data segmentation-based image processing method, device, and system (基於數據分割的圖像處理方法、裝置及系統)	Invention patent	PRC	ZL201911361091.0	Molchip Technology
31. . .	Image edge enhancement processing method and application (圖像的邊緣增強處理方法及應用)	Invention patent	PRC	ZL202010931595.8	Molchip Technology
32. . .	Method and device for improving video target detection performance in surveillance edge computing (監控邊緣計算中提升視頻目標檢測性能的方法及裝置)	Invention patent	PRC	ZL202010828519.4	Molchip Technology
33. . .	Denoising method, device, and system based on image pyramid decomposition (基於圖像金字塔分解的去噪方法、裝置及系統)	Invention patent	PRC	ZL202010220866.9	Molchip Technology
34. . .	Video encoding method and device for suppressing intra-block breathing effects in P/B frames (抑制P/B幀中幀內塊呼吸效應的視頻編碼方法及裝置)	Invention patent	PRC	ZL202010138060.5	Molchip Technology
35. . .	A method and device for sound source localization and speech enhancement (聲源定位及語音增強方法與裝置)	Invention patent	PRC	ZL202211632780.2	the Company
36. . .	Motion vector estimation method, system, and readable storage medium (運動矢量估計方法、系統及可讀存儲介質)	Invention patent	PRC	ZL202411968852.X	the Company

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Patent	Type of patent	Place of Registration	Patent Number	Owner
37. . .	A method and device for pedestrian detection based on video sequences, and computer storage medium (基於視頻序列的行人檢測方法及裝置、計算機存儲介質)	Invention patent	PRC	ZL202111395417.9	the Company
38. . .	Multi-target tracking system and application based on distance intersection-over-union sorting and matching (基於距離交並比排序匹配的多目標跟蹤系統及應用)	Invention patent	PRC	ZL202211586787.5	Molchip Technology
39. . .	Master-assistant core communication method and system for master-slave architecture chips (主從架構芯片的主從核通信方法及系統)	Invention patent	PRC	ZL202111325067.9	Molchip Technology
40. . .	LVDS receiving circuit and chip with wide input common-mode range (寬輸入共模範圍的LVDS接收電路及芯片)	Invention patent	PRC	ZL202310060754.5	Molchip Technology

Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Name of Software	Place of Registration	Registered Owner
1. . .	Feihuang visual full simulation platform V1.7.4 (飛黃視覺全仿真平台V1.7.4)	PRC	the Company
2. . .	Coolview3 image quality debugging software V3.1.0 (CoolView3圖像質量調試軟件V3.1.0)	PRC	the Company
3. . .	Camera data transmission stability automated testing system V1.2 (攝像頭數據傳輸穩定性自動化測試系統V1.2)	PRC	the Company
4. . .	AI_TEST_TOOL system V1.0 (AI_TEST_TOOL系統V1.0)	PRC	the Company
5. . .	Real-time platform stream player software V1.0 (實時平台流播放器軟件V1.0)	PRC	the Company
6. . .	Audio quality debugging software V1.0 (音頻質量調試軟件V1.0)	PRC	the Company
7. . .	Fullhan platform nn debugging tool suite software V1.0 (fullhan平台NN調試工具組軟件V1.0)	PRC	the Company

