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Application Proof of

Union Semiconductor (Hefei) Co., Ltd.
合肥新匯成微電子股份有限公司
(the “**Company**”)

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

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Union Semiconductor (Hefei) Co., Ltd.
合肥新匯成微電子股份有限公司

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

[REDACTED]

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

Sole Sponsor, Sole Sponsor-Overall Coordinator, Sole Overall Coordinator, [REDACTED], [REDACTED] and [REDACTED]



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

The Sole Sponsor-Overall Coordinator, on behalf of the [REDACTED], may, where considered appropriate and with the Company's consent, reduce the number of [REDACTED] being offered under the [REDACTED] and/or the indicative [REDACTED] range below that stated in this document (which is HK\$[REDACTED] to HK\$[REDACTED]) at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such case, notices of the reduction in the number of [REDACTED] being offered under the [REDACTED] and/or the indicative [REDACTED] range will be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.unionsemicon.com.cn as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the [REDACTED]. See “Structure of the [REDACTED]” and “How to Apply for [REDACTED]” sections for further details.

Prospective investors of the [REDACTED] should note that the obligations of the [REDACTED] under the [REDACTED] are subject to termination by the Sole Sponsor-Overall Coordinator (for itself and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See “[REDACTED]” section for further details.

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[REDACTED]

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IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED].

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

Our Vision

We thrive to be a world-class advanced semiconductor packaging and testing service provider and help advance China’s IC industry on the world stage.

Who We Are

We are a semiconductor packaging and testing service provider focusing on advanced packaging and testing solutions for DDICs. Our service portfolio is built around four core process technologies: bumping, chip probing (“CP”), chip-on-glass (“COG”), and chip-on-film (“COF”). Our services are primarily used in DDICs for LCD and AMOLED display panels, with end-use applications spanning consumer electronics, industrial control and automotive electronics. We are also strategically expanding our capabilities into memory IC packaging and testing and are well-positioned to capture opportunities in emerging applications driven by the rapid development of AI.

In 2025, we delivered strong results and achieved significant business growth, with revenue reaching RMB1,783.1 million, representing a year-on-year increase of 18.8%, and EBITDA reaching RMB611.9 million, representing a year-on-year increase of 14.8%. Our shipment volume in 2025 reached 511.3 thousand wafers, making us the fourth-largest DDIC advanced packaging and testing services provider globally. We ranked second in the DDIC advanced packaging and testing market in the Chinese mainland based on revenue in 2025 and ranked second in the packaging and testing market in the Chinese mainland based on 12-inch wafer bumping shipment volume in 2025, according to Frost & Sullivan.

Our key business highlights are illustrated in the following chart:

Scale	Leading Position	Growth
Total shipment volume: 511.3 thousand wafers ⁽¹⁾ 12-inch wafer bumping shipment volume: 416.3 thousand wafers — No. 4 globally ⁽²⁾ — No. 2 in the Chinese mainland ⁽²⁾	In Chinese mainland No. 2 DDIC advanced packaging and testing service provider ⁽³⁾ No. 8 advanced packaging and testing service provider ⁽³⁾ Among the earliest companies to possess 12-inch wafer bumping capabilities	23.5% CAGR of revenue from 2020 to 2025 ⁽⁴⁾
Coverage ⁽⁵⁾	Technology	Performance
We serve four of the global top five DDIC design companies We serve nine of the top ten DDIC design companies in the Chinese mainland	Our bump pitch meets the application requirements of the most advanced products in the industry ⁽⁶⁾ The number of bumps that can be formed on a 12-inch wafer reaches the highest level in the industry ⁽⁷⁾ Yield rate of 99.93%+	2025 Revenue RMB1,783.1 million in 2025 18.8% YOY growth 2025 EBITDA RMB611.9 million 14.8% YOY growth

SUMMARY

Notes:

- (1) For comparison purposes, for bumping and CP, we divided the shipment volume of 8-inch wafers by 2.25 to convert into an equivalent shipment volume of 12-inch wafers.
- (2) Based on (i) total shipment volume of DDIC packaging and testing service providers in 2025 and (ii) 12-inch wafer bumping shipment volume of packaging and testing service providers in 2025, according to Frost & Sullivan.
- (3) Ranking of advanced packaging and testing companies is based on their related revenue in 2025, according to Frost & Sullivan.
- (4) Source: our annual reports published by the STAR Market of Shanghai Stock Exchange from 2021 to 2025, which were not audited in accordance with IFRS.
- (5) Ranking of DDIC design companies is based on their related revenue in 2025, according to Frost & Sullivan.
- (6)(7) Our bumping technology is capable of forming tens of millions of bumps on a 12-inch wafer, with a minimum bump width and pitch of 6 μ m.

Supported by our advanced process technologies, consistent product yields, and strong service capabilities, we have built a broad base of leading customers across the global DDIC design industry. In 2025, we served four of the top five DDIC design companies globally and nine of the top ten in the Chinese mainland. These include some of the world’s most prominent DDIC design companies, such as Novatek Microelectronics, Fitipower Integrated Technology, Raydium Semiconductor Corporation, Himax Technologies, Sitronix Technology, Chipone Technology, Ilitek, Viewtrix Technology, New Vision Microelectronics and Solomon Systech. The chips we package and test are used by globally leading display panel manufacturers.

With years of R&D investment and technological development, we have built a strong portfolio of core technologies, including fine pitch bumping technology for DDICs, high-reliability bump structures and processes, high-precision wafer thinning technology, high-stability wafer dicing technology and high-precision and high-stability wafer testing technology. As of the Latest Practicable Date, we held 421 patents, reflecting the depth of our technological capabilities. We continuously refine our production processes and upgrade equipment to drive improvements in precision, yield and reliability, positioning us well to capitalize on the opportunities presented by the localization of the IC supply chain.

Looking ahead, we plan to further expand our advanced packaging and testing capabilities for AMOLED DDICs and large-size display panels, grow our presence in memory ICs and solidify our leading position across our core end-use application areas. We will continue to invest in R&D, broaden the application scope of our services and actively pursue emerging opportunities in automotive electronics and AI-driven applications.

Our Services

We provide advanced semiconductor packaging and testing services primarily for DDICs, which are key components of display panel imaging systems. Our comprehensive service offerings cover the full packaging and testing processes: bumping and chip probing are conducted at the wafer level prior to wafer dicing. The chip is subsequently packaged using either chip-on-glass or chip-on-film, depending on the target display application and module design. Our customers can choose to engage us for one or several of these processes.

- **Bumping:** Bumping is the process of forming bumps on the pads of a wafer through processes such as sputtering, lithography, electrochemical deposition and wet etching. Bumps enable efficient electrical transmission and replace traditional wire bonding in certain advanced packaging applications.
- **CP:** CP is the process of establishing electrical contact with each die on a wafer using a probe card to test its electrical characteristics. Dies that do not meet specified criteria are marked (for example, by ink) and are subsequently screened out at the dicing stage, and therefore do not proceed to downstream packaging and testing processes.

SUMMARY

- **COG:** COG is the process of bonding the bumps on a die directly to the electrodes on a glass substrate and encapsulating the connection area with adhesive materials to provide mechanical protection and environmental isolation.
- **COF:** COF is the process of bonding the bumps on a die to the inner leads on a flexible film substrate, providing high-density interconnection and a flexible mounting format for display and related applications.

Through the integration of these processes, we are able to support customers across different process requirements and within the value chain for DDICs.

Our Market Opportunities

Our packaging and testing services support a wide range of end-use application scenarios and are well-positioned in markets with strong growth potential.

- Growing Demand Driven by End-Use Applications
 - AI-Driven Demand: Advanced Packaging in the AI Era
 - Large-Size Displays: Bigger Screens, More Advanced Packaging
 - AMOLED: Structural Upgrade Towards High-End DDICs
 - Automotive Electronics: Multi-Screen Cabins and Next-Generation Automotive Display
- Outsourcing Tailwind and Industry Specialization
- IC Localization Wave and Policy Support

RESEARCH AND DEVELOPMENT

We consistently invest in research and development to enhance our core process capabilities. Our R&D efforts focus on fine-pitch bumping, wafer thinning and dicing, COF bonding, process automation and the improvement of production consistency and yield. By carrying out technical evaluations, process design, engineering verification and mass-production validation, we continue to adjust and optimize our manufacturing processes in response to customer requirements and changes in product specifications.

We continue to strengthen our R&D capabilities by developing fine-pitch bumping, wafer thinning, photoresist coating, COF bonding and wafer dicing technologies, as well as by enhancing our material applications and production control systems. These efforts have supported measurable improvements in our manufacturing performance and process stability, and have contributed to the expansion of our technical capabilities across DDICs, automotive-grade ICs and advanced packaging applications.

SALES AND MARKETING

Our sales and marketing efforts are centered on building and expanding strategic relationships with our customers, with the goal of becoming and remaining their trusted long-term collaborator. We maintain close collaboration with established DDIC design companies, particularly in Taiwan, while continuing to expand our customer base in the Chinese mainland and engage with overseas customers.

CUSTOMERS AND SUPPLIERS

Our Customers

Our customers primarily consist of DDIC design companies.

SUMMARY

In 2023, 2024 and 2025, sales to our five largest customers amounted to RMB899.0 million, RMB996.3 million and RMB1,228.0 million, accounting for 72.6%, 66.4% and 68.9% of our total revenue in the respective years. In 2023, 2024 and 2025, sales to our largest customers amounted to RMB392.9 million, RMB362.8 million and RMB491.2 million, accounting for 31.7%, 24.2% and 27.5% of our total revenue in the respective years. During the Track Record Period, to the best knowledge of our Directors, none of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) had any interest in our five largest customers in any period during the Track Record Period that are required to be disclosed under the Hong Kong Listing Rules.

See “Business — Sales and Marketing — Our Customers” for further details.

Our Suppliers

Our major suppliers primarily consist of raw materials and equipment. We have established and maintain stable long-term relationships with these major suppliers.

In 2023, 2024 and 2025, purchases from our five largest suppliers amounted to RMB899.2 million, RMB761.1 million and RMB787.8 million, accounting for 58.0%, 61.1% and 62.4% of our total purchases in the respective years. In 2023, 2024 and 2025, purchases from our largest supplier amounted to RMB325.8 million, RMB423.2 million and RMB506.0 million, accounting for 21.0%, 34.0% and 40.1% of our total purchases in the respective years.

See “Business — Supply Chain — Our Suppliers” for further details.

OUR COMPETITIVE STRENGTHS

We believe the following advantages position us well to seize future industry opportunities and achieve sustained growth:

- Leadership Position: First-Mover Edge and Durable Barriers
- Customer Partnerships: Deep Collaboration Built on Technical Excellence
- Full-Process Capabilities: End-to-End Services across High-Value and Fast-Growing Sectors
- R&D Excellence: Deep Process Expertise and Continuous Innovation
- Manufacturing Excellence: Efficient and Reliable Delivery at Scale
- Management and Corporate Culture: A Culture Built on Experience and Execution

OUR GROWTH STRATEGIES

We aim to become a leading advanced semiconductor packaging and testing service provider in China and a world-class player, and to contribute to enhancing the global competitiveness of China’s IC industry. To achieve this goal, we plan to implement the following strategies:

- Diversify beyond DDICs and Build New Growth Drivers
- Geographic Expansion: Leverage Our Geographic Edge and Expand Our Customer Base
- R&D and Innovation: Advance Our Technologies to Capture New Opportunities
- Capacity Expansion and Smart Manufacturing: Build for Scale, Deliver with Precision
- Strategic Partnerships and Investments: Expand Our Ecosystem and Cultivate New Growth Areas
- Going Global: Build Our International Presence and Customer Base

SUMMARY

COMPETITION

The markets for packaging and testing services industry generally requires continuous investment in technology and manufacturing capabilities, while customer qualification processes and long-term cooperation relationships may further intensify market competition. To maintain and grow our business, we must continue to meet our customers’ requirements and deliver differentiated, high-performance services that meet their evolving needs. If we are unable to keep pace with such advancements or fail to differentiate our services in terms of quality or cost, we risk losing market share to our competitors. See “*Industry Overview*” for further details.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of Financial Information of Our Group

The following tables sets 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 Accounting Standards.

Results of Operations

	Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
Revenue	1,238,293	100.0	1,501,020	100.0	1,783,135	100.0
Cost of sales	(910,776)	(73.6)	(1,173,871)	(78.2)	(1,395,394)	(78.3)
Gross profit	327,517	26.4	327,149	21.8	387,741	21.7
Other income	32,512	2.6	26,784	1.8	32,488	1.8
Other gains and losses, net .	14,753	1.2	16,326	1.1	15,415	0.9
Selling and marketing expenses	(8,410)	(0.7)	(11,465)	(0.8)	(12,348)	(0.7)
Administrative expenses . . .	(74,281)	(6.0)	(75,692)	(5.0)	(82,948)	(4.7)
Research and development expenses	(78,857)	(6.4)	(89,407)	(6.0)	(117,688)	(6.6)
Impairment losses	(16,554)	(1.3)	(17,673)	(1.2)	(26,362)	(1.5)
Finance costs	(1,097)	(0.1)	(22,672)	(1.5)	(37,501)	(2.1)
Share of result of associates, net	—	—	—	—	218	0.0
Profit before income tax . .	195,583	15.7	153,350	10.2	159,015	8.8
Income tax credit/(expense)	402	0.0	6,414	0.4	(4,284)	(0.2)
Profit for the year	195,985	15.7	159,764	10.6	154,731	8.6

SUMMARY

Revenue

During the Track Record Period, we mainly generated revenue from our DDIC advanced packaging and testing services.

By Service Offering

	Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
DDIC advanced packaging and testing						
Bumping	1,168,454	94.4	1,356,592	90.4	1,579,071	88.6
CP	534,595	43.2	630,545	42.0	748,934	42.0
COG	314,527	25.4	357,931	23.8	390,704	21.9
COF	148,611	12.0	182,796	12.2	185,259	10.4
COF	170,721	13.8	185,320	12.4	254,174	14.3
Others ⁽¹⁾	69,839	5.6	144,428	9.6	204,064	11.4
Total	1,238,293	100.0	1,501,020	100.0	1,783,135	100.0

Note:

(1) Mainly includes sales of recovered gold.

During the Track Record Period, bumping and CP were our principal revenue contributors, and revenue from all of our service offerings recorded growth. Leveraging our established capabilities in bumping and CP, we expect these service offerings to remain our key revenue drivers going forward.

*By Geographical Location**

	Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
Taiwan	709,309	57.3	800,288	53.3	963,298	54.0
Chinese mainland	504,841	40.8	683,521	45.5	806,262	45.2
Others	24,143	1.9	17,211	1.2	13,575	0.8
Total	1,238,293	100.0	1,501,020	100.0	1,783,135	100.0

Note:

* The geographical location of is determined based on our customers' place of incorporation.

During the Track Record Period, a majority of our revenue was derived from customers incorporated in Taiwan and the Chinese mainland. We expect customers in these two markets to continue to account for a significant portion of our revenue going forward.

SUMMARY

Sales Volume and Average Selling Price

	Year Ended December 31,					
	2023		2024		2025	
	Sales volume ⁽¹⁾ (Piece/ Thousand Die)	Average selling price ⁽²⁾ (RMB)	Sales volume (Piece/ Thousand Die)	Average selling price (RMB)	Sales volume (Piece/ Thousand Die)	Average selling price (RMB)
Bumping	475,966.9	1123.2	530,534.7	1188.5	511,312.7	1464.7
CP	451,222.6	697.1	522,331.9	685.3	536,610.6	728.1
COG	1,034,925.5	143.6	1,381,479.1	132.3	1,482,927.6	124.9
COF	326,391.6	523.1	357,513.3	518.4	504,013.8	504.3

Notes:

- (1) Sales volume is measured in pieces of 12-inch wafer for bumping and CP, and in thousand dies for COG and COF. For comparison purposes, the number of 8-inch wafers for bumping and CP has been converted into equivalent 12-inch wafer volume by dividing by 2.25.
- (2) Average selling price represents revenue generated from the relevant service category divided by the corresponding sales volume, and is presented in RMB/piece for bumping and CP, and RMB/thousand die for COG and COF. For CP, sales volume is presented in piece in accordance with our commercial billing practice, while production capacity is measured in hours due to variations in testing time by chip types.

Gross Profit and Gross Margin

We recorded gross profit as revenue less cost of sales. We recorded gross profit margin as gross profit divided by revenue, expressed as a percentage.

	Year Ended December 31,					
	2023		2024		2025	
	Gross profit RMB	Gross profit margin %	Gross profit RMB	Gross profit margin %	Gross profit RMB	Gross profit margin %
	<i>(in thousands, except for percentages)</i>					
DDIC advanced packaging and testing	317,436	27.2	302,996	22.3	336,872	21.3
Bumping	125,922	23.6	133,462	21.2	134,334	17.9
CP	106,662	33.9	92,657	25.9	96,189	24.6
COG	29,392	19.8	33,434	18.3	37,219	20.1
COF	55,460	32.5	43,443	23.4	69,130	27.2
Others⁽¹⁾	10,081	14.4	24,153	16.7	50,869	24.9
Total/Overall⁽²⁾	327,517	26.4	327,149	21.8	387,741	21.7

Notes:

- (1) Mainly includes sales of recovered gold.
- (2) The overall gross profit margin is calculated as gross profit for the year/period divided by revenue for the corresponding period and multiplied by 100%.

SUMMARY

Summary of Consolidated Statements of Financial Position

	As of December 31,		
	2023	2024	2025
	<i>(in RMB thousands)</i>		
Non-current assets	2,943,751	2,980,831	3,281,647
Current assets	652,547	1,610,392	1,592,955
Current liabilities	364,886	162,425	296,826
Net current assets	287,661	1,447,967	1,296,129
Total assets less current liabilities	3,231,412	4,428,798	4,577,776
Non-current liabilities	99,381	1,227,727	1,028,781
Net assets	3,132,031	3,201,071	3,548,995
Total equity	3,132,031	3,201,071	3,548,995

Our net current assets decreased from RMB1,448.0 million as of December 31, 2024 to RMB1,296.1 million as of December 31, 2025, primarily due to (i) a decrease in financial assets at FVTPL from RMB681.6 million to RMB534.5 million and (ii) an increase in borrowings from nil to RMB84.6 million, partially offset by (i) an increase in trade and bills receivables from RMB275.3 million to RMB359.0 million and (ii) an increase in other financial assets at amortized cost from nil to RMB60.0 million. Our net current assets increased from RMB287.7 million as of December 31, 2023 to RMB1,448.0 million as of December 31, 2024, primarily due to (i) an increase in financial assets at FVTPL from RMB20.2 million to RMB681.6 million and (ii) an increase in deposits, prepayments and other receivables from RMB43.5 million to RMB76.8 million, partially offset by (i) a decrease in borrowings from RMB185.6 million to nil and (ii) a decrease in other payables and accruals from RMB28.7 million to RMB20.8 million.

Our net assets, being the total equity, increased from RMB2,903.7 million as of January 1, 2023 to RMB3,132.0 million as of December 31, 2023, primarily due to our profit for the year of RMB196.0 million in 2023, partially offset by other comprehensive expense for the year of RMB0.5 million. Our net assets further increased to RMB3,201.1 million as of December 31, 2024, primarily due to our profit for the year of RMB159.8 million in 2024, partially offset by our repurchase of ordinary shares of RMB100.0 million and dividends declared of RMB82.4 million. Our net assets further increased to RMB3,549.0 million as of December 31, 2025, primarily due to our net profit for the year of RMB154.7 million for the year ended December 31, 2025, partially offset by our dividend declared of RMB78.5 million. For further details, see “Consolidated Statements of Changes in Equity” in “Appendix I — Accountants’ Report.”

Summary of consolidated statements of cash flows

	Year ended December 31,		
	2023	2024	2025
	<i>(in RMB thousands)</i>		
Net cash generated from operating activities	351,460	500,864	692,459
Net cash used in investing activities	(550,083)	(1,248,770)	(642,136)
Net cash generated from/(used in) financing activities	178,996	785,208	(75,796)
Net (decrease)/increase in cash and cash equivalents	(19,627)	37,302	(25,473)
Cash and cash equivalents as of the beginning of year	128,774	109,639	152,038
Cash and cash equivalents as of the end of the year	109,639	152,038	129,706

In 2023, 2024 and 2025, we recorded net cash from operating activities of RMB351.5 million, RMB500.9 million and RMB692.5 million, respectively, primarily due to the profits we generated in each of the respective periods.

SUMMARY

See “Financial Information — Liquidity and Capital Resources — Cash Flows.”

KEY FINANCIAL RATIOS

	For the year ended/As of December 31,		
	2023	2024	2025
Gross margin ⁽¹⁾	26.4%	21.8%	21.7%
Net profit margin ⁽²⁾	15.8%	10.6%	8.7%
Return on assets ⁽³⁾	5.8%	3.9%	3.3%
Return on equity ⁽⁴⁾	6.5%	5.0%	4.6%
Current ratio ⁽⁵⁾	1.8	9.9	5.4
Quick ratio ⁽⁶⁾	1.1	8.1	4.3
Gearing ratio ⁽⁷⁾	5.9%	34.8%	28.6%
OCF/net profit ratio ⁽⁸⁾	179.3%	313.5%	447.5%

Notes:

- (1) Gross margin is calculated as gross profit for the year divided by revenue for the corresponding year and multiplied by 100%.
- (2) Net profit margin is calculated as net profit for the year divided by revenue for the corresponding year and multiplied by 100%.
- (3) Return on assets is calculated as net profit for the year divided by the average total assets and multiplied by 100%. Average total assets is the sum of the balance of total assets at the beginning and at the end of the year, divided by two.
- (4) Return on equity is calculated as net profit for the year divided by the average total equity and multiplied by 100%. Average total equity is the sum of the balance of total equity at the beginning and at the end of the year, divided by two.
- (5) Current ratio is calculated as total current assets as at the end of the year divided by total current liabilities as at the end of the corresponding year.
- (6) Quick ratio is calculated as total current assets less inventories as at the end of the year and divided by total current liabilities as at the end of the corresponding year.
- (7) Gearing ratio is calculated as the total interest bearing liabilities as at the end of the year divided by total equity as at the end of the corresponding year and multiplied by 100%.
- (8) OCF/Net profit ratio is calculated as net cash generated from operating activities for the year divided by net profit for the corresponding year and multiplied by 100%.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] commission and fees incurred in connection with the [REDACTED] and the [REDACTED]. During the Track Record Period, we did not incur any [REDACTED] expenses. Our [REDACTED] expenses are estimated to be approximately HK\$[REDACTED] (including [REDACTED] commission), accounting for [REDACTED]% of the gross [REDACTED] of the [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the low-point of the [REDACTED] range stated in this document, and no exercise of the [REDACTED]). Among our [REDACTED] expenses, approximately HK\$[REDACTED] is directly attributable to the issuance of H Shares and will be charged to equity upon completion of the [REDACTED], and approximately HK\$[REDACTED] has been or will be charged to our consolidated statements of profit or loss and other comprehensive income. The [REDACTED] expenses we expect to incur would consist of approximately HK\$[REDACTED] [REDACTED] related expenses and fees (including [REDACTED] commissions, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy), approximately HK\$[REDACTED] non-[REDACTED]-related expenses and fees of the Sole Sponsor, legal advisors and reporting accountant and approximately HK\$[REDACTED] for other non-[REDACTED]-related fees and expenses. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

SUMMARY

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:

- Given the complex nature of the packaging and testing process, our yields and customer relationships could suffer from defects in the services we provide or if we do not respond to rapid technological changes.
- We may be unable to obtain the packaging and testing equipment or facilities necessary for our business operations in a timely manner or at a reasonable cost.
- Any deterioration in the general economic conditions or semiconductor end market or a slowdown in the semiconductor and electronics industries could reduce demand for our services.
- We face intense competition in the global semiconductor packaging and testing industry.
- A reversal or slowdown in the outsourcing trend for IC packaging and testing services could adversely affect our growth prospects and profitability.
- If we fail to properly anticipate or respond to changing market conditions or develop and introduce new or enhanced services on a timely basis, our ability to attract and retain customers could be impaired and our competitive position could be harmed.
- We generate the majority of our revenue from a limited number of key customers.
- We make substantial investments in equipment and facilities and the demand of our customers may not develop as we expect.
- Our business may be impacted by geopolitical uncertainties and other political, social and economic instability that leads to business interruptions.
- Our revenues and profitability may decline if we are unable to obtain adequate supplies of raw materials and energy in a timely manner, or at a reasonable price or effectively pass on the price fluctuation of certain raw materials to customers.

FUTURE PLANS AND USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per H Share (being the low-point of the range of the [REDACTED] stated in this Document), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED] commissions and other estimated expense paid and payable by us in connection with the [REDACTED] (assuming that the [REDACTED] is not exercised). In line with our strategies, we intend to use our [REDACTED] for the purposes and in the amounts set forth below.

- Approximately [REDACTED]%, or approximately HK\$[REDACTED], is expected to be used to expand our automotive-grade IC packaging and testing capacity to increase our market share in response to robust demand from the smart vehicle intelligent cabin and in-vehicle display markets.
- Approximately [REDACTED]%, or approximately HK\$[REDACTED], is expected to enhance our R&D capabilities through our process technologies and proprietary R&D platform: HITS. The HITS platform is our advanced packaging technology platform for high-end mobile devices and AI-driven applications. It is designed to leverage an organic interposer-based architecture to enable wafer-level planar integration of multiple chips, including logic SoCs, DRAM, LPDDR and connectivity components such as Wi-Fi within a single package. This provides higher performance, smaller form factor and strengthened thermal efficiency.

SUMMARY

- Approximately [REDACTED]%, or approximately HK\$[REDACTED], is expected to be used for potential investments and acquisitions. In addition to the organic growth of our core packaging and testing business, we intend to selectively pursue strategic collaborations, investments and acquisition opportunities within the semiconductor assembly and testing industry to enhance our overall competitiveness in high-end advanced packaging and testing services.
- Approximately [REDACTED]%, or approximately HK\$[REDACTED], is expected to be used for working capital and general corporate purposes.

See “Future Plans and Use of [REDACTED].”

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that (i) the [REDACTED] has been completed and [REDACTED] H Shares are newly issued in the [REDACTED], (ii) the [REDACTED] is not exercised, and (iii) no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan:

	Based on an [REDACTED] of HK\$[REDACTED] per H Share	Based on an [REDACTED] of HK\$[REDACTED] per H Share
Market value of the H Shares ⁽¹⁾	HK\$[REDACTED]	HK\$[REDACTED]
Total market capitalization of the Company ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] adjusted net tangible assets per Share ⁽³⁾⁽⁴⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of market value of the H shares is based on [REDACTED] H Shares expected to be issued immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised).
- (2) The calculation of market capitalization of the Company is based on the 990,938,171 A Shares in issue as of the Latest Practicable Date and [REDACTED] H Shares expected to be issued immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised). The calculation of market value of the A shares is based on the average closing price of the A Shares of RMB20.14 per A Share for the five business days immediately preceding the Latest Practicable Date.
- (3) The unaudited [REDACTED] adjusted net tangible assets per Share is arrived at after adjustments referred to in “Appendix II — Unaudited [REDACTED] Financial Information” in this document.
- (4) No adjustment has been made to reflect any trading results or other transactions of us entered into subsequent to December 31, 2025.

DIVIDEND POLICY

In 2023, 2024 and 2025, our Company declared dividends of nil, RMB82.4 million and RMB78.5 million, all of which had been paid in full. See Note 11 to the Accountants’ Report included in Appendix I to this document for details.

Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to the dividend policy under our constitutional documents, applicable PRC Law and approval by the meeting of our Shareholders. Our Company may distribute dividends in cash, stocks or a combination of cash and stocks, and give priority to profit distribution in cash, where eligible. Pursuant to the dividend policy under our Articles of Association, the aggregate amount of cash dividends distributed by the Company over any consecutive three-year period shall be no less than 30% of our Company’s average annual net profit realized over such three-year period. We do not have a fixed dividend distribution ratio.

SUMMARY

LISTING ON THE STAR MARKET

Since August 2022, the A Shares of the Company have been listed on the STAR Market. The Directors confirm that, since the A-Share Listing and up to the Latest Practicable Date, there had been no instances of material non-compliance of the Company with the applicable rules of the Shanghai Stock Exchange and other applicable PRC securities laws and regulations. To the best knowledge of the Directors, there are no material matters in relation to the compliance record of the Company on the Shanghai Stock Exchange that should be brought to the attention of the Stock Exchange or potential investors of the [REDACTED]. The PRC Legal Advisor is of the view that, since the A-Share Listing and up to the Latest Practicable Date, there had been no instances of material non-compliance of the Company with the applicable rules of the Shanghai Stock Exchange and other applicable PRC securities laws and regulations. Based on the independent due diligence conducted by the Sole Sponsor and the PRC Legal Advisor’s view above, no material matter has come to the Sole Sponsor’s attention that would reasonably cause them to disagree with the Directors’ confirmation with regard to the compliance records of the Company on the Shanghai Stock Exchange.

SINGLE LARGEST GROUP OF SHAREHOLDERS

As of the Latest Practicable Date, the Company was held as to approximately (i) 0.14% directly by Mr. Cheng, (ii) 2.38% directly by Ms. Yang, (iii) 17.57% by Yangzhou Xinruilian, (iv) 3.81% by Converge Achievement, (v) 1.26% by Potential International, and (vi) 1.12% by Hefei Xincheng. Yangzhou Xinruilian was held as to 14% by Ms. Yang as its general partner and 80% by Hefei Bairuifa as a limited partner. Hefei Bairuifa was held as to 0.7% by Ms. Yang as its general partner and 99% by Bai Rui Fa Investment as a limited partner. Bai Rui Fa Investment was controlled by Bai Rui Fa Holding, which was in turn wholly owned by Mega Rich. Mega Rich was wholly owned by Mr. Cheng. Each of Converge Achievement, Potential International and Hefei Xincheng was also controlled by Mr. Cheng. Mr. Cheng and Ms. Yang are spouses. Accordingly, as of the Latest Practicable Date, Mr. Cheng and Ms. Yang, collectively, controlled approximately 26.28% of the total issued share capital of the Company.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan), Mr. Cheng and Ms. Yang, collectively, will control approximately [REDACTED]% of the total issued share capital of the Company. Upon the [REDACTED], Mr. Cheng, Ms. Yang, Yangzhou Xinruilian, Hefei Bairuifa, Bai Rui Fa Investment, Bai Rui Fa Holding, Mega Rich, Converge Achievement, Potential International and Hefei Xincheng will together constitute the Single Largest Group of Shareholders. See “Relationship with Single Largest Group of Shareholders” for details.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and as of the date of this document, all outstanding convertible bonds of the Company have been fully converted into shares or redeemed in accordance with their respective terms. The Directors confirm that the aforesaid conversion and redemption did not have any material adverse effect on the financial position or results of operations of the Group.

For the three months ended March 31, 2026, we recorded a net loss, primarily due to (i) significant fluctuations in gold prices, the time lag in passing increased costs on to customers and lower capacity utilization as a result of insufficient order volume, which in turn increased unit depreciation and labor costs and led to a decline in gross profit and (ii) increased R&D expenses, share-based compensation expenses and foreign exchange losses as compared with the corresponding period in 2025, which further contributed to the decline in profitability. Since then, gold price fluctuations moderated and our utilization rates also improved. As a result, we do not expect the foregoing to have a material and adverse effect on our business operation and financial condition.

Saved as disclosed above, 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 up to the Latest Practicable Date, and there has been no event since December 31, 2025 that would materially affect the information as set out in “Appendix I — Accountants’ Report” to this document.

DEFINITIONS

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

“2023 Restricted Share Incentive Plan”	the 2023 Restricted Share Incentive Plan of the Company approved by the Shareholders on June 15, 2023
“2025 Stock Ownership Plan”	the 2025 Employee Stock Ownership Plan of the Company approved by the Shareholders on May 15, 2025
“A Share(s)”	ordinary shares issued by the Company, with a nominal value of RMB1.00 each, which are listed on the STAR Market and traded in Renminbi
“Accountants’ Report”	the accountants’ report of the Company, the text of which is set out in Appendix I to this document
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council
“Articles” or “Articles of Association”	the articles of association of the Company with effect upon the [REDACTED] (as amended from time to time), a summary of which is set out in Appendix III to this document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Bai Rui Fa Holding”	Bai Rui Fa Holding Co., Limited (百瑞發控股有限公司), a private company limited by shares incorporated in Hong Kong on August 15, 2025 and a member of the Single Largest Group of Shareholders
“Bai Rui Fa Investment”	Bai Rui Fa Investment Co., Limited (百瑞發投資有限公司), a private company limited by shares incorporated in Hong Kong on September 29, 2025 and a member of the Single Largest Group of Shareholders
“Board” or “Board of Directors”	the board of Directors of the Company
“Business Day”	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

[REDACTED]

“China”, “Chinese mainland” or “the PRC”	the People’s Republic of China, unless the context requires otherwise, excluding, for the purposes of this document only, the regions of Hong Kong, Macau and Taiwan of the People’s Republic of China
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DEFINITIONS

“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“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” or “CWUMPO”	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”	Union Semiconductor (Hefei) Co., Ltd. (合肥新匯成微電子股份有限公司), a limited liability company established in the PRC on December 18, 2015 which was converted into a joint stock company with limited liability on March 30, 2021, formerly known as Union Semiconductor (Hefei) Company Limited (合肥新匯成微電子有限公司)
“Compliance Advisor”	Somerley Capital Limited
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Converge Achievement”	Converge Achievement Investment Holdings Limited (匯成投資控股有限公司), a private company limited by shares incorporated in Hong Kong on June 11, 2010 and a member of the Single Largest Group of Shareholders
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“EIT”	enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》)
“ESG”	environmental, social and governance

[REDACTED]

“Extreme Conditions”	extreme conditions as announced by the government of Hong Kong in the case where a super typhoon or other natural disaster of a substantial scale seriously affect the working public’s ability to resume work or brings safety concern for a prolonged period
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DEFINITIONS

[REDACTED]

“Frost & Sullivan” Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company

[REDACTED]

“Group,” “we,” “our” or “us” the Company and its subsidiaries, or any one of them as the context may require, and where the context requires, the businesses operated by the Company and/or its subsidiaries and their predecessors (if any)

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

“H Share(s)” ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and to be [REDACTED] on the Stock Exchange

[REDACTED]

“Hefei Bairuifa” Hefei Bairuifa Enterprise Management Partnership (Limited Partnership) (合肥百瑞發企業管理合夥企業(有限合夥)), a limited liability partnership established in the PRC on November 13, 2025 and a member of the Single Largest Group of Shareholders

“Hefei Xincheng” Hefei Xincheng Enterprise Management Consulting Partnership (Limited Partnership) (合肥芯成企業管理諮詢合夥企業(有限合夥)), a limited liability partnership established in the PRC on July 23, 2019 and a member of the Single Largest Group of Shareholders

[REDACTED]

DEFINITIONS

[REDACTED]

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

[REDACTED]

“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
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[REDACTED]

“IFRSs”	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by IASB and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
“Independent Third Party(ies)”	any person(s) or entity(ies) who is not a connected person of the Company within the meaning of the Listing Rules

DEFINITIONS

[REDACTED]

“Jiangsu Union” Jiangsu Union Semiconductor Co., Ltd. (江蘇匯成光電有限公司), a limited liability company established in the PRC on August 29, 2011 and a wholly-owned subsidiary of the Company

[REDACTED]

“Latest Practicable Date” May 22, 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[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, supplemented or otherwise modified from time to time

“Macau” the Macau Special Administrative Region of the PRC

DEFINITIONS

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Mega Rich”	Mega Rich Forever Investment Co., Ltd, a limited liability company incorporated in the British Virgin Islands on May 22, 2025 and a member of the Single Largest Group of Shareholders
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“Mr. Cheng”	Mr. Cheng Jui-chun (鄭瑞俊), an executive Director, the chairman of the Board and the general manager of the Company, and a member of the Single Largest Group of Shareholders
“Ms. Yang”	Ms. Yang Hui (楊會), the spouse of Mr. Cheng and a member of the Single Largest Group of Shareholders
“Nomination Committee”	the nomination committee of the Board

[REDACTED]

“Overseas Listing Trial Measures”	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) promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023
“Potential International”	Potential International Investment Limited (寶信國際投資有限公司), a private company limited by shares incorporated in Hong Kong on July 10, 2015 and a member of the Single Largest Group of Shareholders
“PRC Company Law”	the Company Law of the People’s Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“PRC GAAP”	generally accepted accounting principles of the PRC
“PRC Legal Advisor”	Anhui Tianhe Law Firm, the PRC legal advisor to the Company
“PRC Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
	[REDACTED]
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, including A Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Single Largest Group of Shareholders”	Mr. Cheng, Ms. Yang, Yangzhou Xinruilian, Hefei Bairuifa, Bai Rui Fa Investment, Bai Rui Fa Holding, Mega Rich, Converge Achievement, Potential International and Hefei Xincheng
“Sole Sponsor”	the sole sponsor as named in the section headed “Directors and Parties Involved in the [REDACTED]”
“Sole Sponsor-Overall Coordinator”	the sole sponsor-overall coordinator as named in the section headed “Directors and Parties Involved in the [REDACTED]”
“Sole Overall Coordinator”	the overall coordinator as named in the section headed “Directors and Parties Involved in the [REDACTED]”
	[REDACTED]
“STAR Market”	the Science and Technology Innovation Board of the Shanghai Stock Exchange (上海證券交易所科創板)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Strategy Committee”	the strategy committee of the Board

DEFINITIONS

“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Suzhou Xinpu”	Suzhou Industrial Park Xinpu Venture Capital Partnership (Limited Partnership) (蘇州工業園區芯璞創業投資合夥企業(有限合夥)), a limited liability partnership established in the PRC on July 16, 2025 which has been consolidated into the accounts of the Company
“Taiwan”	Taiwan Province of the People’s Republic of China
“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
“treasury shares”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Track Record Period”	the financial years ended December 31, 2023, 2024 and 2025

[REDACTED]

“Unionsemicon Technology”	Unionsemicon Technology (Hong Kong) Company Limited (新匯成科技(香港)有限公司), a private company limited by shares incorporated in Hong Kong on November 7, 2025 and a wholly-owned subsidiary of the Company
“United States” or “U.S.”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“U.S. dollar(s)”, “US\$” or “USD”	United States dollar, the lawful currency of the United States
“U.S. Securities Act”	The U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VAT”	value-added tax

[REDACTED]

“Yangzhou Xinruilian”	Yangzhou Xinruilian Investment Partnership (Limited Partnership) (揚州新瑞連投資合夥企業(有限合夥)), a limited liability partnership established in the PRC on May 13, 2014 and a member of the Single Largest Group of Shareholders
“%”	per cent

GLOSSARY OF TECHNICAL TERMS

“AI”	artificial intelligence
“AMOLED”	active-matrix organic light-emitting diode
“AOI”	automated optical inspection
“ATE	automatic test equipment
“Bumping”	a front-end advanced packaging process in which metal bumps are formed on the pads of a wafer through processes such as sputtering, lithography, electrochemical deposition and wet etching; replaces traditional wire bonding and enables high-density interconnections, higher I/O counts and improved electrical performance
“Bumps”	microscopic interconnect structures formed on the bond pads of a wafer during the bumping process, enabling point-to-point electrical signal transmission and replacing traditional wire bonding in advanced packaging applications
“CAGR”	compound annual growth rate
“COF”	chip-on-film
“COG”	chip-on-glass
“CP”	chip probing
“CPK”	Complex Process Capability index
“DDIC”	display driver integrated circuit
“DRAM”	dynamic random-access memory
“Electrochemical Deposition”	a manufacturing process that uses electrical current to coat a solid substrate with a thin, adherent layer of metal or a metallic compound
“Electroplating”	a process step in bumping in which the wafer is immersed in an electroplating solution and, when an external current is applied, metal ions are reduced and deposited selectively within photoresist openings to form bumps
“Etching”	a precision manufacturing step in the bumping process used to remove excess gold and titanium-tungsten layers between bump sites after photoresist removal, completing the fabrication of individual bumps
“Fabless”	a business model in which a company designs integrated circuits but outsources fabrication (and often packaging and testing) to third-party manufacturers; contrasted with the IDM model
“Flip chip”	an advanced semiconductor packaging technology where the silicon die is flipped upside down and directly connected to the substrate
“HBM”	high bandwidth memory