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Name of Software	Place of Registration	Registered Owner
8. . .	ISP video filter frequency response testing system V2.2 (ISP視頻濾波器頻譜特性測試系統V2.2)	PRC	the Company
9. . .	Fullhan platform RTOS memory management software V1.0 (Fullhan平台RTOS內存管理軟件V1.0)	PRC	the Company
10. . .	Fullhan microelectronics chip automated testing platform software V1.0 (富瀚微芯片自動測試平台軟件V1.0)	PRC	the Company
11. . .	Fullhan microelectronics fisheye lens panoramic roaming and correction IOS version software V2.0 (富瀚微電子魚眼鏡頭全景漫游及矯正IOS版軟件V2.0)	PRC	the Company
12. . .	Fullhan micro RTT system peripheral driver software V1.0 (富瀚微RTT系統外設驅動軟件V1.0)	PRC	the Company
13. . .	Fullhan micro audiocodec driver software V1.0 (富瀚微AudioCodec驅動軟件V1.0)	PRC	the Company
14. . .	MouXin Audio-Video Chip Automated Verification Software [Abbreviation: Chip Automated Verification Software] V 1.0 (眸芯音視頻芯片自動化驗證軟件[簡稱：芯片自動化驗證軟件]V1.0)	PRC	Molchip Technology
15. . .	MouXin Technologies Download Tool Software V1.0 (眸芯科技下載工具軟件V1.0)	PRC	Molchip Technology
16. . .	MouXin Surveillance Video Input Unit (VIU) Chip Testing Software V1.0 (眸芯監控視頻輸入處理單元 (VIU) 芯片測試軟件V1.0)	PRC	Molchip Technology
17. . .	Automated testing platform software V1.0 (自動化測試平台軟件 V1.0)	PRC	the Company

Domain Names

As of the Latest Practicable Date, we owned the following domain name, which we consider to be or may be material to our business:

No.	Domain Name	Registration Owner
1. . .	fullhan.com	the Company
2. . .	molchip.com	Molchip Technology
3. . .	ygtek.cn	Shanghai YG

APPENDIX IV STATUTORY AND GENERAL INFORMATION

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests of Directors and Chief Executive

To the best knowledge of our Directors, saved as disclosed below, immediately following the completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised and (ii) no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), none of our Directors or chief executive has any interests or short positions in the Shares, underlying Shares and 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 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 recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Interest in Shares of our Company

Name	Position	Nature of Interest	Number and description of Shares	Approximate % of the issued Shares immediately after the [REDACTED] ⁽¹⁾
Mr. Yang Xiaoqi ⁽²⁾	Chairman of the Board, executive Director and chief executive officer	Beneficial owner	17,430,860 A Shares	[REDACTED]%
		Interest jointly held with other persons	39,931,148 A Shares	[REDACTED]%
Mr. Wan Jianjun	Executive Director	Beneficial owner	175,841 A Shares	[REDACTED]%
Mr. Li Yuan ⁽³⁾	Executive Director	Interest in controlled corporation	282,102 A Shares	[REDACTED]%

Notes:

- (1) Assuming (i) the [REDACTED] is not exercised and (ii) no other changes are made to the total issued share capital of our Company between the Latest Practicable Date and the [REDACTED].
- (2) For details of the interest held by Mr. Yang, see “Substantial Shareholders.”
- (3) As of the Latest Practicable Date, Yunnan Tengan Enterprise Management Center (LP) (雲南騰瀚企業管理中心 (有限合夥)), an employee shareholding platform, held 282,102 A Shares. Mr. Li Yuan is the general partner and one-third limited partner of Yunnan Tengan Enterprise Management Center (LP). For the purpose of SFO, Mr. Li Yuan is deemed to be interested in the Shares held by Yunnan Tengan Enterprise Management Center (LP).

APPENDIX IV STATUTORY AND GENERAL INFORMATION

2. Interest of Substantial Shareholders

Interests in the Shares of our Company

Save as disclosed in the section headed “Substantial Shareholders” in this document, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised and (ii) no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), having or be deemed or taken to the beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the issued voting shares of our Company or had option in respect of such capital.

Interests in our Company’s subsidiaries

Name of subsidiary	Name of shareholder	Percentage of Interest in the Subsidiary (%)
Shanghai YG	Ms. Wang Jiahuan ⁽¹⁾	11.25%
	Hai Feng ⁽²⁾	29.52%
Molchip Technology	Shanghai Lingxin ⁽³⁾	13.32%
	Yang Songtao ⁽⁴⁾	0.17%

Notes:

- (1) Ms. Wang Jiahuan is an Independent Third Party (save for her being the shareholder of Shanghai YG).
- (2) Hai Feng is an Independent Third Party (save for it being the shareholder of Molchip Technology). For more details, see “History, Development and Corporate Structure – Our Shareholding and Corporate Structure”.
- (3) Shanghai Lingxin is an Independent Third Party (save for it being the shareholder of Molchip Technology). For more details, see “History, Development and Corporate Structure – Our Shareholding and Corporate Structure”.
- (4) Yang Songtao is the general partner of Shanghai Lingxin. For more details, see “History, Development and Corporate Structure – Our Shareholding and Corporate Structure”.