GLOSSARY OF TECHNICAL TERMS

“Heterogeneous Integration”	an advanced packaging approach that integrates multiple chips or chiplets of different functionalities, materials or process nodes into a single package to achieve higher system performance
“HITS”	high-speed interconnect technology solutions
“IC”	integrated circuit
“IDM”	integrated Device Manufacturer
“I/O”	input/output
“Interposer”	a semiconductor substrate placed between chips to enable high-density interconnection in advanced multi-chip packaging; used to integrate logic chips and high-bandwidth memory
“IP”	intellectual property
“LCD”	liquid crystal display
“Lithography”	a precision process step in bumping in which a photoresist layer is applied to the wafer, exposed through a photomask to define the bump pattern, and then developed to open windows for subsequent bump formation
“LPDDR”	Low Power Double Data Rate, a low-power memory technology for smartphones, tablets and thin laptops
“Memory IC”	a type of integrated circuit used to store data
“Mini-LED”	an advanced display backlighting technology using very small LED chips; referenced as an emerging display technology penetrating high-end vehicle models alongside AMOLED
“OLED”	organic light-emitting diode
“OSAT”	outsourced semiconductor assembly and testing
“Photomask”	a plate used in lithography to define the bump pattern on a wafer during the exposure step
“Photoresist”	a light-sensitive material applied to a wafer surface during lithography to define areas for bump formation; removed after electroplating as part of the etching process
“Polyimide”	a high-performance polymer used as the base film material in COF substrates, providing flexibility, thermal stability and electrical insulation
“Probe Card”	a precision interface component used in chip probing that makes electrical contact with individual dies on a wafer to test their electrical characteristics
“R&D”	research and development
“RDL”	redistribution layer

GLOSSARY OF TECHNICAL TERMS

“SoC”	system-on-chip
“Sputtering”	a physical vapor deposition process used in bumping in which high-energy ions bombard metal targets (typically titanium-tungsten and gold) causing atoms to be ejected and deposited onto the wafer surface to form the UBM layer
“TSV”	through-silicon via
“UBM”	under-bump metallization
“Wafer Dicing”	the process of cutting a processed semiconductor wafer into individual dies (chips); a step following bumping and chip probing in the packaging flow, at which defective dies (marked by ink) are removed
“Wafer Grinding”	a critical semiconductor manufacturing process that reduces the thickness of silicon wafers to allow for smaller, stacked, and high-performance microchips
“Wire Bonding”	a traditional packaging interconnect method using thin metal wires to connect a die to a substrate or lead frame; partially replaced by bumping technology in advanced packaging applications due to bumping’s higher I/O density and performance advantages

FORWARD-LOOKING STATEMENTS

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

- the Group’s operations and business prospects;
- the Group’s ability to maintain relationship with, and the actions and developments affecting, its customers and suppliers;
- future developments, trends and conditions in the industries and markets in which the Group operates or plans to operate;
- general economic, political and business conditions in the markets in which the Group operates;
- changes to the regulatory environment in the industries and markets in which the Group operates;
- the Group’s ability to maintain its market position;
- the actions and developments of the Group’s competitors;
- the Group’s ability to effectively contain costs and optimize pricing;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- the Group’s ability to retain senior management and key personnel and recruit qualified staff;
- the Group’s business strategies and plans to achieve these strategies;
- the effectiveness of the Group’s quality control systems;
- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends; including those pertaining to the PRC and the industry and markets in which the Group operates; and
- capital market developments.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

FORWARD-LOOKING STATEMENTS

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

In this document, statements of or references to the Company’s intentions or those of its Directors were made as of the date of this document. Any such information may change in light of future developments.

RISK FACTORS

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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Given the complex nature of the packaging and testing process, our yields and customer relationships could suffer from defects in the services we provide or if we do not respond to rapid technological changes.

Semiconductor packaging and testing services, including bumping, CP, COG and COF processes are complex and require significant technological and process expertise. In line with industry practice, customers usually require us to pass a lengthy and rigorous qualification process that may take several months. Once qualified and in production, defective packaging primarily results from one or more of the following: (i) contaminants in the manufacturing environment; (ii) human error; (iii) equipment malfunction; (iv) changing processes to address environmental requirements; (v) defective raw materials; or (vi) defective electrochemical deposition services. Testing involves sophisticated equipment and software, which are complex and may contain programming errors. The testing equipment is also subject to malfunction and the testing process is subject to human error.

These and other factors may lead to lower production yields, particularly as we change our processing steps or introduce new technologies. In addition, we plan to continue developing and implementing new packaging and testing technologies and expand our offerings to be competitive. In this process, potential failure to qualify new processes, maintain quality standards or acceptable production yields, if significant and prolonged, could result in the loss of customers, increased costs of production, delays, substantial amounts of returned goods and claims by customers relating thereto. Any of these problems could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to obtain the packaging and testing equipment or facilities necessary for our business operations in a timely manner or at a reasonable cost.

The IC packaging and testing business is capital intensive and requires significant investment in expensive equipment manufactured by a limited number of suppliers. The market for IC packaging and testing equipment is characterized by intense demand, limited supply and long delivery cycles. Our operations and expansion plans depend on our ability to obtain equipment from those suppliers in a timely and cost-effective manner. We have no binding supply agreements with any of our equipment suppliers and we acquire our packaging and testing equipment on a purchase order basis, which exposes us to changing market conditions and other risks. We cannot assure you that we will be able to find substitute equipment suppliers if our major equipment suppliers cease to cooperate with us.

RISK FACTORS

Any deterioration in general economic conditions or the semiconductor end market or a slowdown in the semiconductor and electronics industries could reduce demand for our services.

Market conditions in the semiconductor industry track, to a large degree, those for their end applications. Our results of operations also depend significantly on general economic conditions and consumer spending. Consumer spending is affected by a number of economic and other factors beyond our control, such as interest rates, conditions in the real estate and mortgage markets, unemployment rates, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors affecting the spending behavior of consumers. Any deterioration in the market conditions for the end markets of the ICs we package and test could reduce demand for our services and, in turn, could materially and adversely affect our financial condition and results of operations. Our revenue is largely attributable to fees derived from packaging and testing semiconductors for use in smartphones, smart wearable devices, televisions, laptops and tablets. A significant decrease in demand for products in these markets could put pricing pressure on our packaging and testing services. The DDIC market often aligns with broader economic trend and consumer demand, and we cannot assure you that there will not be any downturn in the future or that any future downturn will not affect our results of operations. Any significant decrease in demand for end markets of ICs will adversely affect our business operation and financial condition.

We face intense competition in the global semiconductor packaging and testing industry.

The outsourced semiconductor packaging and testing services market is very competitive. We face substantial competition from established and emerging packaging and testing service providers primarily located in Asia, including companies that may have greater production capacity, financial resources, local market presence, R&D capabilities, marketing resources and technological expertise. In addition, we may compete with integrated device manufacturers who design, manufacture and package and test their own chips. Our competitors may have established relationships, or enter into new strategic relationships, with one or more of the large semiconductor companies that are our current or potential customers or key suppliers to these customers. Consolidation among our competitors could also strengthen their competitive position. We cannot assure you that we will be able to compete successfully in the future against our existing or potential competitors, that our customers will not rely on internal sources, foundries or contract manufacturers for packaging and testing services or that our business, results of operations or financial condition will not be materially and adversely affected by such increased competition.

A reversal or slowdown in the outsourcing trend for IC packaging and testing services could adversely affect our growth prospects and profitability.

Many semiconductor manufacturers that have their own in-house packaging and testing capabilities, known as integrated device manufacturers and original equipment manufacturers, have increasingly outsourced stages of the production process, including packaging, testing, electronic manufacturing and assembly, to independent companies to reduce costs, eliminate production complexity and shorten time to market. In addition, the availability of advanced independent semiconductor manufacturing services has supported the growth of fabless semiconductor companies, which focus exclusively on design and marketing and outsource their manufacturing, packaging and testing requirements to independent companies. We cannot ensure that these manufacturers and companies will continue to outsource their packaging and testing requirements to third parties like us. Furthermore, during an economic downturn, these integrated device manufacturers typically rely more on their own in-house packaging and testing capabilities, therefore decreasing their need to outsource. A reversal of, or a slowdown in, this outsourcing trend could result in reduced demand for our services and adversely affect our growth prospects and profitability.

RISK FACTORS

If we fail to properly anticipate or respond to changing market conditions or develop and introduce new or enhanced services on a timely basis, our ability to attract and retain customers could be impaired and our competitive position could be harmed.

The semiconductor industry is subject to constant and rapid changes in technology, constant product and technology upgrade, frequent new product introductions and evolving technical standards. New technologies may be introduced, which may make the current technologies on which our services are based less competitive or even obsolete or require us to make changes to our technology that could be expensive and time-consuming to implement. The timing of new product developments, the life cycle of existing electronics products and the level of acceptance and growth of new products can also affect demand for our services. Due to the evolving nature of the markets, our future success depends on our ability to accurately anticipate and respond to changes in industry standards, technological requirements, customer and consumer preferences and other market conditions. Our failure to properly anticipate or respond to changing market conditions could impair our competitive position, and adversely affect our business, results of operations and financial condition. If we fail to continue to upgrade our service offerings to keep up with the evolving needs of our customers, our market share could be negatively impacted. As a result, the average selling prices of our services and gross profit margin may decline, which in turn could adversely affect our business, results of operations and financial condition.

We generate the majority of our revenue from a limited number of key customers.

We rely on a small group of customers for a substantial portion of our business. Revenue from our five largest customers in each year during the Track Record Period accounted for 72.6%, 66.4% and 68.9% of our revenue in 2023, 2024 and 2025 and sales to our largest customer in each year during the Track Record Period accounted for 31.7%, 24.2% and 27.5% of our revenue in the respective years. As part of our strategy, we have been focusing on sales to key customers through long-term service agreements. We also continue to serve smaller customers and those with less regular ordering patterns. We expect that we will continue to rely on a relatively limited number of customers for a significant portion of our revenue. Any adverse development in our key customers’ operations, competitive position or customer base could materially reduce our revenue and materially adversely affect our business.

Semiconductor companies generally rely on packaging and testing service providers with which they have established relationships. New customers also typically require us to undergo a lengthy and rigorous certification process. Accordingly, if we lose any of our key customers, we may not be able to replace them in a timely manner. If any of our key customers reduces or cancels its orders or terminates existing contractual arrangements and if we are unable to attract new customers and establish new contractual arrangements with existing or new customers, our revenue could reduce and our business and results of operations may be materially and adversely affected.

We make substantial investments in equipment and facilities and the demand of our customers may not develop as we expect.

We make significant investments in equipment and facilities in order to satisfy the demand of our customers. The amount of our capital expenditures depends on several factors, including the performance of our business, our assessment of future industry and customer demand, our capacity utilization levels and availability, advances in technology, our liquidity position and the availability of financing. Our ongoing capital expenditure requirements may place pressure on our cash and liquidity. Moreover, during periods of production capacity expansion, the additional depreciation and factory operating expenses associated with such capital expenditures may adversely affect our profitability. We may also make significant capital expenditures to support specific business opportunities with certain key customers from time to time and the additional equipment purchased for such opportunities may not be readily redeployed for other customers. If demand is insufficient to utilize such capacity, or we are unable to efficiently redeploy such equipment, our capacity utilization, profitability could be negatively impacted. Furthermore, if we cannot generate or raise additional funds to pay for capital expenditures, particularly in some of the advanced packaging and testing areas, as well as R&D activities, our growth and future profitability may be materially and adversely affected.

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Our business may be impacted by geopolitical uncertainties and other political, social and economic instability that leads to business interruptions.

Any future political turmoil could cause revenue or profits for the semiconductor industry as a whole to decline dramatically. For example, uncertainties in the U.S.-China relationship, the broader political environment or international trade policies could lead to further revisions in laws or regulations, changes in their interpretation and enforcement, trade sanctions, import or export duties and tariffs, or restrictions on trade, all of which may adversely affect our results of operations. The U.S. government has also enacted trade measures, including licensing requirements on exporting certain advanced computing and semiconductor manufacturing items, as well as AI-related items to China or other designated countries. On the other hand, in response to U.S. trade restrictions, the Chinese government has enacted policy measures to support domestic semiconductor companies to achieve self-sufficiency in semiconductor production and reduce reliance on foreign suppliers. While we strive to build flexible and resilient supply chains to address shifts in market conditions and to satisfy customer needs, fragmented operations may increase our vulnerability to market disruptions and adversely affect our results of operations.

Our revenues and profitability may decline if we are unable to obtain adequate supplies of raw materials and energy in a timely manner, or at a reasonable price or effectively pass on the price fluctuation of certain raw materials to customers.

Our operations require that we obtain adequate supplies of raw materials, such as gold, gold salt, electroplating chemicals, gold targets, trays and photoresist, at acceptable prices in a timely and cost-effective manner. In the past, shortages in the supply of some materials, whether by specific vendors or by the semiconductor industry generally, have resulted in occasional industry-wide price adjustments and delivery delays. We source most of our raw materials from a limited group of suppliers. We purchase all of our materials on a purchase order basis and have no long-term contracts with any of our suppliers. Suppliers have in the past, and may in the future, extend lead times, increase the price or limit the supply of required materials to us because of market shortages. Consequently, we may, from time to time, experience difficulty in obtaining sufficient quantities of raw materials on a timely basis. In particular, gold is a key raw material used in our bumping. We generally adopt the average spot price on the London Metal Exchange for the preceding quarter in our pricing to customers. However, because there is a time lag between our procurement of gold and the timing at which we quote prices to customers, the movements of gold price may not be passed on to customers immediately. In addition, we may need to reject raw materials and parts that do not meet our specifications, resulting in potential delays or declines in output. If the supply of raw materials is substantially reduced or disrupted, there are significant increases in their prices that we cannot pass on to our customers, or the lead times are extended, we may incur additional costs to acquire sufficient quantities of these materials to maintain our production schedules and commitments to customers, and our revenue and earnings could be adversely affected.

We are subject to governmental export and import controls, tariffs, economic sanctions and other trade protection measures, which could affect our ability to compete in certain markets or expose us to liability in certain jurisdictions.

We operate within a global supply chain, and our services are sold globally as part of various end products. As such, we face risks associated with international trade regulations and geopolitical developments. Although the primary risk to our business from these measures is indirect, we are exposed to the impact of them through our international customers and global supply chain, since our services are susceptible to geopolitical developments and trade restrictions. For example, if tariffs or other import restrictions are imposed on our customers' products exported to the United States or other overseas markets, the increased cost may reduce the competitiveness and market demand for our services. A decline in our customers' sales could, in turn, lead to reduced order volumes, order cancellations or downward revisions to their forecasts for our services. Furthermore, to mitigate their own exposure, our customers may demand price concessions from us or adjust

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their supply chain arrangements, which could diminish our role or lead to the loss of business. Any of these developments could materially and adversely affect our customer relationships, revenue and profitability.

Recent trade tensions, such as the ongoing U.S.-China trade dispute, have led to broader and substantially higher tariffs, export controls and other restrictive measures targeting high-technology goods, semiconductors and electronics. Regarding tariffs, in February 2025, the United States imposed a 20% tariff on certain categories of Chinese goods (the “**Fentanyl Tariff**”). Subsequently, on April 2, 2025, the United States imposed a 10% baseline tariff on all imports from its trading partners, along with additional country-specific tariffs for various countries (the so-called “**Reciprocal Tariff**”, as adjusted from time to time). These actions have led to a series of retaliatory measures by other countries, including China, and further countermeasures by the United States. On May 12, 2025, the President of the United States issued an executive order that suspended certain retaliatory tariff increases imposed on April 8 and April 9 against China and reinstated the Reciprocal Tariff on imports originating from Chinese mainland, Hong Kong, and Macau for a 90-day period. On August 11, 2025, the President of the United States signed an executive order extending the deadline for higher tariffs on China for another 90 days until November 10, 2025. Following a U.S.-China leaders’ meeting on October 30, 2025, the United States and China announced steps to pause certain tariff escalations. On November 4, 2025, the President of the United States issued executive orders that, among other things, reduced the Fentanyl Tariff from 20% to 10%, effective November 10, 2025, and continued the suspension of heightened China-specific Reciprocal Tariff rates through November 10, 2026, thereby maintaining the 10% Reciprocal Tariff baseline on imports from China during that period.

At the same time, on May 28, 2025, the U.S. Court of International Trade ruled that many of the tariffs the current administration put in place, including the Reciprocal Tariff and the Fentanyl Tariff, exceeded the president’s legal authority, which was affirmed by the U.S. Court of Appeals for the Federal Circuit on August 29, 2025. On February 20, 2026, the U.S. Supreme Court issued its opinion affirming the lower court’s ruling, striking down the tariffs implemented pursuant to the International Emergency Economic Powers Act (“**IEEPA**”), including the Reciprocal Tariff and the Fentanyl Tariff. Accordingly, all duties collected pursuant to the invalidated IEEPA-based tariffs are unlawful exactions and must be returned in full to the importers of record, together with any applicable interest, in accordance with governing customs refund procedures and statutory requirements. Following this decision, the administration rescinded the IEEPA-based tariffs but concurrently imposed new 10% tariffs on a global basis for a 150-day period under separate statutory authority and discussed plans to rely on other statutory authorities to impose other tariffs. The U.S. tariff policies are rapidly evolving, and the outcome, including the timing, impact and potential legal challenges regarding the newly implemented tariffs, is highly uncertain. Any additional tariff may increase the price of the end products imported to the U.S. market and reduce their competitiveness. Our end customers who import the products may wish to pass on the additional tariff along the supply chain, wholly or partially to us, their other suppliers or their customers. Even if the tariff is not passed on to us, the reduced competitiveness of our customers’ end products could lead to the reduction or cancellation of their purchase orders from us, and tariffs could generally negatively affect economic conditions in China and other countries, which could adversely affect our business.

Exports, re-exports and transfers of our products must be made in compliance with various economic sanctions and export controls laws in different jurisdictions. Regarding economic sanctions, the most significant controls are those administered by the Office of Foreign Assets Control (“**OFAC**”) of the Treasury, which impose primary sanctions on transactions involving a U.S. nexus (e.g., U.S. persons or USD clearing), and, in certain circumstances, secondary sanctions exposure for non-U.S. persons engaging in specified dealings with certain countries or regions, governments, entities, and individuals targeted by U.S. sanctions. Regarding U.S. export controls, in October 2022, the BIS issued an interim final rule (the “**BIS October 2022 IFR**”) to limit China’s access to advanced computing integrated circuits, supercomputers, and advanced semiconductor manufacturing. In October 2023, the BIS released another interim final rule (the “**BIS October 2023 IFR**”) that updated and expanded the restrictions from the BIS October 2022 IFR (together with the BIS’s April 2024 interim final rule, the “**BIS 2022/23 IFRs**”). Among other

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measures, the BIS 2022/23 IFRs added certain advanced and high-performance computing integrated circuits and related computer commodities to the Commerce Control List, imposing new or expanded license requirements for certain items subject to the U.S. Export Administration Regulations (“EAR”). These controls target items that are destined for, or may be used in developing or producing supercomputers, advanced node integrated circuits, and advanced semiconductor manufacturing equipment in certain jurisdictions, including China. Most recently, in January 2025, the BIS issued an interim final rule (the “**BIS January 2025 IFR**”) to further limit China’s access to advanced computing integrated circuits.

In addition to the restrictions introduced above, the BIS also maintains lists of persons that are subject to enhanced export control restrictions. One such list, the Entity List, includes a list of foreign persons on which certain trade restrictions are imposed. In recent years, the United States has placed an increasing number of entities, on the Entity List and other restricted or prohibited party lists. In addition to naming additional persons to these lists, BIS has imposed complex and restrictive rules applicable to doing business with persons on them. The restrictions applicable to Entity List parties include licensing requirements for exports, re-exports, or transfers of items subject to the EAR, which in most cases restrict these named entities from receiving essentially any item subject to the EAR, including, in some cases through the application of the EAR’s foreign direct product rules, to items produced wholly outside the United States.