So far as set out above and save as disclosed in the Document, as of the Latest Practicable Date, to the best knowledge of our Directors, other than members of our Group, the Directors or chief executive of our Company, none of any persons or entities was interested in 10% or more of the voting rights at general meetings of our subsidiaries.

3. Particulars of Service Contracts

Our Company [has entered] into a service agreement with each of the Directors which contains provisions in relation to, among other things, compliance of relevant laws and regulations, observations of Articles of Association and provisions on arbitration.

The principal particulars of these service agreements are: (a) each of the agreements is for a term of 3 years following his/her respective effective date of his/her respective effective date of his/her appointment; and (b) each of the agreements is subject to termination in accordance with their respective terms.

Save as disclosed above, our Company has not entered, and does not propose to enter, into any service contracts with any of the Directors in their respective capacities as Directors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

4. Directors’ remuneration

For details of the Directors’ remuneration, see “Directors and Senior Management — Remuneration of Directors and Senior Management.” and note 8 to the Accountants’ Report as set out in Appendix I.

5. Disclaimers

Save as disclosed in this document,

- (a) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporation (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 or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to 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 once the H Shares are listed;
- (b) none of our Directors or any of the parties listed in “— D. Other Information — 8. Consents of Experts” below:
 - (i) has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
 - (ii) 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 taken as a whole;
- (c) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (d) so far as is known to our Directors, no person (not being a Director or chief executive of our Company or any member of our Group) will, immediately following the completion of the [REDACTED], have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (e) none of our Directors or their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

6. Share Incentive Plans

The following is a summary of the key terms of the share incentive plans currently being implemented by our Company, namely the 2021 Stock Option Incentive Plan, the 2022 Stock Option Incentive Plan (“**Stock Option Incentive Plans**”) and the 2026 Restricted Stock Incentive Plan (“**Share Incentive Plans**”). The terms of Share Incentive Plans do not involve any grant of share awards by our Company after the [REDACTED] and are not subject to the provisions of Chapter 17 of the Listing Rules. The terms of the Share Incentive Plans are summarized below.

(1) Purposes

The purposes of the Share Incentive Plans are to further establish and improve our long-term incentive mechanism, attract and retain outstanding talents, and fully motivate the enthusiasm of core management and technical or business personnel. The Share Incentive Plans are implemented to align the interests of our Shareholders, our Company and our core team members, which is beneficial to ensure all parties jointly focus on our Company’s long-term development.

(2) Type of Awards

The share awards are granted in the form of stock options under Stock Option Incentive Plans and to be granted in the form of restricted stocks under the 2026 Restricted Stock Incentive Plan. The A Shares underlying the stock options under the Stock Option Incentive Plans can only be issued after the vesting or exercise thereof.

(3) Administration

Each of the Share Incentive Plans is subject to the approval of our Company’s general meeting, administration of the Board and the supervision of the independent non-executive Directors.

(4) Participants

Participants under the Share Incentive Plans include (as the case may be), (i) core management personnels, and (ii) core employees, but do not include (a) independent non-executive Directors, (b) supervisors, and (c) Shareholders who, individually or in aggregate, holding 5% or more of the Shares of our Company, or actual controller(s) and their respective spouse, parents and children.

(5) Source and Number of Shares

The underlying Shares for the Share Incentive Plans are new A Shares to be issued by our Company. The maximum number of Shares granted to any individual grantee under Share Incentive Plans shall not exceed 1% of our Company’s total share capital. The maximum number of stock options available to be granted under each Stock Option Incentive Plan is 1.8 million. The maximum number of restricted stocks available to be granted under the 2026 Restricted Stock Incentive Plan is 2.2 million.