We screen our direct customers and suppliers against applicable sanctions and export control restricted party lists prior to entering into transactions and on a periodic basis thereafter, and have not identified any transactions that violated applicable economic sanctions or export control laws and regulations. We maintain policies and procedures designed to facilitate compliance with applicable sanctions and export control requirements.

However, due to the nature of our industry, we do not have full visibility over the ultimate end-users of our products in all circumstances. Although we implement compliance controls designed to mitigate sanctions and export control risks, we cannot guarantee that our products will not be transferred, without our knowledge or authorisation, to parties that are or become subject to sanctions or export control restrictions.

In addition, sanctions and export control laws, regulations and policies are subject to change, sometimes with immediate effect, and additional parties may be designated on applicable restricted party lists without prior notice. Certain of our customers, suppliers or other business counterparties may currently be, or may in the future become, subject to sanctions or export control restrictions. Any expansion of such restrictions, or changes in applicable sanctions or export control laws, regulations, policies or licensing requirements, may restrict our ability to conduct business with certain counterparties, increase our compliance costs, or otherwise adversely affect our business, financial condition and results of operations.

In addition, although only a limited amount of our testing equipment originates from the United States and such imports are not subject to licensing requirements for import into the PRC, we cannot predict future changes in applicable export controls laws and regulations. If export controls laws and regulations were adversely changed, our ability to import advanced production equipment or components from certain jurisdictions may be restricted and our capacity to upgrade or maintain our manufacturing lines may be negatively impacted. If we fail to promptly secure alternative customers or sources of supply on acceptable terms, our business may be materially and adversely affected.

In addition, if the sales of the customers’ end solutions are restricted, prohibited or made subject to any export controls or economic sanctions imposed by any jurisdictions, the customers’ demand for our services may decline, and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

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U.S. outbound investment regulations and other foreign laws and regulations could have a negative impact on our future ability to access to capital.

On October 28, 2024, the Treasury issued a final rule, codified in the United States Code of Federal Regulations at 31 C.F.R. part 850, to implement the Executive Order 14105 of August 9, 2023 (the “**Outbound Investment Rule**”). On January 2, 2025, a U.S. outbound investment security program (the “**OISP**”), implemented by the Treasury under the Outbound Investment Rule, became effective. The OISP imposes investment prohibition and notification requirements on U.S. persons for a wide range of investments in entities associated with China (including Hong Kong and Macau) that are engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems, collectively defined as “Covered Foreign Persons.” U.S. persons subject to the Outbound Investment Rule are prohibited from making, or required to report, certain investments in Covered Foreign Persons, which are defined as “Covered Transactions,” and include certain acquisitions of an equity interest or contingent equity interest, certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The OISP contains exceptions for certain investments, including those in publicly traded securities, except when the U.S. person investor secures rights that go beyond standard minority shareholder protections. Although we are engaged in semiconductor packaging and testing services and do not ourselves manufacture integrated circuits or other semiconductors, our involvement in packaging activities for integrated circuit applications may implicate the definition of “covered activities” under the OISP.

As advised by our legal advisors, we may be considered a “Covered Foreign Person” engaged in “covered activities”, specifically, integrated circuit packaging that may fall within the scope of “Notifiable Transactions” under the OISP. Based on the technology thresholds applicable under the OISP, our packaging activities are not considered to meet the criteria for “Prohibited Transactions.” Accordingly, U.S. persons may be required to notify the relevant U.S. authorities if they engage in transactions involving our equity interests that constitute “Notifiable Transactions” under the OISP.

Notwithstanding the foregoing, following the completion of the [REDACTED], U.S. persons are generally expected to be able to invest in our H Shares pursuant to the publicly traded securities exception under the OISP, provided that such investments do not confer rights beyond standard minority shareholder protections.

However, the Outbound Investment Rule continues to evolve, including through potential future changes associated with the implementation of the U.S. Comprehensive Outbound Investment National Security Act of 2025 (the “**COINS Act**”), and the resulting regulatory uncertainty may adversely affect our ability to attract or obtain future investments from U.S. investors, as well as reduce U.S. investors’ interest in our equity securities.

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 services for our existing and potential downstream customers, which include display panel manufacturers and brand companies in the consumer electronics industry. The downstream markets, including consumer electronics, automotive and computing applications, are driven by expanding application scenarios and increasing requirements for chip performance, which in turn necessitate continuous technological advancement and innovation. 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 RMB78.9 million, RMB89.4 million and RMB117.7 million, representing 6.4%, 6.0% and 6.6% of our revenue in the respective years. However, we cannot assure you that these efforts will be successful or produce our anticipated results. We may not be able to apply the technologies we developed to introduce new services in time to capture the first-mover advantage, or at all. Any failure in successfully translating our R&D efforts to new services could have a material adverse impact on our business, results of operations and financial condition.

RISK FACTORS

Our business prospects may be harmed if we are unable to protect proprietary technology from infringement and operate without infringing the proprietary rights of others.

Our success depends in part on our ability to obtain and maintain patent protection for our technologies, processes and products, to safeguard our trade secrets and proprietary know-how and to successfully enforce our intellectual property rights against third-party infringement or misappropriation, such as unauthorized replication, reverse engineering and design theft. In the event that our issued patents and patent applications do not adequately provide coverage for our technologies, processes or products, we would not be able to exclude others from developing or utilizing these technologies, processes and products. Furthermore, the degree of future protection of our proprietary rights is uncertain because legal means may not adequately protect our rights or permit us to gain or keep our competitive advantage.

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, trade secrets are difficult to protect. While we use reasonable efforts to protect our trade secrets, including requiring our employees and suppliers who may have access to trade secrets to enter into confidentiality agreements or other agreements including confidentiality provisions with us, such persons may unintentionally or willfully disclose our information to competitors. In addition, confidentiality agreements or other agreements including confidentiality provisions may not be enforceable or provide an adequate remedy in the event of unauthorized use or disclosure. It may be difficult to prove or enforce a claim that a third party had illegally obtained and used our trade secrets. In addition, our competitors may independently develop technologies that are equivalent or superior to our trade secrets, in which case, we would not be entitled to enforce our trade secrets, and our business could be harmed.

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. It is difficult, if not impossible, to predict how such disputes would be resolved. Litigation relating to intellectual property rights may involve significant costs and consume considerable financial and administrative resources. Furthermore, 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.

If we are not able to fully comply with present or future environmental, safety and occupational health laws and regulations, our business, financial condition and results of operations may be adversely affected.

We are subject to various laws and regulations relating to the use, storage, discharge, and disposal of chemical by-products of, and water used in, our packaging and testing processes, and the emission of volatile organic compounds and the discharge and disposal of solid industrial wastes. In addition, increasing global efforts to combat climate change may lead to the enactment of stricter laws and regulations aimed at reducing carbon emissions. With an increasing number of governments likely to adopt carbon tax mechanisms, we may be forced to incur significant expenses to comply with applicable environmental and climate-related laws and regulations. These potential expenses include, but are not limited to, paying any carbon taxes incurred if our emission levels exceed applicable thresholds, obtaining renewable energy sources, renewable energy certificates or carbon credits, and substituting more environmentally-friendly raw materials to use in our operations, which may be more costly or less readily available than our existing raw materials. During the Track Record Period and up to the Latest Practicable Date, we were fined by the Hefei Municipal Bureau of Ecology and Environment for exceeding permitted pollutant discharge levels. The fine has been paid in full and rectification has been completed. However, we cannot assure you that similar incidents will not recur, which could adversely affect our business and results of operations.

RISK FACTORS

Our business depends substantially on the continuing efforts of our senior management, and our ability to attract and retain key employees.

Our business operations depend on the continuing efforts of our management, particularly the members of our senior management team and R&D personnel. If one or more members of our management or R&D personnel are unable or unwilling to continue their employment with us, we may not be able to replace them in a timely manner, or at all. We may incur additional expenses to recruit and retain qualified replacements. In addition, members of our management may join a competitor or form a competing company. There can be no assurance that we will be able to successfully enforce our contractual rights included in employment agreements with our management. As a result, our business may suffer the loss of services of one or more members of our management, which in turn could have a material and adverse impact on our future prospects, business, results of operations and financial condition.

If we experience increases in labor costs or deterioration in labor relations, our production costs may be affected.

Labor costs have been fluctuating and may rise in the future due to various factors, including inflationary pressure, changes in minimum wage standards, government mandates on employee benefits, social insurance contributions or market competition for skilled workers. Rising labor costs could increase our overall production costs. We may not be able to fully pass on such cost increases to our customers through higher prices in a timely or effective manner, which could negatively affect our margins. In addition, sustained increases in labor expenses may require us to adjust workforce allocation or enhance automation, which could lead to temporary inefficiencies and additional investment.

At the same time, we seek to maintain favorable labor relations with our employees as we believe that our long-term growth depends on the expertise, experience and development of our employees. See “*Business — Employees*” for further details. However, we cannot assure you that labor disputes will not occur in the future. Any deterioration in labor relations could result in disputes, strikes, claims, legal proceedings or reputational damage. Any such event could lead to loss of key personnel, business interruptions, increased costs associated with recruitment and training and loss of institutional know-how, all of which may materially and adversely affect our business, financial condition, results of operations and prospects.

We may require additional funding to finance our operations, which may not be available or on terms acceptable to us.

We believe that our current cash and cash equivalents and the anticipated cash flow will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. We may not be able to obtain additional funds on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, general market conditions for capital raising and debt financing activities and economic, political and other conditions in the markets in which we operate. Furthermore, if we raise additional funds by incurring debt, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. Servicing such debt obligations could also be burdensome to our operations. If we fail to service our debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be adversely affected.

RISK FACTORS

Our insurance coverage may be insufficient to cover all of our potential losses.

We maintain insurance coverage over the shipment of our wafers and chips, property and business operation. We cannot assure you that our insurance will provide adequate coverage for all the risks in connection with our business operations. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we may be required to bear our losses to the extent that our insurance coverage is insufficient. As a result, we could suffer significant costs and diversion of our resources, which could have a material and adverse impact on our business, results of operations and financial condition.

Our information systems may experience system failures, interruptions or security breaches.

Our business operations rely on our information systems for various functions. These systems are critical for maintaining operational efficiency, data accuracy and timely decision making. However, our information systems are subject to various risks, including system failures, cyber-attacks, data breaches and other security incidents. Any such event could disrupt our operations, compromise our data, and result in significant remediation costs, legal liabilities and reputational damage. Furthermore, our information systems need to be regularly updated and upgraded to keep pace with technological advancements and changing business needs. These updates and upgrades require significant investment and may cause system disruptions or compatibility issues. We also engage certain third-party service providers for the development, upgrade and maintenance of certain information systems. Any failure of these third-party service providers to meet their service obligations could affect the performance of our information systems. Furthermore, any breach of contract or termination of services by these third-party service providers could result in disruptions to the operation of our information systems and we may incur additional costs and experience delays in finding alternative service providers.

We may face warranty claims, product return and liability risks, economic damage claims and negative publicity if our packages fail.

Our packages are incorporated into a number of end products. If our packages fail, our business may be exposed to warranty claims, product return and liability risks, economic damage claims and negative publicity. We receive warranty claims from our customers from time to time in the ordinary course of our business. If we were to experience an unusually high incidence of warranty claims, we could incur significant costs and our business could be materially and adversely affected. In addition, we are exposed to the product and economic liability risks and the risk of negative publicity affecting our customers. Our sales may decline if any of our customers are sued on a product liability claim. We also may suffer a decline in sales from the negative publicity associated with such a lawsuit or with adverse public perceptions in general regarding our customers' products. Further, if our packages are delivered with defects, we could incur additional development, repair or replacement costs or suffer other economic losses, and our credibility and the market's acceptance of our packages could be harmed.

We face risks associated with the misconduct of our employees, suppliers and their employees and other related individuals.

Our business operations and reputation are significantly influenced by the conduct of our employees, business partners, their employees and other related individuals. Despite our efforts to implement stringent oversight mechanisms and ethical guidelines, it may not always be possible to prevent or detect misconduct by these individuals. The misconduct by these parties, including fraudulent activities, non-compliance with laws and regulations, unethical business practices or any other actions that are inconsistent with our corporate policies and values, may subject us to potential liabilities and damage our reputation, leading to loss of consumers, decreased market share and potential difficulties in attracting and retaining business partners.

RISK FACTORS

We may, from time to time, become a party to litigation, other legal and contractual disputes, claims and administrative or other regulatory proceedings.

We may, from time to time, be subject to various litigation, legal or contractual disputes, claims, or administrative proceedings in the ordinary course of our business, including, but not limited to, various disputes with or claims from our consumers, suppliers, customers, business partners and other third parties. Ongoing or threatened litigation, legal or contractual disputes, claims or administrative proceedings may divert our management’s attention and other resources. Furthermore, any litigation, legal or contractual disputes, claims or administrative proceedings that are initially not of material importance may escalate and become important to us, due to a variety of factors such as the subject matter of the disputes, the likelihood of loss, the monetary amount at stake and the parties involved. If any adverse verdict, judgment or award is rendered against us or if we settle with any third parties, we may be required to pay significant monetary damages or assume other liabilities. In addition, negative publicity arising from litigation, legal or contractual disputes, claims or administrative proceedings may damage our reputation and have a material and adverse impact on our business, results of operations and financial condition.

We face risks in relation to the inability to obtain and maintain the approvals, licenses and permits required for our operations.

We are required to maintain various approvals, licenses and permits in order to operate our business. These approvals, licenses and permits are granted upon satisfactory compliance with, among other things, the applicable laws and regulations. Also, they may be valid only for a fixed period of time and subject to renewal and accreditation. There is no assurance that we will be able to obtain, renew or maintain all necessary approvals, licenses and permits for our existing or future business operations. Any failure to obtain or maintain such approvals, licenses or permits may result in suspension or cessation of certain business activities, delay or cancellation of our expansion plans, and may subject us to regulatory penalties, fines, or other legal liabilities. We may also be exposed to significant administrative or legal proceedings and reputational damage arising from actual or perceived non-compliance with laws or regulatory requirements, which could have a material and adverse impact on our business operations, financial condition and prospects.

Failure to collect our trade receivables or bills receivables in a timely manner may adversely affect our profitability and liquidity.

We may not be able to collect our trade receivables in a timely manner, and we may face difficulty collecting receivables for reasons beyond our control, such as customers delaying payment past the relevant credit periods granted or being unable to pay us when payments are due. We had trade and bills receivables of RMB231.2 million, RMB275.3 million and RMB359.0 million as of December 31, 2023, 2024 and 2025, respectively. Any significant delay or default in our collection of trade and bills receivables may impose pressure on our cash flow and working capital and reduce the pool of available financial resources relative to our expectations and expenditure plans, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Our fixed cost structure may adversely impact profitability during periods of reduced demand.

The semiconductor packaging and testing business is capital intensive, requiring significant investment in expensive equipment and facilities. A substantial portion of our expenses consists of depreciation and amortization of property and equipment. For example, our total depreciation and amortization was RMB275.1 million, RMB357.2 million and RMB415.4 million as in 2023, 2024 and 2025. If our revenues decline due to factors such as reduced customer demand or market downturns, these relatively fixed depreciation and amortization expenses may not decrease at the same rate. This could lead to a material decline in our gross profit margins, overall profitability and cash flows.

RISK FACTORS

Our operations are subject to foreign exchange fluctuations.

Certain of our sales and procurements, as well as a portion of our recognized assets and liabilities, are denominated in currencies other than the functional currency of the Company, being RMB, which exposes us to foreign exchange risks. As of December 31, 2023, 2024 and 2025, our non-RMB denominated financial assets accounted for 4.9%, 4.6% and 4.2% of our total assets, respectively, with US dollars denominated revenue accounting for 61.8%, 55.9% and 56.3% of our total revenue. Any significant fluctuations in the exchange rates between foreign currencies and RMB may materially and adversely affect our results of operations.

In 2023, 2024 and 2025, we incurred net foreign exchange gains of RMB4.1 million, RMB6.6 million and a net foreign exchange loss of RMB1.3 million, respectively. We cannot predict the future exchange rate fluctuations, and we cannot assure you that we will not incur any net exchange loss in the future. While we have actively managed our currency risks, such measures may not be effective or economically feasible under all circumstances. See Note 39 of Appendix I to this Document for further details.

During the Track Record Period, we have maintained certain hedging policies, such as leveraging certain derivative instruments, in an effort to reduce our exposure to foreign exchange risks and commodity price risks, and we may maintain, or further enhance, our hedging policies in the future. Our derivative financial instruments mainly include forwards, options and futures contracts. As of December 31, 2023, 2024 and 2025, our derivative financial liabilities amounted to nil, nil and RMB2.7 million, respectively. However, the availability and effectiveness of these hedging measures may be limited, and we may not be able to adequately cover our exposure or at all.

Our indebtedness could adversely affect our cash flow, increase our vulnerability to economic conditions and limit or restrict our business activities.

We have incurred, and may incur in the future, significant indebtedness, including in connection with mergers or acquisitions, which may impact the manner in which we conduct business or our access to external sources of liquidity. In addition to interest payments, a significant portion of our cash flow may need to be used to service our indebtedness, and, therefore, may not be available for use in our business. In addition, although we plan to use the net [REDACTED] of the [REDACTED] to reduce our indebtedness, we may be unable to complete the [REDACTED] on the timing we anticipate or at all, which would further burden our debt service and operations and limit our ability to invest in our business. Our ability to generate cash flow is subject to general economic, financial, competitive, legislative, regulatory, and other factors that may be beyond our control. Our indebtedness could have a significant impact on us, including, but not limited to increasing our vulnerability to general adverse economic and industry conditions; requiring us to dedicate a significant portion of our cash flow from operations to payments on our indebtedness, thereby reducing the amount of our cash flow available to fund working capital, acquisitions and capital expenditures, and for other general corporate purposes; limiting our flexibility in planning for, or reacting to, changes in our business and our industry; restricting us from making strategic acquisitions or exploiting business opportunities; necessitating the divestiture of certain of our assets or businesses in order to generate cash to service our indebtedness; limiting our ability to continue paying dividends; or limiting our ability to borrow additional funds.

Certain of our debt agreements impose restrictions with respect to the maintenance of financial ratios and the disposition of assets. The most restrictive covenants currently require us to maintain a minimum level of interest coverage, and a minimum level of net asset. These restrictive covenants could adversely affect our ability to engage in certain business activities that would otherwise be in our best long-term interests.

RISK FACTORS

We received government grants and preferential tax treatment during the Track Record Period, and any discontinuation of government grants or preferential tax treatment or any change in the relevant policies may adversely affect our financial performance and results of operations.

We received government grants and preferential tax treatment under relevant preferential tax policies during the Track Record Period. In 2023, 2024 and 2025, we recognized income from government grants of RMB23.4 million, RMB19.4 million and RMB24.8 million, respectively.

We may not be able to continue to enjoy similar government grants and preferential tax treatment in the future as they are non-recurring in nature. The discontinuation of any of our government grants or current tax treatments could adversely impact our net income and materially increase our tax obligations. Government grants and preferential tax treatments are subject to review by authorities and may be adjusted or revoked at any time in the future. We cannot guarantee that government grants and preferential tax treatments to which we and certain of our subsidiaries are currently entitled would be successfully renewed. There can be no assurance that the local tax authorities will not, in the future, change their position and discontinue any of our current tax treatments, potentially with retrospective effect.

Uncertainty in the valuation of financial assets at fair value through profit or loss may affect our financial position and results of operations.

As of December 31, 2023, 2024 and 2025, we had financial assets at fair value through profit or loss of RMB70.2 million, RMB732.0 million and RMB647.6 million, respectively. The fair value of certain of these financial assets is determined using valuation techniques which involve a significant degree of management judgment and the use of unobservable inputs. Such inputs and assumptions may be subject to a high degree of uncertainty and may not reflect prevailing market conditions, particularly in the absence of active markets for these assets. There is no assurance that our estimates or the assumptions underlying the valuation models will prove to be accurate. If the valuation of these financial assets fluctuates or proves inaccurate due to changes in market conditions or assumptions, our other comprehensive income, and financial performance may be adversely affected.

Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales.

In order to operate our business effectively and meet our consumers’ demands and expectations, we maintain a certain level of inventory to meet the customers’ needs and ensure timely delivery of our products. As of December 31, 2023, 2024 and 2025, we had inventories of RMB237.0 million, RMB288.3 million and RMB303.8 million, respectively. In 2023, 2024 and 2025, our inventory turnover days were 89 days, 82 days and 77 days, respectively.

We determine our level of inventory based on historical sales performance, demand forecasts and supply chain capacity fluctuations. We cannot assure you that we are able to always maintain optimal inventory levels in the future. If we fail to accurately assess the customer demand, we may experience inventory obsolescence and inventory shortage risk. Inventory levels in excess of demand, or substantial decrease in the expected market price of our services, may result in inventory write-downs, and we may consequently sell the excess inventory at discounted prices, which would have an adverse effect on our profitability. Furthermore, if we underestimate the demand for our services, we may not be able to have a sufficient number of materials to meet such unanticipated demand, which could result in delays in the delivery of our services and negatively affect our reputation. Any of the above may materially and adversely affect our business, results of operations and financial conditions.

RISK FACTORS

We have awarded and may continue to award equity instruments under equity incentive plans, which may cause shareholding dilution to our Shareholders and result in increased share-based compensations.

We adopted the Share Incentive Plan in 2023 and the Stock Ownership Plan in 2025. See “Appendix IV — Statutory and General Information — Share Incentive Plans.” for further details. In 2023, 2024 and 2025, we recorded equity-settled share-based compensations of RMB32.8 million, RMB34.2 million and RMB37.1 million, respectively. To further incentivize our employees, we may adopt other equity incentive plans and award additional equity incentives in the future. We may also adopt a share option scheme in the future, which could result in additional share-based compensation expenses and dilution to our Shareholders. Issuance of Shares with respect to our equity incentive plan may dilute the shareholding of our existing Shareholders and incur substantial share-based compensation that could have a material and adverse impact on our results of operations.

Our historical dividends may not be indicative of our future dividend policy, and we cannot assure you whether and when we will pay dividends in the future.

We have declared dividends in the past. However, we cannot assure you that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of the Chinese mainland, 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. The declaration, payment and amount of any future dividends are at the discretion of our Directors, after taking into account various factors, including our results of operations, 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 applicable laws and regulations of the Chinese mainland. See “Financial Information — Dividend Policy” for further details. 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 foreign exchange regulations of the Chinese mainland, 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 RMB is to be converted into foreign currency and remitted out of the Chinese mainland to pay capital expenses such as the repayment of loans denominated in foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of the Chinese mainland.

RISKS RELATING TO THE JURISDICTIONS IN WHICH WE OPERATE

Changes in economic, political or social conditions or government policies in the markets in which we operate could have a material adverse effect on our business and results of operations.

We derive revenue from multiple jurisdictions. As such, changes in any of these jurisdictions could have a material and adverse impact on our future prospects, business, results of operations and financial condition. For example, a substantial part of our revenue is derived from our businesses in the PRC during the Track Record Period. Accordingly, our future prospects, business, results of operations, and financial condition are, to a material extent, subject to economic, political and legal developments in the PRC. If the macroeconomic condition in China experiences significant adverse changes, demand for our services and our ability to maintain our operations may

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suffer, which could consequently lead to a material and adverse impact on our business, results of operations and financial condition. Moreover, if foreign governments implement laws or regulations restricting investment in Chinese entities and we are deemed to be subject to such restrictions, the investment and transactions in our Shares, our business prospects, results of operations, financial conditions and future capital raising may be adversely affected.

China’s economy has experienced significant growth over the past decades. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. Changes in the business environment in China and the other jurisdictions in which we operate could have a material and adverse impact on our business, results of operations and financial condition.

Any uncertainties embedded in the legal systems of certain geographic markets where we operate could affect our business, financial condition and results of operations.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

We are subject to certain uncertainties embedded in the legal systems of some geographic markets where we operate. Laws and regulations that have recently been enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate. Local courts may have discretion to reject the enforcement of foreign awards or arbitration awards. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, regulatory uncertainties may be exploited through unmerited or frivolous legal actions, claims concerning the conduct of third parties, or threats in attempt to extract payments or benefits from us.

Failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds or other PRC labor related regulations may subject us to remedial actions, monetary damages, fines and other legal or administrative sanctions.

Companies operating in the PRC are required to contribute to a number of social insurance funds, including funds for pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund on behalf of employees in the Chinese mainland. According to applicable PRC laws and regulations, employers must open social insurance registration accounts and housing provident fund accounts and contribute to social insurance funds and housing provident fund for the benefits of their employees.

There is no assurance that our historical and current practices with respect to the contribution of social insurance plans and housing provident fund will at all times satisfy the government authorities in the Chinese mainland. In the event of any such non-compliance, we may be required to pay any shortfall in the contribution of social insurance plans and housing provident fund within a prescribed time period and to pay penalties if we fail to do so. See “*Regulations — Laws and Regulations Relating to Employment, Social Insurance And Housing Provident Fund — Social insurance and housing provident fund*” for further details. In addition to the above, if we fail to comply with any other relevant labor laws and regulations in the Chinese mainland, we may be exposed to penalties or be required to compensate employees. Such events could impact our results of operations and financial condition.

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Given the magnitude, complexity and continuous amendments to these laws and regulations, compliance therewith may be onerous and may involve substantial financial resources as well as other resources to establish efficient compliance and monitoring systems. The liabilities, costs, obligations and requirements associated with these laws and regulations may therefore be substantial and may delay the commencement of, or cause interruptions to, our operations.

It may be complex to effect service of process upon us or our management or to enforce against them or us any judgments obtained from foreign courts.

We are a company incorporated under the PRC laws, and a majority of our assets are located in the Chinese mainland. In addition, most of our Directors and senior management reside in the Chinese mainland. As a result, it may be complex for investors to effect service of process outside of the Chinese mainland upon us, our Directors or senior management or to enforce judgments obtained against us in courts outside the Chinese mainland. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the Chinese mainland only if the jurisdiction has a treaty with the Chinese mainland or if the jurisdiction has been otherwise deemed by the courts of the Chinese mainland to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, the PRC is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in the Chinese mainland of judgments of a court in these jurisdictions may consequently be difficult or impossible. On January 14, 2019, the Supreme People’s Court and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed 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 became effective on January 29, 2024. The 2019 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in the Chinese mainland and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a “choice of court agreement in writing” within the meaning of 2008 Arrangement which is made before the effective date of 2019 Arrangement.

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

On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the establishment of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. See “*Regulatory Overview — Regulations Relating to Overseas Listing on Securities and Overseas Listing*” for further details.

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

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confidentiality and archives management responsibilities. The interpretation and implementation of the Archives Rules may keep evolving, failure to comply with which may materially affect our business, results of operations or financial conditions.

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

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

We are subject to the currency exchange regulatory system.

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

Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to pay dividends to shareholders or to satisfy any other foreign exchange requirements, capitalize our capital expenditure plans, and even our results of operations, financial performance and business prospects may be affected.

We are a PRC enterprise, and we are subject to PRC tax on our global income. As such, any gains on the sales of H Shares and dividends on the H Shares may be subject to the PRC income taxes.

Under the PRC EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the Chinese mainland and a non-Chinese mainland investor's jurisdiction of residence that provides for a different income tax arrangement, the PRC withholding tax at the rate of 10% is normally applicable to dividends from the Chinese mainland sources payable to investors that are non-Chinese mainland resident enterprises, which do not have an establishment or place of business in the Chinese mainland, or which have an establishment or place of business in the Chinese mainland if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income from sources within the Chinese mainland unless a treaty or similar arrangement provides otherwise.

If PRC income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-Chinese mainland resident investors, the value of your investment in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence do not have tax treaties or arrangements with the Chinese mainland may not qualify for benefits under such tax treaties or arrangements.

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RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to listing and regulatory requirements of the PRC and Hong Kong.

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

Our A Shares are listed on the Shanghai Stock Exchange. The characteristics of the A Share and H Share markets may differ.

Following the [REDACTED], our A Shares will continue to be traded on the Shanghai Stock Exchange, and our H Shares will be [REDACTED] on the Hong Kong Stock Exchange. Under current 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. 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 an active trading market for our H Shares may not develop or be sustained.

Prior to the completion of the [REDACTED], there has been no public market for our H Shares. There can be no guarantee that an active trading market for our H Shares will develop or be sustained after the completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company and the Sole Sponsor-Overall Coordinator (for itself and on behalf of the [REDACTED]), which may not be indicative of the price at which our Shares will be traded following the completion of the [REDACTED]. The market price of our H Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

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

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

RISK FACTORS

Future sales or perceived sales of substantial amounts of our Shares in the public market could negatively affect the price of our Shares and our ability to raise additional capital in the future.

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

You will incur immediate and significant dilution and may face further dilution if we issue additional Shares in the future.

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

Our Single Largest Group of Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Our Single Largest Group of Shareholders have substantial influence over our business and operations, including matters relating to management and policies, decisions in relation to acquisitions, expansion plans, business consolidation, the sale of all or substantially all of our assets, nomination of directors, dividends or other distributions, as well as other significant corporate actions. Immediately following the completion of the [REDACTED], our Single Largest Group of Shareholders will collectively beneficially own approximately [REDACTED]% of the voting power of our outstanding share capital, assuming the [REDACTED] is not exercised and no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan. The concentration of voting power and the substantial influence of our Single Largest Group of Shareholders over our Company may discourage, delay or prevent a change in control of our Company, which could deprive other shareholders of an opportunity to receive a premium for their Shares as part of the sale of our Company and reduce the price of our Shares. In addition, the interests of our Single Largest Group of Shareholders may differ from the interests of our other Shareholders. Subject to the Listing Rules, our Articles of Association and other applicable laws and regulations, our Single Largest Group of Shareholders will continue to have the ability to exercise their substantial influence over us and to cause us to enter into transactions or take, or fail to take actions or make decisions which conflict with the best interests of our other shareholders.

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

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

RISK FACTORS

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].

Certain facts, forecasts and other statistics contained in this Document were derived from publicly available official sources and have not been independently verified and may not be reliable.

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

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

This Document contains certain statements and information that are forward-looking and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “going forward”, “intend”, “plan”, “project”, “seek”, “expect”, “may”, “ought to”, “should”, “would” or “will” and similar expressions. These statements are, by their nature, subject to significant risks and uncertainties. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, even if the Directors believe the assumptions related to those forward-looking statements are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the disclosure of forward-looking statements in this Document should not be regarded as representations by our Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events, or otherwise. All forward-looking statements in this Document are qualified by reference to this cautionary statement.

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

There have been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the [REDACTED], 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. None of us, the Sponsor, the Sole Sponsor-Overall Coordinator, the Sole Overall Coordinator, the [REDACTED] or any other person involved in the [REDACTED] has authorized the disclosure of any such information in the press or media coverage, or accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication.

RISK FACTORS

Accordingly, prospective investors should not rely on any such information or publication in making their decision whether to invest in our H Shares. Prospective investors are reminded that, in making their investment decisions as to whether to purchase our Shares, they should rely only on the financial, operational, 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.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation of the [REDACTED], the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Rules 8.12 and 19A.15 of the Listing Rules provide that a new applicant for listing on the Stock Exchange must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant’s executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, the Company’s arrangements for maintaining regular communication with the Stock Exchange.

The Company’s headquarters are based, and most of the business operations of the Group are managed in the PRC. The executive Directors ordinarily reside in the PRC, as the Board believes it would be more effective and efficient for the executive Directors to be based in a location where the Group’s substantial operations are located. As such, the Company does not and, in the foreseeable future, will not be able to comply with the requirements of Rules 8.12 and 19A.15 of the Listing Rules for sufficient management presence in Hong Kong.

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

- (i) the Company has appointed Mr. Lin Wen-hao and Ms. Kwok Yan Ting Jennis (“**Ms. Kwok**”) as the authorized representatives of the Company (the “**Authorized Representatives**”) for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will serve as the Company’s principal channel of communication with the Stock Exchange. They can be readily contactable by phone and email to deal promptly with enquiries from the Stock Exchange and will also be available to meet with the Stock Exchange to discuss any matters on short notice. The contact details of the Authorized Representatives have been provided to the Stock Exchange;
- (ii) all the Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period. In addition, each Director has provided his/her contact details, including office phone numbers, mobile phone numbers, email addresses and fax numbers (if any), to the Authorized Representatives and to the Stock Exchange, so that each of the Authorized Representatives and the Stock Exchange would be able to contact all the Directors (including the independent non-executive Directors) promptly at all times if and when the Stock Exchange wishes to contact the Directors;
- (iii) the Company has appointed Somerley Capital Limited as its Compliance Advisor for the period commencing on the [REDACTED] and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the Company’s financial results for the first full financial year commencing after the [REDACTED], or until the agreement is terminated, whichever is earlier. The Compliance Advisor will act as the Company’s additional and alternative channel of communication with the Stock Exchange, and its representatives will be readily available to answer enquiries from the Stock Exchange; and
- (iv) the Company has appointed designated staff members as the responsible communication officers at the Company’s headquarters to oversee regular communication with the Authorized Representatives and the Company’s professional advisors in Hong Kong, including its legal advisors and the Compliance Advisor, keep abreast of any correspondence and/or inquiries from the Stock Exchange and report to the executive Directors, streamlining communication between the Stock Exchange and the Company following the [REDACTED].

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experiences, is, in the opinion of the Stock Exchange, capable of discharging the functions of the 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); and
- (iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

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

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

The Company has appointed Mr. Xi Xie (“**Mr. Xi**”) as one of the joint company secretaries. Mr. Xi joined the Group in February 2023. He currently also holds the position of the Board secretary in the Company. See “Directors and Senior Management” for further biographical details of Mr. Xi. Although Mr. Xi does not possess the qualifications set out in Rule 3.28 of the Listing Rules, the Company believes that it would be in the best interests of the Company and the corporate governance of the Group to have Mr. Xi as its joint company secretary who is familiar with the Group’s internal operation and management and possesses professional knowledge and experience in handling corporate governance and compliance, legal affairs and public relationship related matters. The Company has also appointed Ms. Kwok to act as the other joint company secretary to assist Mr. Xi in discharging the duties of a company secretary of the Company. Ms. Kwok is a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and is therefore qualified under Rule 3.28 of the Listing Rules to act as a joint company secretary of the Company. See “Directors and Senior Management” for further biographical details of Ms. Kwok.

Since Mr. Xi does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, the Company has 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 for a period of three years since the [REDACTED] on the following conditions: (i) Mr. Xi must be assisted by Ms. Kwok 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 can be revoked in the event of a material breach of the Listing Rules by the Company.

In support of the waiver application, the Company has adopted, or will adopt the following arrangements:

- (i) in preparation of the application of the [REDACTED], Mr. Xi has attended training on the respective obligations of the Directors, senior management and the Company under the relevant Hong Kong laws and the Listing Rules organised by the Hong Kong legal advisor to the Company;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (ii) Ms. Kwok will work closely with Mr. Xi to jointly discharge the duties and responsibilities as the joint company secretaries and to assist Mr. Xi in acquiring the relevant experience as required under the Listing Rules for an initial period of three years from the [REDACTED], a period which should be sufficient for Mr. Xi to acquire the relevant experience as required under the Listing Rules;
- (iii) the Company will ensure that Mr. Xi continues to have access to the relevant training and support in relation to the Listing Rules and the duties required for a company secretary of an issuer listed on the Stock Exchange. Furthermore, both Mr. Xi and Ms. Kwok will seek advice from the Company’s Hong Kong legal and other professional advisors as and when required. Mr. Xi also undertakes to take no less than 15 hours of relevant professional training in each financial year of the Company; and
- (iv) at the end of the three-year period, the qualifications and experience of Mr. Xi and the need for on-going assistance of Ms. Kwok will be further evaluated by the Company. The Company will then endeavour to demonstrate to the Stock Exchange’s satisfaction that Mr. Xi, having had the benefit of the assistance of Ms. Kwok for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule 3.28 of the Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary. The Company understands that the Stock Exchange may revoke the waiver if Ms. Kwok ceases to provide assistance to Mr. Xi during the three-year period.

Prior to the expiry of the three-year period, the Company will demonstrate to the Stock Exchange and seek the Stock Exchange’s confirmation that Mr. Xi, having had the benefit of Ms. Kwok’s assistance during the three-year period, has attained the relevant experience and is capable of discharging the functions of company secretary under Rule 3.28 of the Listing Rules so that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary.

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

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

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Executive Directors		
Mr. Cheng	Room 701, Block Y16 Taochonghu Garden No. 3998, New Bengbu Road Xinzhan District, Hefei Anhui Province, PRC	Chinese (Taiwan)
Mr. Lin Wen-hao (林文浩)	Room 2205, Building 3 Longting Garden Kunshan Jiangsu Province, PRC	Chinese (Taiwan)
Non-Executive Directors		
Mr. Shen Chien-wei (沈建緯)	No. 94, Branch Lane 88 Lane 3001, Hongmei Road Minhang District Shanghai, PRC	Chinese (Taiwan)
Mr. Hong Weigang (洪偉剛)	Room 2202, Block 14, Pin Yuan No. 118, Silihe Road Luyang District, Hefei Anhui Province, PRC	Chinese
Mr. Zhu Jingyi (朱景懿)	Room 1302, Building 12 Emerald Lake Rose Garden Hefei Economic Development District Anhui Province, PRC	Chinese
Independent Non-Executive Directors		
Mr. Yang Hui (楊輝)	Room 602, Building 7 (South) Lingshuiyuan Community Shuiyangjiang Road Baohe District, Hefei Anhui Province, PRC	Chinese
Dr. Lin Zhiting (蘭智挺)	Room 1404, Building A7 Huashan Baoshu Shushan District, Hefei Anhui Province, PRC	Chinese
Dr. Luo Kun (羅昆)	Room 802, Building 7 Bozhuan Chunnuanhuakai Yijiang District, Wuhu Anhui Province, PRC	Chinese
Ms. Lee Wing Sze Rosa (李詠思)	Room A, 31/F Tower 3, Aria 51 Fung Shing Street Kowloon, Hong Kong	Chinese (Hong Kong)

For further details, see “Directors and Senior Management.”

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Sole Sponsor-Overall Coordinator	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Sole Overall Coordinator	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong

[REDACTED]

Legal Advisors to the Company	<i>As to Hong Kong and U.S. laws:</i> Freshfields 55th Floor, One Island East Taikoo Place, Quarry Bay Hong Kong <i>As to PRC law:</i> Anhui Tianhe Law Firm 16th Floor, Block B, East Zone Fortune Plaza, No. 278 Suixi Road Luyang District, Hefei Anhui Province PRC
Legal Advisors to the Sole Sponsor and the [REDACTED]	<i>As to Hong Kong and U.S. laws:</i> Slaughter and May 47th Floor, Jardine House 1 Connaught Place Central Hong Kong <i>As to PRC law:</i> King & Wood 18/F, East Tower, World Financial Center 1 East 3rd Ring Road (Middle) Chaoyang District Beijing PRC

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Auditor and Reporting Accountants

Grant Thornton Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

Industry Consultant

**Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.**
Room 2504
Wheelock Square
No. 1717 West Nanjing Road
Shanghai
PRC

[REDACTED]

CORPORATE INFORMATION

Registered Office	No. 8 Xiangwang Road Hefei Comprehensive Bonded Zone High-tech Development Zone Xinzhan District, Hefei Anhui Province PRC
Headquarters and Principal Place of Business in the PRC	No. 8 Xiangwang Road Hefei Comprehensive Bonded Zone High-tech Development Zone Xinzhan District, Hefei Anhui Province PRC
Place of Business in Hong Kong	46/F Hopewell Centre 183 Queen’s Road East Wan Chai, Hong Kong
Joint Company Secretaries	Mr. Xi Xie (奚勰) No. 8 Xiangwang Road Hefei Comprehensive Bonded Zone High-tech Development Zone Xinzhan District, Hefei Anhui Province PRC Ms. Kwok Yan Ting Jennis (郭恩廷) (FCG, HKFCG) Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen’s Road East Wan Chai, Hong Kong
Authorized Representatives	Mr. Lin Wen-hao (林文浩) No. 8 Xiangwang Road Hefei Comprehensive Bonded Zone High-tech Development Zone Xinzhan District, Hefei Anhui Province PRC Mr. Xi Xie (奚勰) No. 8 Xiangwang Road Hefei Comprehensive Bonded Zone High-tech Development Zone Xinzhan District, Hefei Anhui Province PRC
Audit Committee	Dr. Luo Kun (<i>Chairperson</i>) Ms. Lee Wing Sze Rosa Mr. Yang Hui
Nomination Committee	Dr. Lin Zhiting (<i>Chairperson</i>) Ms. Lee Wing Sze Rosa Mr. Hong Weigang
Remuneration and Appraisal Committee	Mr. Yang Hui (<i>Chairperson</i>) Dr. Luo Kun Mr. Shen Chien-wei

CORPORATE INFORMATION

Strategy Committee

Mr. Cheng (*Chairperson*)
Mr. Lin Wen-hao
Dr. Lin Zhiting

Compliance Advisor

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

[REDACTED]

Principal Banks

China Merchants Bank Co., Ltd.
Hefei Branch
No. 169, Funan Road
Luyang District, Hefei
Anhui Province, PRC

China CITIC Bank Corporation Limited
Hefei Yaohai Sub-branch
Intersection of Linquan Road and Hexian Road
Yaohai District, Hefei
Anhui Province, PRC

Bank of Hangzhou Co., Ltd.
Hefei Yaohai Sub-branch
No. 1, Wuhu Road
Yaohai District, Hefei
Anhui Province, PRC

Company’s Website

www.unionsemicon.com.cn
(A copy of this document is available on the Company’s website. Except for the information contained in this document, none of the other information contained on the Company’s website forms part of this document)

INDUSTRY OVERVIEW

Certain information and statistics set out in this section have been extracted from various official government publications, market data providers and a report commissioned by the Company and prepared by an independent third party, Frost & Sullivan. The information from official government sources has not been independently verified by the Company, the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Sole Overall Coordinator, [REDACTED] or any of their respective directors, officers, employees, agents, advisers or representatives or any other parties involved in the [REDACTED], and no representation is given as to its accuracy, fairness and completeness.