(6) Date of Grant and Vesting Periods of the Plans

The grant date of stock options and restricted stocks shall be determined by the Board after the approval of the Share Incentive Plans by the Shareholders at a general meeting. Unless otherwise stipulated by laws and regulations, the grant date must be a trading day of the Shenzhen Stock Exchange. The grant of stock options and the grant of restricted stocks are subject to the approval of the Board and shall be registered and announced within 60 days after the approval of the Share Incentive Plans at a general meeting. The vesting periods for

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

the stock options granted under the Stock Option Incentive Plans are 12 months, 24 months, 36 months, and 48 months, respectively, from the date of grant. The vesting periods for the restricted stocks granted under the 2026 Restricted Stock Incentive Plan are 12 months, 24 months and 36 months, respectively. The grantees may become eligible to exercise their stock options only after the Stock Option Incentive Plans are approved by the Shareholders’ meeting and the respective vesting periods have been completed.

(7) Lock-up Arrangements

The lock-up arrangements under the Share Incentive Plans are determined according to the Articles of Association and applicable PRC laws and regulations:

- (i) if the grantee is a Director or a senior management of our Company, the Shares to be transferred each year during his or her tenure shall not exceed 25% of the total Shares he or she holds. No Shares held by such Director or senior management may be transferred within six months after termination of his or her employment;
- (ii) if the grantee is a Director or senior management of our Company and their respective spouse, parents and child(ren), income gained through sale of Shares of our Company within six months of the purchase or repurchase of Shares of our Company within six months of the sale, shall belong to our Company and be reclaimed by the Board; and
- (iii) if there is any change in the applicable laws and regulations or the relevant provisions of the Articles of Association on the foregoing lock-up requirements within the term of each of the Stock Option Incentive Plans, the grantee shall comply with the amended laws and regulations and the Articles of Association.

(8) Exercise Price and Grant Price

The initial exercise price of the options granted under the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan is RMB123.72 per A Share and RMB124.23 per A Shares, respectively, while the grant price of the restricted stocks is RMB20.84 per A shares under the 2026 Restricted Stock Incentive Plan. The exercise price and the grant price will be adjusted upon the occurrence of certain events, including among others, increase in the share capital by way of capitalization of capital reserves, issue of bonus shares, subdivision of shares, issue of new shares or payment of dividends. As at the Latest Practicable Date, the exercise price of the options granted under the 2021 Stock Option Incentive Plan ranges from RMB42.81 to RMB88.47 per A Share and the exercise price of the options granted under the 2022 Stock Option Incentive Plan is RMB64.80 per A Share.

(9) Conditions to Vesting and Exercise of Stock Options and Grant of Restricted Stocks

Stock options will only be vested to and restricted stocks will only be granted to eligible participants if the following conditions are fulfilled:

- (i) with respect to our Company, none of the following circumstances having occurred:
 - (a) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the certified public accountant with respect to our accountant’s report for the most recent fiscal year;
 - (b) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the certified public accountant with respect to the internal control report contained in accountant’s report for the most recent fiscal year;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (c) our Company has failed to distributed profits in accordance with the laws and regulations, our Articles of Association or our public commitment within the last 36 months after its listing on the Shenzhen Stock Exchange;
 - (d) implementation of any share incentive plan is prohibited under applicable laws and regulations; or
 - (e) any other circumstances determined by the CSRC.
- (ii) with respect to a grantee, none of the following circumstances having occurred:
- (a) he or she has been regarded as an inappropriate participant by a stock exchange within the last 12 months;
 - (b) he or she has been regarded as an inappropriate participant by the CSRC or its local office within the last 12 months;
 - (c) he or she has been punished or prohibited from entering into the securities market by the CSRC or its local office due to material non-compliance of laws and regulations within the last 12 months;
 - (d) he or she is not qualified to serve as a director or senior management according to the PRC Company Law;
 - (e) he or she is prohibited from participating in any share incentive plans of listed companies according to applicable laws and regulations; or
 - (f) any other circumstances determined by the CSRC.