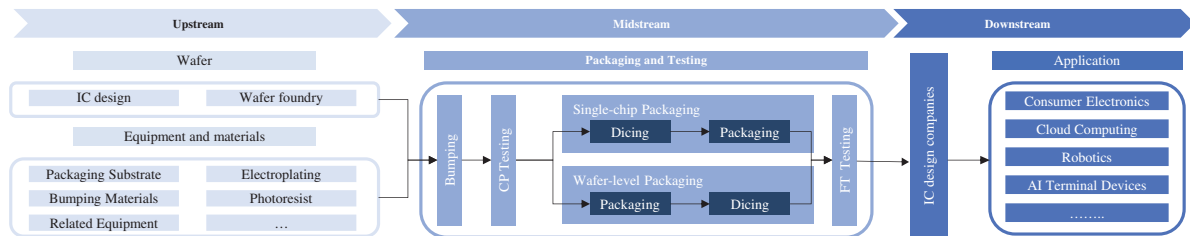
OVERVIEW OF THE GLOBAL SEMICONDUCTOR ADVANCED PACKAGING AND TESTING INDUSTRY

Definition and Classification of Semiconductor Packaging and Testing

The semiconductor packaging and testing industry occupies a critical position in the latter stage of the semiconductor industry chain, serving as a vital bridge between wafer fabrication and end-use applications. After completing wafer manufacturing, chips remain in bare die form and must undergo packaging to form devices with physical protection, electrical connectivity, and thermal management capabilities, followed by testing to verify performance and reliability before entering downstream applications.

Packaging refers to the process of forming independent electronic devices with structural stability and environmental adaptability from semiconductor bare dies through welding, interconnection, and packaging materials. Beyond providing physical protection, packaging enables signal transmission and thermal management through internal interconnect structures, serving as a critical safeguard for reliable chip operation. Testing, on the other hand, spans both the wafer stage and the finished product stage. As chip complexity continues to increase, packaging and testing has evolved from a mere “post-manufacturing process” into a significant factor influencing chip performance.

Value Chain of Packaging and Testing in IC Industry



The upstream primarily includes packaging material and equipment suppliers, covering integrated circuit (IC) substrates, packaging adhesives, bonding wires, bump materials, and related production equipment. The performance of raw materials and the precision of equipment directly affect packaging yield and product reliability, and serves as the basis for packaging and testing companies to achieve stable mass production. In the advanced packaging sector, the importance of high-density interconnect materials and high-precision equipment increases further, imposing more stringent requirements on material performance and manufacturing precision.

The midstream comprises packaging and testing service providers, including outsourced semiconductor assembly and test (OSAT) companies as well as internal packaging and testing divisions of certain integrated device manufacturers (IDMs). Through packaging design, manufacturing, and testing verification, these companies transform wafers into ready-to-use semiconductor devices. During the traditional packaging phase, the midstream’s core competitive advantage lies in large-scale manufacturing capability. In the advanced packaging phase, companies are required to possess high-density interconnect, multi-chip integration, and system-level testing capabilities, with substantially higher technical barriers and capital requirements.

INDUSTRY OVERVIEW

The downstream primarily includes fabless design companies, IDMs, and end-system manufacturers, with applications spanning consumer electronics, cloud computing, robotics, and artificial intelligence (AI) terminal devices. The increasing intelligence of terminal products drives growth in chip usage and performance requirements, fueling demand for high-value-added packaging solutions.

Definition of Semiconductor Advanced Packaging

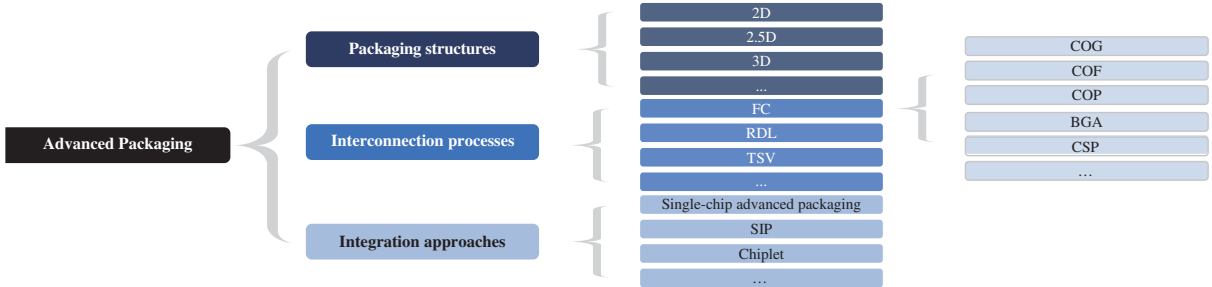
Advanced packaging refers to packaging technologies that, in the context of slowing semiconductor process node scaling, significantly enhance chip functional density, interconnect density, electrical performance, or thermal performance through structural innovation and process upgrades at the packaging level, without further reducing wafer manufacturing nodes. Compared with traditional packaging, advanced packaging demonstrates significant innovation in structural form, interconnect processes, or integration methods, and serves as a key technological pathway for continued advancement in semiconductor performance.

Classified by interconnect processes, advanced packaging primarily involves high-density interconnect technologies such as flip chip interconnect (FC), wafer-level redistribution layer (RDL), and through-silicon via (TSV) vertical interconnect. ~Among these, Flip chip serves as one of the most widely adopted and foundational interconnect technologies in advanced packaging by forming bumps on chip pads and directly bonding chips to substrates, thereby improving I/O density, transmission efficiency and electrical performance. Building on FC technology, packaging forms such as chip-on-glass (COG), chip-on-film (COF) and chip-on-plastic (COP) are widely used in display driver IC (DDIC) applications to support lightweight, high-density and flexible display integration. In addition, ball grid array (BGA) and chip scale package (CSP) technologies are broadly adopted in memory, processor and consumer electronic applications due to their advantages in package size, electrical performance and heat dissipation capability. Wafer-level redistribution layer interconnect forms metal redistribution layers on chip surfaces to optimize pad layouts and support high-density wiring, serving as a core process for wafer-level packaging technologies. Through-silicon via vertical interconnect establishes vertical electrical channels through silicon wafers, enabling higher integration density and supporting heterogeneous integration and chip stacking architectures.

Classified by structural form, advanced packaging can be divided into 2D packaging, 2.5D packaging, and 3D packaging. 2D packaging achieves chip-to-substrate interconnection within the substrate plane. 2.5D packaging introduces silicon interposers or high-density redistribution boards between the chip and substrate, enabling higher-density cross-chip interconnections through redistribution layers (RDL) and micro-bumps. Representative technologies include Chip on Wafer on Substrate (CoWoS) and Embedded Multi-Die Interconnect Bridge (EMIB). 3D packaging achieves chip stacking interconnections in the vertical dimension using through-silicon via (TSV) technology, further enhancing functional density and transmission efficiency.

Classified by integration methods, advanced packaging can be divided into single-chip advanced packaging, system-in-package (SIP), and chiplet packaging. Single-chip advanced packaging upgrades the packaging process for a single chip and represents an important component of the current advanced packaging market. System-in-package integrates chips with multiple functions into the same package to achieve system-level functionality. Chiplet packaging splits a single system-on-chip (SoC) into multiple independent functional chiplets, which are manufactured separately and then integrated through high-density interconnections.

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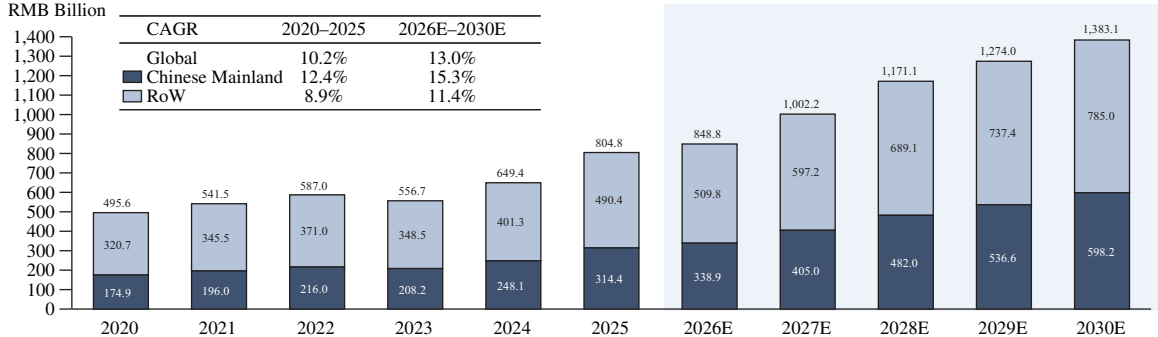
Source: Frost & Sullivan

Market Size of Global Semiconductor Advanced Packaging and Testing

With demand recovery in consumer electronics, automotive electronics, and industrial control sectors, semiconductor shipments have increased, thereby driving synchronous expansion in packaging and testing demand. The global semiconductor packaging and testing market expanded from RMB495.6 billion in 2020 to RMB804.8 billion in 2025, representing a compound annual growth rate (CAGR) of 10.2% from 2020 to 2025. As application scenarios including artificial intelligence (AI), large model training, data center construction, and edge computing continue to expand, high-performance chip demand is expected to further drive overall packaging and testing market growth. The market is projected to grow at a CAGR of 13.0% from 2026 to 2030, reaching RMB1,383.1 billion by 2030.

As a major global electronics manufacturing and end-use application market, Chinese packaging and testing companies have captured a significant share of mid-to-high-end packaging capacity, demonstrating strong industrial clustering effects and scale expansion capability. The Chinese semiconductor packaging and testing market expanded from RMB174.9 billion in 2020 to RMB314.4 billion in 2025, representing a CAGR of 12.4% from 2020 to 2025. It is projected to grow at a CAGR of 15.3% from 2026 to 2030, reaching RMB598.2 billion by 2030.

Market Size of Global and Chinese Mainland Semiconductor Packaging and Testing, by Revenue, 2020–2030E



Source: WSTS, SIA, Frost & Sullivan

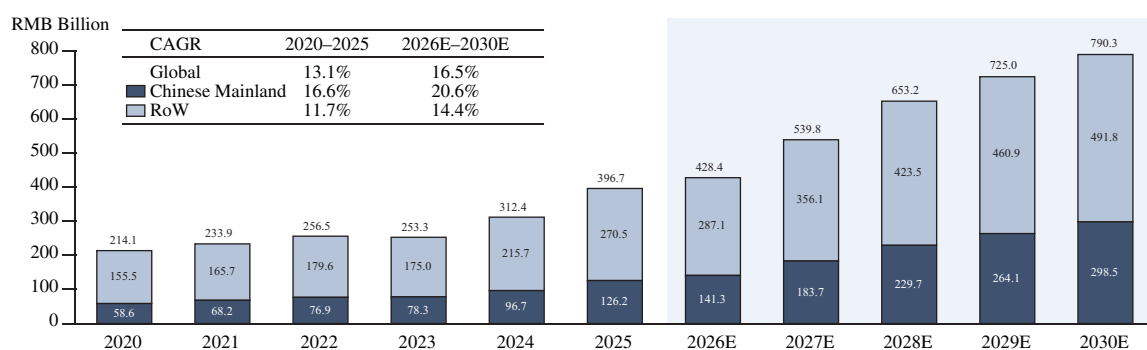
As downstream applications increasingly demand miniaturization, high performance, low power consumption and high-speed data transmission, advanced packaging has emerged as a key technology pathway for enhancing system performance. Through high-density interconnection, vertical stacking and heterogeneous integration, advanced packaging continuously improves chip integration, bandwidth performance and transmission efficiency, while enhancing system reliability and energy efficiency. Among these technologies, bumping serves as a core foundational process for establishing electrical connections between chips, substrates and other components, forming an important enabling technology underpinning advanced packaging and benefiting from the increasing

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adoption of advanced packaging solutions. The global advanced packaging market expanded from RMB214.1 billion in 2020 to RMB396.7 billion in 2025, representing a CAGR of 13.1% from 2020 to 2025. It is projected to grow at a CAGR of 16.5% from 2026 to 2030, reaching RMB790.3 billion by 2030.

Chinese Mainland occupies an important position in the global electronics manufacturing and end-use application market, with rapidly growing downstream application demand driving synchronous expansion in advanced packaging demand. The Chinese mainland advanced packaging market expanded from RMB58.6 billion in 2020 to RMB126.2 billion in 2025, representing a CAGR of 16.6% from 2020 to 2025. It is projected to grow at a CAGR of 20.6% from 2026 to 2030, reaching RMB298.5 billion by 2030.

Market Size of Global and Chinese Mainland Advanced Packaging and Testing, by Revenue, 2020–2030E



Source: WSTS, SIA, Frost & Sullivan

Growth Drivers for the Global Semiconductor Advanced Packaging and Testing Market

Expansion of diverse downstream application demand. As application scenarios such as consumer electronics, new energy vehicles, industrial automation, and data centers continue to expand, semiconductor shipment volumes have grown. The increasing intelligence of terminal products has significantly elevated chip quantity and performance requirements per device. Particularly in new energy vehicles and data centers, demand for high-reliability and high-computing-power chips has grown notably, driving demand for high-value-added packaging solutions.

Rising manufacturing costs driving packaging and testing technology upgrades. As advanced process nodes continue to scale, research and development (R&D) costs and capital expenditures have continuously increased, while wafer manufacturing complexity has significantly risen, with per-unit performance improvement costs continuously escalating. In this context, the marginal benefit of relying solely on front-end scaling to achieve performance improvements has progressively declined. Achieving system-level integration and heterogeneous integration through advanced packaging has emerged as a critical pathway for enhancing computing power and optimizing cost structures.

Rapid growth in advanced packaging and testing demand driven by cloud AI and data infrastructure upgrades. As large model training, inference, and AI-generated content (AIGC) applications continue to deploy to the cloud, cloud service providers are continuously increasing investment in computing power infrastructure, driving rapid growth in demand for high-bandwidth, high-capacity, high-performance memory chips. In addition, FC and BGA packaging technologies are widely adopted in high-performance processors, GPUs and memory-related applications due to their advantages in input/output density, electrical performance and heat dissipation capability, further supporting demand for advanced packaging solutions. High-bandwidth memory (HBM) and high-capacity DRAM products, to meet higher bandwidth, lower latency, and higher energy

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efficiency requirements of cloud AI workloads, typically require 2.5D, 3D, and other advanced packaging solutions, thereby driving release of advanced packaging and testing demand for high-end memory chips. Meanwhile, the continuous growth in cloud data volume also drives the expansion and upgrade data center servers, enterprise solid state drives (SSDs), and memory modules, further supporting memory chip packaging and testing demand.

Development Trends in the Global Semiconductor Advanced Packaging and Testing Market

Upgraded computing power demand driving advanced packaging penetration. As the scale of AI training and inference applications continues to expand, demand for high-computing-power chips has grown rapidly. Chip architectures are progressively evolving toward multi-chip integration and heterogeneous integration, with advanced packaging serving as a key technological foundation supporting these architectures. Under this trend, advanced packaging’s share of the overall packaging and testing market has continuously increased, with industry growth structure gradually shifting from traditional packaging-driven to advanced packaging-driven. The elevation of technical complexity and added value has also driven packaging and testing companies toward transformation into system-level solution providers.

The post-Moore’s Law era reinforcing packaging value. As advanced process costs continue to rise and technical difficulties increase, the pathway of relying solely on transistor scaling to achieve performance improvements has becoming increasingly constrained. Packaging technology plays an increasingly important role in enhancing system performance through improving interconnect density and enabling multi-chip collaboration. The strategic position of the packaging segment in the industry chain has risen, with advanced packaging gradually transitioning from a supporting process to a core performance enhancement method, driving the industry toward high-end and high-technical-barrier development.

Competitive Landscape of the Global and Chinese Mainland Advanced Packaging Industry

Benefiting from the rapid growth of Chinese Mainland’s high-end chip design industry and the sustained expansion of wafer manufacturing capacity, demand for advanced packaging has risen in tandem. The three leading companies, leveraging their scale accumulation and long-term cultivation of customer relationships, hold relatively dominant market positions, while other players each demonstrate competitive characteristics rooted in differentiated processes and specialized segments. Our advanced packaging business achieved revenue of RMB1.58 billion in 2025, with a market share of approximately 1.3%, ranking eighth in the industry.

Competitive Landscape of the Chinese Mainland Domestic Advanced Packaging and Testing Market, by Related Revenue, 2025

Ranking	Company	Revenue (RMB100 million)	Market Share
1	Company A	282.6	22.4%
2	Company B	196.2	15.5%
3	Company C	117.0	9.3%
4	Company D	79.5	6.3%
5	Company E	65.0	5.2%
6	Company F	26.3	2.1%
7	Company G	21.9	1.7%
8	Our Company	15.8	1.3%
9	Company H	14.4	1.1%
10	Company I	14.3	1.1%
	Others	429.0	34.0%
	Total	1,262.0	100.0%

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Source: Annual reports of respective companies, expert interview, Frost & Sullivan

Notes:

Company A: A company listed on the main board of the Shanghai Stock Exchange, headquartered in Jiangsu Province, primarily engaged in IC packaging and testing and related technical services. Its products and solutions cover advanced packaging, wafer-level packaging, SiP, and high-performance computing chip packaging, among others.

Company B: A company listed on the main board of the Shenzhen Stock Exchange, headquartered in Jiangsu Province, primarily engaged in IC packaging and testing services. Its products and applications encompass packaging and testing solutions for network communications, AI, automotive electronics, and other fields.

Company C: A company listed on the main board of the Shenzhen Stock Exchange, headquartered in Gansu Province, primarily engaged in IC packaging and testing and related technical services. Its products and services include leadframe packaging, substrate packaging, wafer-level packaging, wafer testing, and finished product testing, among others.

Company D: A non-listed company headquartered in Beijing. It provides packaging and testing services across discrete devices, analog, radio frequency (RF), and other chip domains.

Company E: A company listed on STAR Market of the Shanghai Stock Exchange, headquartered in Jiangsu Province, primarily engaged in wafer-level advanced packaging and mid-end manufacturing services. Its products and solutions include wafer-level packaging and high-performance computing chip packaging and testing, among others.

Company F: A company listed on the STAR Market of the Shanghai Stock Exchange, headquartered in Zhejiang Province. It provides packaging and testing services with a focus on advanced packaging technologies.

Company G: A company listed on the STAR Market of the Shanghai Stock Exchange, headquartered in Anhui Province, primarily engaged in high-end advanced packaging and testing services. Its products and services cover bumping, wafer testing, and packaging and testing, among others.

Company H: A non-listed company headquartered in Guangdong Province. It is primarily engaged in IC memory chip packaging and testing and related technical services.

Company I: A non-listed company headquartered in Jiangsu Province. It is primarily engaged in IC packaging and testing and related technical services.

OVERVIEW OF GLOBAL DISPLAY DRIVER INTEGRATED CIRCUIT ADVANCED PACKAGING AND TESTING INDUSTRY

Definition of Display Driver IC Advanced Packaging and Testing

Display driver integrated circuit (DDIC) packaging and testing represents a critical stage between wafer front-end processing and user delivery, essential for ensuring chip reliability, yield, and final performance. DDIC packaging primarily employs bumping, flip chip, and wafer-level packaging technologies — qualifying it as advanced packaging. Through processes such as dicing, bonding, and molding, the processed wafers are transformed into independent chip products with circuits connected to external components. This is followed by functional and reliability verification using semiconductor testing equipment to ensure performance meets specifications.

As display technology evolves from liquid crystal display (LCD) and organic light-emitting diode (OLED) toward Active-Matrix Organic Light-Emitting Diode (AMOLED), flexible, and shaped panels, the demand for higher I/O density, smaller pad pitch, and multi-function integration in packaging and testing technologies continues to increase, driving deep technological innovation and steady market expansion in this segment.

Market Size of Global and Chinese Mainland DDIC Advanced Packaging and Testing

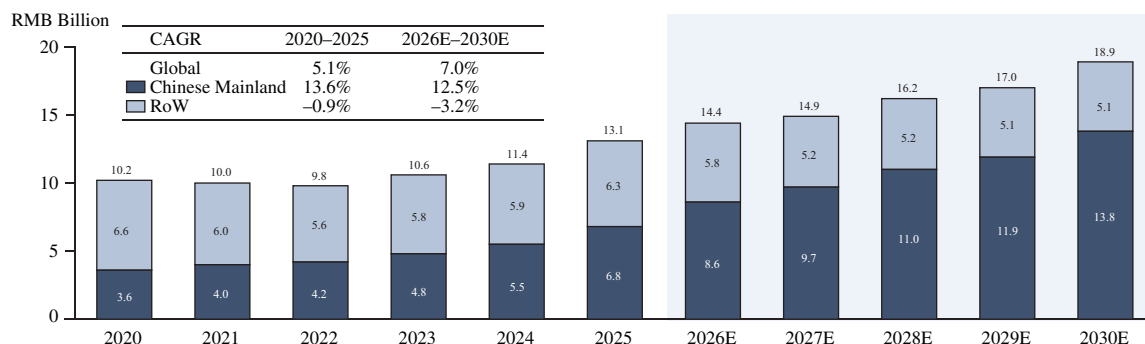
Advanced packaging serves as a key driver for value enhancement in the DDIC market. For DDICs specifically, the pursuit of higher resolution and narrower bezels has imposed increasingly stringent requirements on packaging technologies, driving the penetration of advanced packaging

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solutions. From 2020 to 2025, the global DDIC advanced packaging and testing market expanded from RMB10.2 billion to RMB13.1 billion, with a CAGR of 5.1%. The market is expected to maintain steady growth, reaching RMB18.9 billion by 2030.

In the China market, from 2020 to 2025, the Chinese DDIC advanced packaging and testing market expanded from RMB3.6 billion to RMB6.8 billion, with a CAGR of 13.6%. The market is expected to maintain steady growth, reaching RMB13.8 billion by 2030, with a CAGR of 12.5%.

Market Size of Global and Chinese Mainland DDIC Advanced Packaging and Testing, by Revenue, 2020–2030E



Source: SEMI, WSTS, Frost & Sullivan

Growth Drivers for the Global and Chinese Mainland DDIC Advanced Packaging and Testing Industry

Strong driving effect from the growing automotive chip market. The rapid growth of the automotive chip market in recent years has emerged as an important new momentum for the DDIC packaging and testing industry. Automotive chips focus on core application areas such as automotive electronic infotainment, instruments, head-up displays, smart cabins, and advanced driver assistance systems (ADAS). This market’s incremental demand has driven significant structural upgrades and market expansion in DDIC packaging and testing.

Display technology iteration and upgrades promoting advanced packaging and testing technology adoption. The penetration rate of active-matrix organic light-emitting diode (AMOLED) in smartphones and wearable devices continues to increase, which has begun commercial deployment in high-end televisions and automotive displays. These new display technologies have imposed higher requirements on current accuracy, response speed, and integration density of driver chips, directly driving demand for advanced packaging and testing technologies and capacity.

Diversified expansion of downstream application scenarios. Beyond traditional consumer electronics, emerging sectors such as automotive displays, industrial control equipment, augmented reality/virtual reality (AR/VR) devices, commercial displays, and smart homes are emerging as new growth engines for DDIC demand, bringing incremental market opportunities for the packaging and testing industry.

Supply chain regionalization and self-reliance demands. Intensifying global geopolitical factors have heightened considerations around supply chain security. As the world’s largest display panel manufacturer and consumer, Chinese Mainland has made domestic substitution across the entire DDIC design, manufacturing, and packaging and testing chain a clear strategic priority, providing growth momentum for local packaging and testing companies.

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Development Trends in the Global and Chinese Mainland DDIC Advanced Packaging and Testing Industry

Technological advancement toward high integration and functional systematization. Packaging technology is evolving from single-driver functionality toward integrated touch, timing control, and even partial power management functions. More advanced forms such as chip-scale packaging and fan-out packaging are being explored in high-end applications.

Accelerating domestication and market share gains in the Chinese Mainland market. Leveraging advantages in geographic proximity, service responsiveness, cost control, and policy support, the Chinese mainland packaging and testing companies are capturing increasing orders from local panel and chip design companies, with market share continuously expanding and gradually covering markets traditionally dominated by Taiwan-based manufacturers.

Competitive focus shifting from capacity competition to technology and solution competition. Industry competition is progressively transitioning from pure scale and cost competition toward the ability to provide advanced packaging solutions meeting next-generation display technology requirements, conduct early-stage technology collaboration with leading chip design companies, and ensure extremely high production yield and reliability.

Increasingly close upstream-downstream strategic binding. As DDIC packaging and testing requires close alignment with chip design specifications and panel parameters, deep strategic binding between packaging and testing companies and leading chip design companies and panel manufacturers is becoming the norm, reducing R&D risks and ensuring capacity and order stability.

Competitive Landscape of the Global and Chinese Mainland DDIC Advanced Packaging and Testing Industry

As Chinese Mainland’s panel display industry continues to advance supply chain localization, DDIC wafer capacity has accelerated its transfer to the Chinese mainland, driving steady expansion of the Chinese Mainland DDIC advanced packaging market. Industry-leading companies have established relatively dominant market positions through first-mover technological advantages and capacity deployment. Our DDIC advanced packaging business achieved revenue of RMB1.58 billion in 2025, with a market share of approximately 23.2%, ranking second in the industry.

Competitive Landscape of the Chinese Mainland DDIC Advanced Packaging and Testing Market, by Related Revenue, 2025

Ranking	Company	Revenue (RMB 100 million)	Market Share
1	Company G	20.1	29.6%
2	Our Company	15.8	23.2%
3	Company B	11.2	16.5%
4	Company J	4.7	6.9%
5	Company K	2.4	3.5%
	Others	13.8	20.3%
	Total	68.0	100.0%

Source: Annual reports of respective companies, expert interview, Frost & Sullivan

Note: Companies B and G are listed in the above table.

Company J: A non-listed company headquartered in Jiangsu. It provides advanced packaging and testing services across display driver ICs, power management and sensor chip domains.

Company K: A non-listed company headquartered in Jiangsu. It primarily engages in advanced packaging solutions for display driver IC and related applications.

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Cost Structure Dynamics in the Semiconductor Packaging and Testing Market

Raw material constitutes one of the most significant cost components in the advanced packaging industry, with gold and photoresist exerting the most notable impact.

Bumping processes primarily use metal target materials, among which gold is one of the key raw materials. International gold prices fluctuated from approximately US\$1,680–1,950 per ounce in 2021 to approximately US\$2,600–4,300 per ounce in 2025, with price volatility further increasing in 2025. Such fluctuations were primarily driven by global macroeconomic uncertainty, geopolitical risks, rising safe-haven demand and changes in monetary policy expectations among major economies. Fluctuations in gold-related material prices may have a certain impact on raw material costs within the packaging and testing industry. On the photoresist front, constrained by the long-term dominance of core technologies held by established international suppliers, prices maintained an elevated range of approximately US\$5,000–6,000 per liter during 2021–2025, representing a modest increase from the approximately US\$4,500–5,500 per liter range in 2021.

Constraints and Challenges to the Industry

Increasing technical complexity. As packaging technologies continue to evolve toward higher integration density and finer interconnection pitch, packaging and testing service providers are required to continuously improve process control, yield management and reliability validation capabilities.

High capital investment requirements. Advanced packaging and testing require continuous investment in equipment, cleanroom facilities and process development. This may raise entry barriers and place higher requirements on companies’ capital planning and production utilization.

Customer certification and supply chain coordination. Packaging and testing services are closely linked to chip design, wafer manufacturing and downstream application requirements. Service providers generally need to undergo customer qualification processes and maintain close coordination with upstream and downstream partners to support stable mass production.

Entry Barriers to the Industry

Technology and process barriers. Packaging and testing involve complex processes such as bumping manufacturing, high-precision testing and flip chip packaging, with high requirements for consistency and reliability despite relatively slower technology iteration. New entrants require prolonged R&D accumulation and technological breakthroughs to achieve mass production standards.

Customer certification and relationship barriers. Chip design companies and downstream customers tend to establish long-term, stable relationships with existing packaging and testing partners for collaborative technology development. New players find it difficult to gain customer trust and enter their supply chain systems in the short term.

Economies of scale and capital barriers. Building an advanced packaging and testing production line requires substantial capital investment. Meanwhile, industry profit margins are relatively limited, necessitating large-scale production to spread fixed costs and achieve profitability. This imposes extremely high requirements on new entrants’ financial strength and ability to secure stable orders.

Talent and experience barriers. Process engineers, R&D experts, and quality management teams with extensive experience constitute core corporate assets. These multi-disciplinary talents are scarce and concentrated in existing leading enterprises, forming significant talent barriers.

SOURCE OF INFORMATION

For the purpose of the [REDACTED], we engaged Frost & Sullivan, an independent market research and consulting firm, to analyze the semiconductor packaging and testing market and prepare the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting company

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established in 1961 in New York, whose services include industry consulting, market strategy consulting, and corporate training, among others. We have paid Frost & Sullivan a fee of RMB450,000 for the market research services rendered, which we believe is consistent with prevailing market prices.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has conducted (i) primary research, including interviews with industry participants, competitors, downstream customers, and recognized third-party industry associations; and (ii) secondary research, including review of company annual reports, databases of relevant official institutions, and Frost & Sullivan’s proprietary database accumulated over decades. Market projections in the Frost & Sullivan Report are based on the following key assumptions for the forecast period: (i) the global market’s social, economic, and political conditions will remain stable during the forecast period; (ii) government policies toward the global and China semiconductor packaging and testing markets will remain consistent during the forecast period; and (iii) the semiconductor packaging and testing market will be driven by the factors described in the Frost & Sullivan Report.

Unless otherwise stated, all data and projections contained in this section are sourced from the Frost & Sullivan Report. The commissioned report was independently prepared by Frost & Sullivan and was not influenced by our Company or other stakeholders. The Directors confirm that, to the best of their knowledge after making reasonable enquiries, there has been no material adverse change in the market data since the date of the Frost & Sullivan Report that may restrict, contradict, or affect the data presented in this section.

REGULATORY OVERVIEW

REGULATIONS

This section summarizes the main PRC laws, regulations and policies related to the company’s daily business activities currently carried out in China.

Principal Regulatory Authorities

We are primarily engaged in advanced integrated circuit packaging and testing, and are subject to the supervision of the National Development and Reform Commission (the “NDRC”) and the Ministry of Industry and Information Technology of the PRC (the “MIIT”).

The main responsibilities of the NDRC include: formulating and organizing the implementation of national economic and social development strategies, medium- and long-term development plans, and annual plans; coordinating economic and social development in a comprehensive manner; coordinating and resolving relevant major issues in economic operations; and being responsible for the regulation of economic operations.

The main responsibilities undertaken by the MIIT include: proposing strategies and policies for the development of new-type industrialisation; formulating and organizing the implementation of industry plans, programs, and industrial policies, including regulations for the integrated circuit industry; monitoring and analyzing the operational trends of the industrial sector; collecting and releasing relevant information; and drafting and organizing the implementation of policies for energy conservation, comprehensive resource utilization, and the promotion of clean production in the industrial sector.

INDUSTRIAL POLICIES

Regulations relating to the integrated circuit industry

On June 24, 2014, the State Council issued the Guidelines for the Promotion of the Development of the National Integrated Circuit Industry, proposing to enhance the development level of the advanced packaging and testing industry, and vigorously promote the merger and reorganization of domestic packaging and testing enterprises to increase industrial concentration. To meet the needs of the evolution and upgrade of integrated circuit design and manufacturing process nodes, we will carry out the development and industrialisation of advanced packaging and testing technologies such as Chip Scale Package (CSP), Wafer Level Package (WLP), Through Silicon Via (TSV), and 3D packaging.

On July 27, 2020, the State Council issued the Several Policies for Promoting the High-quality Development of the Integrated Circuit Industry and the Software Industry in the New Era, encouraging the development of advanced packaging and testing enterprises and providing policy support in areas such as taxation, investment and financing, research and development, import and export, talent, and intellectual property rights.

On December 27, 2023, the NDRC issued the Industrial Structure Adjustment Guidance Catalog (2024 Edition), in which the encouraged categories include: Integrated Circuits: integrated circuit design; production of logic circuits and memories with an integrated circuit line width of less than 65 nanometres (inclusive); production of specialty process integrated circuits with a line width of less than 0.25 micrometers (inclusive) (including production of masks and silicon wafers of 8 inches and above); production of compound integrated circuits with an integrated circuit line width of less than 0.5 micrometers (inclusive); advanced packaging and testing integrating one or more technologies such as Ball Grid Array (BGA), Pin Grid Array (PGA), Chip Scale Package (CSP), Multi-Chip Module (MCM), Land Grid Array (LGA), System-in-Package (SiP), Flip Chip (FC), Wafer Level Packaging (WLP), sensor packaging (MEMS), 2.5D, and 3D; and manufacturing of integrated circuit equipment and key components.

REGULATORY OVERVIEW

Regulations relating to foreign investment

The Company Law of the People’s Republic of China, promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on December 29, 1993, as most recently amended on December 29, 2023 and effective from July 1, 2024, provides that companies established in China may take the form of a limited liability company or a joint stock limited company. A company enjoys the status of a legal person and possesses independent property. The Company Law of the People’s Republic of China shall likewise apply to foreign-invested companies.

According to the Foreign Investment Law of the People’s Republic of China promulgated by the National People’s Congress on March 15, 2019 and the Regulation on the Implementation of the Foreign Investment Law of the People’s Republic of China (the “**Regulation on the Implementation of the Foreign Investment Law**”) promulgated by the State Council on December 26, 2019 (both of which came into effect on January 1, 2020), the State shall implement the management systems of pre-establishment national treatment plus a negative list for foreign investment. Pre-establishment national treatment refers to the treatment accorded to foreign investors and their investments during the investment access stage that is no less favorable than that accorded to domestic investors and their investments, except where foreign investment enters “restricted” or “prohibited” fields or industries; The Negative List refers to the special administrative measures for the access of foreign investment into the aforementioned “restricted” or “prohibited” fields or industries, which are proposed by the investment department under the State Council in conjunction with the commerce department and other relevant departments under the State Council, and are released by the State Council or released by the investment department and commerce department under the State Council upon approval by the State Council. The State shall accord national treatment to foreign investment outside the negative list. Foreign investors shall not invest in fields where investment is prohibited by the negative list; for fields where investment is restricted by the negative list, foreign investors shall meet the prescribed investment conditions; foreign investment in fields outside the negative list shall be managed in accordance with the principle of equal treatment for domestic and foreign investment. The State has established a foreign investment information reporting system. Meanwhile, the relevant competent government departments shall, in accordance with the needs of national economic and social development, formulate the Catalog of Industries for Encouraging Foreign Investment, which sets out the specific industries, fields, and regions where foreign investors are encouraged and guided to invest.

The negative list currently in effect consists of the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 Edition) promulgated by the NDRC and the Ministry of Commerce on 6 September 2024 and effective on November 1, 2024, and the Catalog of Industries for Encouraged Foreign Investment (2025 Edition) jointly released by the NDRC and the Ministry of Commerce on October 26, 2022 and effective on February 1, 2026. These two catalogs set out the basic framework for foreign investment in the PRC, classifying foreign-invested businesses into three categories: “encouraged”, “restricted”, and “prohibited”. Industries not listed in these three categories are generally classified as the fourth category, namely industries in which foreign investment is “permitted”, unless specifically restricted by other PRC laws and regulations. According to the Catalog of Industries for Encouraging Foreign Investment (2025 Edition), the advanced packaging and testing involved in our business belongs to the encouraged industries for foreign investment.

According to the Measures on Reporting of Foreign Investment Information issued by the Ministry of Commerce and the State Administration for Market Regulation on December 30, 2019 and effective on January 1, 2020, foreign investors or foreign-invested enterprises shall submit investment information in a timely manner, adhere to the principles of truthfulness, accuracy, and completeness, and shall not make false or misleading reports or have material omissions. Where a foreign-invested enterprise invests in the establishment of an enterprise within the territory of the PRC (including multi-level investment), after handling registration and filing with the market supervision department and submitting annual report information, the relevant information shall be pushed by the market supervision department to the competent commerce department.

REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environmental protection

Pursuant to the Environmental Protection Law of the People’s Republic of China (the “**Environmental Protection Law**”) promulgated by the SCNPC on December 26, 1989, as most recently amended on April 24, 2014 and effective on January 1, 2015, any entity that discharges or will discharge pollutants in its operations or other activities must adopt effective environmental protection measures to control and properly treat waste gas, waste water, waste residue, dust, malodorous gasses, radioactive substances, noise, vibration, electromagnetic radiation and other harmful substances generated during such activities. The State implements a management system for pollutant discharge permits in accordance with the law.

Environmental impact assessment

According to the Environmental Impact Assessment Law of the People’s Republic of China promulgated by the SCNPC on October 28, 2002, implemented on September 1, 2003, and amended and effective on December 29, 2018, and the Regulations on the Administration of Environmental Protection for Construction Projects promulgated and implemented by the State Council on November 29, 1998, and amended on July 16, 2017 and effective on October 1, 2017, the State implements an environmental impact assessment system for construction projects. Where a construction project may have a significant impact on the environment, an environmental impact report shall be prepared to provide a comprehensive evaluation of the potential environmental impacts; where a construction project may have a mild impact on the environment, an environmental impact report form shall be prepared to provide an analysis or a specific evaluation of the environmental impacts generated; and where the environmental impact of a construction project is minimal and an environmental impact assessment is not required, an environmental impact registration form shall be filled out. Construction projects for which an environmental impact assessment has not been conducted in accordance with the law shall not commence construction. Upon completion of a construction project for which an environmental impact report or an environmental impact report form has been prepared, the construction unit shall, in accordance with the standards and procedures prescribed by the competent department of ecology and environment under the State Council, conduct acceptance inspection of the environmental protection facilities constructed as supporting parts of the project and prepare an acceptance report. The ancillary environmental protection facilities of such projects shall only be put into production or use after they have passed the acceptance inspection; those that have not undergone acceptance inspection or have failed the acceptance inspection shall not be put into production or use. If an enterprise violates the aforementioned laws and regulations, the competent ecological environment department at or above the county level shall order it to suspend production or construction, impose a fine, and may order it to restore the original state.