Except for the above conditions with respect to the Company and the grantees, grantees are eligible to exercise their awarded stock options or arrange for the vesting of the restricted stocks during the relevant period if the following conditions are fulfilled:

- (iii) With respect to Company level performance target:

The stock options granted under the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan are subject to a four-fiscal-year performance review period spanning from 2021 to 2024 and 2022 to 2025, respectively. The restricted stocks under the 2026 Restricted Stock Incentive Plan is subject to a three-fiscal-year performance review period spanning from 2026 to 2028. The options will be exercised annually based on our Company’s performance assessment, with the fulfillment of annual performance targets serving as the vesting condition for the grantees.

- (iv) With respect to individual level performance target:

Individual performance assessments under the Share Incentive Plans will be conducted in accordance with the Company’s existing compensation and assessment policies. The exercise ratio or the vesting ratio for each grantee will be determined based on their assessment results.

(10) Outstanding Share Incentives

As of the Latest Practicable Date, save for the 2026 Restricted Stock Incentive Plan under which no shares have been granted, the numbers of the outstanding stock options granted under the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan were 150,956 and 219,935, representing approximately [REDACTED]% and [REDACTED]% of the total issued Shares immediately following the completion of the

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

[REDACTED] (assuming (i) the [REDACTED] is not exercised and (ii) no other changes are made to the total issued share capital of our Company between the Latest Practicable Date and the [REDACTED]). If (i) all outstanding stock options granted under the 2021 Stock Option Incentive Plan are fully exercised and (ii) all outstanding stock options granted under the 2022 Stock Option Incentive Plan are fully exercised, assuming the [REDACTED] is not exercised and no other changes are made to the total issued share capital of our Company between the Latest Practicable Date and the [REDACTED], the issued and outstanding Shares held by Shareholders following the [REDACTED] will be diluted by approximately [REDACTED]% and [REDACTED]%, respectively. The impact on earnings per Share following the [REDACTED] upon full exercise of the outstanding stock options granted under each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan (assuming that (i) A Shares will be issued for the exercise of the outstanding stock options, (ii) the [REDACTED] is not exercised, and (iii) no other changes are made to the total issued share capital of our Company between the Latest Practicable Date and the [REDACTED]) is expected to be minimal, as there will be minimal increase in the diluted weighted average outstanding Shares following the [REDACTED], which brought minimal dilutive effect as compared to the total Shares in issue.

As at the Latest Practicable Date, save for the 2026 Restricted Stock Incentive Plan under which no shares have been granted, all the grantees of the Share Incentive Plans were employees of our Company and none of them are Directors, senior management or connected person of our Company. None of the grantees under the Stock Option Incentive Plans held options to subscribe for an aggregate number of 10,000 or more A Shares as of the Latest Practicable Date. The tables below set forth the details of the outstanding options granted to the grantees under each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan:

The 2021 Stock Option Incentive Plan

Grantees	Date of Grant	Vesting Period/ Exercise Period	Exercise Price	Number of A Shares Underlying the Outstanding Options Granted under the 2021 Stock Option Plan	Approximate Percentage in the Issued Shares Immediately after the [REDACTED] (assuming the [REDACTED] is not exercised and no new Shares are issued under the 2021 Stock Option Plan)
30 employees with outstanding options to acquire less than 10,000 A Shares	March 16, 2021 and October 14, 2021	48 months	RMB42.81 to RMB88.47	150,956	[REDACTED]%

APPENDIX IV STATUTORY AND GENERAL INFORMATION

The 2022 Stock Option Incentive Plan

Grantees	Date of Grant	Vesting Period/ Exercise Period	Exercise Price	Number of A Shares Underlying the Outstanding Options Granted under the 2022 Stock Option Incentive Plan	Approximate Percentage in the Issued Shares Immediately after the [REDACTED] (assuming the [REDACTED] is not exercised and no new Shares are issued under the 2022 Stock Option Incentive Plan)
174 employees with outstanding options to acquire less than 10,000 A Shares	March 29, 2022 and October 27, 2022	48 months	RMB64.8	219,935	[REDACTED]%

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, save as disclosed in this document, we were not aware of any litigation or arbitration proceedings of material importance pending or threatened against any member of our Group that could have a material adverse effect on our financial condition or results of operations.

3. Sole Sponsor’s Independence

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the [REDACTED] of, and [REDACTED] in, our H Shares to be issued pursuant to the [REDACTED]. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The sponsor fee payable to the Sole Sponsor in connection with the [REDACTED] is US\$500,000.

4. Compliance Adviser

Our Company has appointed Altus Capital Limited as our Compliance Adviser in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary Expenses

As of the Latest Practicable Date, we have not incurred any material preliminary expenses in relation to the incorporation of our Company.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

6. Taxation of Holder of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is a 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

7. Promoters

Within two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

8. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
Huatai Financial Holdings (Hong Kong) Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
King & Wood	PRC Legal Adviser to our Company
Frost & Sullivan	Industry consultant

Save for the interests of Huatai Financial Holdings (Hong Kong) Limited’s affiliate in 156,990 A Shares, as of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

10. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, 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 in so far as applicable.

11. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial, business position or prospects since June 30, 2025, being the end date of the periods reported on our consolidated financial statements as set out in the Accountants' Report as set out in Appendix I to this document.

Miscellaneous

Save as disclosed in this document:

- (i) within the two years immediately preceding the date of this document, to the best of our knowledge,
 - (a) neither our Company nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash; and
 - (b) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
- (ii) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (iii) no share or loan capital or debenture of our Company or any of the subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid otherwise than in cash;
- (iv) no share or loan capital or debenture of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (v) there are no arrangements under which future dividends are waived or agreed to be waived;
- (vi) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the 12 months proceeding the date of this document; and
- (vii) our Company has no outstanding convertible debt securities or debentures.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the material contracts referred to in “Statutory and General Information — B. Further Information about our Business — 1. Summary of Our Material Contracts” in Appendix IV to this document; and
- (b) the written consents referred to in the section headed “Statutory and General Information — D. Other Information — 8. Consents of Experts” in Appendix IV to 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.fullhan.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk during a period of 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the Accountants’ Report prepared by Ernst & Young, the text of which is set out in Appendix I to this document;
- (c) the audited consolidated financial statements of our Group for the years ended [December 31, 2023, 2024 and 2025];
- (d) the report from Ernst & Young on the unaudited [REDACTED] financial information of our Group, the text of which is set out in the section headed “Unaudited [REDACTED] Financial Information” in Appendix II to this document;
- (e) the industry report issued by Frost & Sullivan referred to in “Industry Overview” in this document;
- (f) the PRC legal opinions issued by King & Wood, our PRC Legal Adviser, in respect of certain general corporate matters and property interests in China of our Group;
- (g) the material contracts referred to in “Statutory and General Information — B. Further Information about our Business — 1. Summary of Our Material Contracts” in Appendix IV to this document;
- (h) the written consents referred to in “Statutory and General Information — D. Other Information — 8. Consents of Experts” in Appendix IV to this document;
- (i) the service contracts referred to in “Statutory and General Information — C. Further Information About Our Directors and Substantial Shareholders — 3. Particulars of Service Contracts” in Appendix IV to this document;
- (j) the PRC Company Law, Securities Law and the Overseas Listing Trial Measures, together with unofficial English translations thereof; and
- (k) the terms of each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan.

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR
OF COMPANIES AND AVAILABLE ON DISPLAY**

C. DOCUMENT AVAILABLE FOR INSPECTION

Copies of a full list of all the grantees under each of the 2021 Stock Option Incentive Plan and the 2022 Stock Option Incentive Plan will be made available for public inspection at our Company’s Hong Kong legal adviser’s office in Hong Kong at 13/F, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document.