Pollutant discharge permit

According to the Regulations on the Administration of Pollutant Discharge Permits issued by the State Council on January 24, 2021 and effective on March 1, 2021, enterprises, public institutions and other producers and operators subject to the administration of pollutant discharge permits shall discharge pollutants in accordance with the provisions of the Regulations on the Administration of Pollutant Discharge Permits; those that have not obtained a pollutant discharge permit shall not discharge pollutants. The competent departments of ecology and environment may impose administrative penalties, such as fines, orders for rectification, restrictions on production or suspension of production for rectification, and orders for cessation of business, on individuals or enterprises that violate the Environmental Protection Law.

LAWS AND REGULATIONS RELATING TO THE IMPORT AND EXPORT OF GOODS

According to the Foreign Trade Law of the People’s Republic of China enacted by the SCNPC on May 12, 1994, most recently amended on December 27, 2025 and effective on March 1, 2026, the State allows the free import and export of goods and technologies, unless otherwise provided by laws or administrative regulations.

REGULATORY OVERVIEW

According to the Customs Law of the People’s Republic of China as most recently amended and implemented by the SCNPC on April 29, 2021, the Customs of the People’s Republic of China is the State’s supervisory and administrative authority for entry and exit of the customs territory. The customs shall exercise its jurisdiction in various aspects in accordance with relevant laws and administrative regulations, including the supervision and control of inbound and outbound vehicles, goods, luggage, postal items, and other articles; the collection of customs duties and other taxes and fees; the prevention and suppression of smuggling; and the compilation of customs statistics and handling of other customs business.

In addition, according to the Provisions of the People’s Republic of China on the Administration of Record-filing of Customs Declaration Entities, “customs declaration entities” refer to consignors or consignees of imported or exported goods and customs declaration enterprises that have been duly filed with the Customs. An enterprise applying for filing shall have obtained the status of a market entity. The record-filing of a customs declaration entity is valid on a long-term basis.

LAWS AND REGULATIONS RELATING TO EMPLOYMENT, SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

Employment

According to the Labor Law of the People’s Republic of China promulgated by the SCNPC on July 5, 1994 and last amended on December 29, 2018, the Labor Contract Law of the People’s Republic of China promulgated by the SCNPC on June 29, 2007, last amended on December 28, 2012 and effective from July 1, 2013, and the Implementation Regulations of the Labor Contract Law of the People’s Republic of China promulgated by the State Council on September 18, 2008 and effective on the same date, an employer shall enter into a written labor contract to establish a labor relationship with an employee. Employers are prohibited from forcing employees to work overtime, and employers shall pay overtime wages to employees in accordance with national regulations. In addition, employee wages shall not be lower than the local minimum wage standards and must be paid to employees in a timely manner.

Social insurance and housing provident fund

The Social Insurance Law of the People’s Republic of China (the “**Social Insurance Law**”), promulgated by the SCNPC on October 28, 2010 and most recently amended on December 29, 2018, has established social insurance systems including basic endowment insurance, basic medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance, and elaborates on the legal obligations and liabilities of employers for failure to comply with relevant laws and regulations related to social insurance. According to the Social Insurance Law and the Interim Regulation on the Collection and Payment of Social Insurance Premiums promulgated by the State Council on January 22, 1999, most recently amended on March 24, 2019 and effective on the same date, enterprises shall handle social insurance registration with local social insurance agencies and withhold and pay relevant social insurance premiums for their employees. Where an employer fails to pay social insurance premiums, it may be ordered to make the payment or make up the deficiency within a prescribed time limit, and a late payment fee may be imposed; where payment is still not made within the prescribed time limit, a fine of not less than one time but not more than three times the amount of the arrears may be imposed.

According to the Regulations on the Administration of Housing Provident Fund promulgated by the State Council on April 3, 1999 and most recently amended on March 24, 2019, enterprises shall register with the designated management center and open bank accounts for the contribution of housing provident funds for employees. Units and employees shall also make timely and full contributions to the housing provident fund, and the contribution amount shall not be less than 5% of the average monthly salary of the employee in the previous year. Where an entity fails to pay or underpays within the prescribed time limit, the housing provident fund management center shall order it to make the payment within a specified time limit. If the entity fails to make the contribution within the time limit, an application may be made to the People’s Court for compulsory enforcement. If a unit fails to undergo registration and open housing provident fund

REGULATORY OVERVIEW

accounts for its employees, the housing provident fund management center shall order the unit to make the contribution within a prescribed time limit; if the unit fails to do so within the prescribed time limit, a fine of not less than RMB10,000 and not more than RMB50,000 shall be imposed.

Pursuant to the “Interpretation (II) of the Supreme People’s Court on Issues Concerning the Application of Law in the Trial of Labor Dispute Cases” deliberated and adopted by the Trial Committee of the Supreme People’s Court on February 17, 2025 and implemented on September 1, 2025, where an employer and a worker agree, or a worker promises to an employer, that social insurance premiums need not be paid, the People’s Court shall determine such agreement or promise to be invalid. Where an employer fails to pay social insurance premiums in accordance with the law, and an employee requests to terminate the labor contract and demands the employer to pay economic compensation pursuant to the provisions of Item (3) of Article 38 of the Labor Contract Law, the People’s Court shall support such request in accordance with the law. Where the circumstances stipulated in the preceding paragraph exist and the employer, after making retroactive payments of social insurance premiums in accordance with the law, requests the employee to return the social insurance premium compensation already paid, the People’s Court shall support such request in accordance with the law.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

According to the Patent Law of the People’s Republic of China promulgated by the SCNPC on March 12, 1984, last amended on October 17, 2020 and effective from June 1, 2021, and the Implementing Rules of the Patent Law of the People’s Republic of China promulgated by the State Council on December 21, 1992, last amended on December 11, 2023 and effective from January 20, 2024, patents are divided into three categories, namely inventions, utility models and designs. The term of an invention patent shall be 20 years, the term of a utility model patent shall be 10 years, and the term of a design patent shall be 15 years, all commencing from the day following the date of application.

Trademarks

The Trademark Law of the People’s Republic of China, promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019, and effective from November 1, 2019, and the Regulation on the Implementation of the Trademark Law of the People’s Republic of China, promulgated by the State Council on August 3, 2002, last amended on April 29, 2014, and effective from May 1, 2014, provide for the application, examination and approval, renewal, modification, assignment, use, and invalidation of trademark registrations, and protect the exclusive right to use a trademark enjoyed by trademark registrants. Pursuant to the aforementioned laws and regulations, the period of validity of a registered trademark shall be ten years, calculated from the date of approval of registration. Where a registered trademark has expired and continued use is required, renewal procedures shall be handled in accordance with the regulations within 12 months prior to the expiry. If the procedures cannot be completed within this period, a grace period of six months may be granted. Each renewal of registration shall be valid for a term of ten years, commencing from the day immediately following the date of expiration of the preceding term of validity of the said trademark. A trademark registrant may, by entering into a trademark licensing contract, permit others to use its registered trademark.

Copyright

According to the Copyright Law of the People’s Republic of China promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020 and effective on June 1, 2021, and the Regulation on the Implementation of the Copyright Law of the People’s Republic of China promulgated by the State Council on August 2, 2002 and last amended on March 1, 2013, works of Chinese citizens, legal persons or unincorporated organizations, being intellectual achievements in the fields of literature, art and science which possess originality and can be reproduced in a certain form, shall enjoy copyright in accordance with the Copyright Law, whether published or not.

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Copyright includes a series of personal rights and property rights, such as the right of publication, the right of authorship, the right of revision, the right to protect the integrity of the work, and the right of reproduction.

Pursuant to the Regulations on the Protection of Computer Software promulgated by the State Council on December 20, 2001, most recently amended on January 30, 2013 and effective on March 1, 2013, and the Measures for the Registration of Computer Software Copyright promulgated by the National Copyright Administration on February 20, 2002 and most recently amended on June 18, 2004, the National Copyright Administration is in charge of the administration of software copyright registration nationwide and has designated the Copyright Protection Center of China as the software registration authority, which shall grant registration certificates to computer software copyright applicants in accordance with the aforementioned regulations and measures.

Domain names

According to the Administrative Measures for Internet Domain Names promulgated by the MIIT on August 24, 2017 and effective on November 1, 2017, those establishing domain name root servers and domain name root server operating organizations, domain name registration management organizations, and domain name registration service organizations within the territory of the PRC shall obtain a permit from the MIIT or the communications administration department of the province, autonomous region, or municipality directly under the Central Government. Domain name registration services follow the “first-come, first-served” principle. The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names for Internet Information Services issued by the MIIT on November 27, 2017 and effective on January 1, 2018, sets out provisions on the obligations of subjects such as internet information service providers regarding anti-terrorism and the maintenance of network security.

LAWS AND REGULATIONS RELATING TO TAXATION

Corporate income tax

According to the Enterprise Income Tax Law and its implementation regulations, enterprises are classified into resident enterprises and non-resident enterprises. A Resident Enterprise refers to an enterprise established within the territory of China in accordance with the law, or an enterprise established in accordance with the laws of a foreign country (region) but whose de facto management body is located within the territory of China. A non-resident enterprise refers to an enterprise established under the laws of a foreign country (region) with its de facto management body located outside Mainland China, but which has established institutions or premises in Mainland China, or which has not established any institutions or premises in Mainland China but has income derived from Mainland China. A uniform enterprise income tax rate of 25% is applicable to all resident enterprises and non-resident enterprises with establishments or premises set up in the PRC on their income derived from sources within the PRC, or income occurring outside the PRC but which is effectively connected with such establishments or premises. Non-resident enterprises that have not established institutions or premises within the territory of China, or have established institutions or premises but the income obtained by such enterprises has no actual connection with the established institutions or premises, shall pay enterprise income tax at a rate of 10% on their income derived from within the territory of China.

Value-added tax

According to the Value-Added Tax Law of the PRC, promulgated by the SCNPC on December 25, 2024 and came into effect on January 1, 2026, and the Regulation on the Implementation of the Value-Added Tax Law of the PRC, promulgated by the State Council on December 25, 2025 and came into effect on January 1, 2026, entities and individuals (including individual businesses) engaged in the sale of goods, services, intangible assets, or real estate within the territory of the PRC, or in the importation of goods, shall be considered VAT taxpayers and shall pay the value-added tax. The VAT rates generally applicable are simplified as 13%, 9%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%.

REGULATORY OVERVIEW

Tax incentive policies for the integrated circuit industry

According to the Announcement on Enterprise Income Tax Policies for Promoting the High-quality Development of the Integrated Circuit Industry and the Software Industry jointly promulgated by the Ministry of Finance, the State Taxation Administration, the NDRC, and the MIIT on December 11, 2020, for state-encouraged integrated circuit design, equipment, materials, packaging, testing, and software enterprises, commencing from the first profit-making year, a full exemption from corporate income tax shall apply for the first and second years, followed by a one-half reduction of the statutory tax rate of 25% for the third, fourth, and fifth years.

REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Regulations of the People’s Republic of China on Foreign Exchange Administration promulgated by the State Council on January 29, 1996, and most recently amended and effective on August 5, 2008, foreign exchange administration matters in China can be divided into current account items (such as trade-related receipts and payments, and payment of interest and dividends) and capital account items (such as direct equity investment, loans and divestment). Funds under current accounts or capital accounts may only be remitted in or out through relevant procedures of foreign exchange transactions (such as settlement or purchase of foreign exchange) upon obtaining the necessary permits and undergoing reasonable review.

On May 11, 2013, the State Administration of Foreign Exchange promulgated the Provisions on Foreign Exchange Administration of Domestic Direct Investment by Foreign Investors, which became effective on May 13, 2013, were amended on October 10, 2018, and were partially abolished on December 30, 2019. Pursuant to the said regulation, the State Administration of Foreign Exchange and its local branches shall manage direct investment within the territory of China by foreign investors through registration, and banks shall process foreign exchange business for direct investment within the territory of China based on the registration information provided by the State Administration of Foreign Exchange or its branches.

On December 4, 2023, the State Administration of Foreign Exchange promulgated and implemented the Circular on Further Deepening Reform to Promote the Facilitation of Cross-border Trade and Investment, which stipulates that domestic equity transferors (including institutions and individuals) receiving equity transfer consideration paid in foreign currency by domestic entities, as well as foreign exchange funds raised by domestic enterprises through overseas listings, may be directly remitted into capital account settlement accounts. Funds in the capital account settlement account may be settled and used at the discretion of the account holder.

According to the Notice on Issues Concerning the Management of Funds for Overseas Listing of Domestic Enterprises jointly promulgated by the People’s Bank of China and the State Administration of Foreign Exchange on December 24, 2025 and implemented from April 1, 2026, the fund management matters related to the direct overseas issuance and listing or the issuance of overseas depositary receipts by joint stock limited companies registered in the PRC after filing with the China Securities Regulatory Commission are subject to the said notice. A domestic enterprise seeking overseas listing shall, within 30 business days from the first trading day of the overseas listing or after the completion of the over-allotment, apply for overseas listing registration with a bank within the province/municipality with separate planning status where it is registered. Where a domestic shareholder reduces its shareholding in the overseas listed shares of a domestic enterprise after its overseas listing, it shall apply for registration of the reduction at a bank in the place where the domestic shareholder is located within 30 business days before or after such reduction. Where a domestic shareholder increases its holding of overseas shares in a domestic enterprise, it shall, within 20 business days prior to the proposed increase in holding, apply to the local branch of the State Administration of Foreign Exchange for registration of the increase in holding. Funds obtained by a domestic shareholder from the reduction of shareholding in or transfer of overseas shares of a domestic enterprise shall, in principle, be repatriated to the PRC in a timely manner.

REGULATORY OVERVIEW

REGULATIONS RELATING TO CYBERSECURITY AND DATA PROTECTION

On July 1, 2015, the SCNPC issued the National Security Law of the People’s Republic of China (the “**National Security Law**”), which became effective on the same date. The National Security Law provides that the state shall establish a network and information security guarantee system, improve the capacity of network and information security protection, and achieve the security and controllability of core technologies of network and information, critical infrastructure, and information systems and data in important fields.

Pursuant to the Cybersecurity Law of the People’s Republic of China (the “**Cybersecurity Law**”), which was promulgated by the SCNPC on November 7, 2016, most recently amended on October 28, 2025, and became effective on January 1, 2026, network operators, including network service providers, shall adopt technical measures and other necessary measures in accordance with the mandatory requirements of relevant laws, regulations, national standards, and industry standards to ensure the secure and stable operation of networks. Network service providers shall also ensure the integrity, confidentiality, and availability of network data.

On June 10, 2021, the SCNPC issued the Data Security Law of the People’s Republic of China (the “**Data Security Law**”), which came into effect on September 1, 2021. The Data Security Law stipulates data security requirements for entities and individuals carrying out data processing activities. The Data Security Law also introduces a data classification and hierarchical protection system based on the degree of importance of data in economic and social development, as well as the degree of harm caused to national security, public interests, or the legitimate rights and interests of individuals and organizations once such data is tampered with, destroyed, leaked, or illegally obtained or utilized. Appropriate levels of protection measures shall be adopted for each category of data. Violation of the Data Security Law may result in orders to cease illegal activities, warnings, fines, suspension of business for rectification, or revocation of business licenses or operating permits, and the personnel directly in charge and other directly responsible personnel may be subject to fines.

LAWS AND REGULATIONS RELATING TO ANTI-UNFAIR COMPETITION AND ANTI-MONOPOLY

Anti-unfair competition

According to the Anti-Unfair Competition Law of the People’s Republic of China (the “**Anti-Unfair Competition Law**”) promulgated by the SCNPC on September 2, 1993, most recently amended on June 27, 2025, and effective on October 15, 2025, acts of unfair competition refer to acts by business operators in their production and business activities that violate the provisions of the law, disrupt the order of market competition, and damage the legitimate rights and interests of other business operators or consumers. In their production and business activities, business operators shall follow the principles of voluntariness, equality, fairness, and good faith, comply with laws and business ethics, and participate in market competition fairly.

According to the Anti-Monopoly Law of the People’s Republic of China (the “**Anti-Monopoly Law**”) promulgated by the SCNPC on August 30, 2007, as most recently amended on June 24, 2022 and effective from August 1, 2022, monopolistic conduct includes any monopoly agreements entered into by business operators, abuse of dominant market position by business operators, and concentrations of business operators that have or may have the effect of excluding or restricting competition. Specifically, competing undertakings shall not reach monopoly agreements that have the effect of excluding or restricting competition, such as boycotting transactions, fixing or changing the price of commodities, restricting the production or sales volume of commodities, or partitioning the sales market or the raw material procurement market, unless the agreement satisfies the exemption conditions prescribed in the Anti-Monopoly Law, such as improving technology, enhancing the efficiency and competitiveness of small and medium-sized undertakings, or safeguarding legitimate interests in foreign trade and foreign economic cooperation.

REGULATORY OVERVIEW

REGULATIONS RELATING TO OVERSEAS LISTING

On February 17, 2023, the China Securities Regulatory Commission (the “CSRC”) issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the “**Trial Measures**”), which came into effect on March 31, 2023. The Trial Measures reform the regulatory system for the overseas issuance and listing of securities by domestic companies into a filing-based system. According to the Trial Measures, a domestic company is prohibited from offering and listing its securities in an overseas market under any of the following circumstances: (i) such offering and listing for financing is explicitly prohibited by laws, administrative regulations or relevant state provisions; (ii) the relevant competent departments of the State Council have determined in accordance with the law that the overseas offering and listing may endanger national security; (iii) the domestic company or its controlling shareholder or actual controller has committed any criminal offense of corruption, bribery, embezzlement, misappropriation of property or disruption of the order of the socialist market economy within the last three years; (iv) the domestic company is under investigation in accordance with the law for suspected crimes or major violations of laws and regulations, and no clear conclusion has been reached; or (v) there is a major ownership dispute over the equity interests held by the controlling shareholder or by the shareholders controlled by the controlling shareholder or actual controller.

Where an issuer makes an overseas initial public offering or listing, it shall file with the China Securities Regulatory Commission within 3 business days after the submission of the application documents for the offering and listing abroad. The Trial Measures also provide that, upon the occurrence of any of the following material events after an issuer has completed an overseas offering and listing, the issuer shall report the specific circumstances to the CSRC: (i) change of control; (ii) being subject to investigations, penalties, or other measures by overseas securities regulatory authorities or relevant competent authorities; (iii) conversion of listing status or listing board; and (iv) voluntary or mandatory delisting. Where a material change occurs in the principal business activities of an issuer after its overseas offering and listing, such that it no longer falls within the scope of filing, the issuer shall, within 3 business days from the date of occurrence of the relevant change, submit a special report and a legal opinion issued by a domestic law firm to the CSRC to explain the relevant circumstances.

Pursuant to the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises, domestic enterprises shall establish confidentiality and archives administration systems when issuing and listing securities in overseas markets.

HISTORY AND DEVELOPMENT

OVERVIEW

The history of the Group began in August 2011, when Jiangsu Union, a currently wholly-owned subsidiary of the Company, was established and commenced its exploration into the semiconductor packaging and testing industry. The Company was founded in Hefei, the PRC in December 2015 and acquired the entire equity interest in Jiangsu Union in July 2016. In August 2022, the A Shares of the Company were listed on the STAR Market with stock code 688403. Over the years, the Group has evolved into a globally leading company specializing in semiconductor packaging and testing service and focusing on advanced packaging and testing solutions for DDICs.

MILESTONES

The following sets out the summary of the Company’s key business development milestones:

<u>Year</u>	<u>Milestone</u>
2011	Jiangsu Union, a currently wholly-owned subsidiary of the Company, was established in Yangzhou, the PRC.
2015	The Company was established and headquartered in Hefei, the PRC.
2016	The Company acquired the entire equity interest in Jiangsu Union and Jiangsu Union became a wholly-owned subsidiary of the Company.
2017	The Group’s packaging and testing base in Hefei, the PRC completed construction and commenced operation, making the Group one of the earliest companies in the Chinese mainland to possess 12-inch wafer bumping capabilities.
2020	The Group’s monthly average production capacity of gold bumping (12 inches) exceeded 10,000 pieces.
2022	The A Shares of the Company were listed on the STAR Market (stock code: 688403).
2023	The Group’s monthly average production capacity of gold bumping (12 inches) exceeded 30,000 pieces.
2024	The Company obtained IATF 16949:2016 certification in automotive chip packaging.
2025	The Group’s monthly average production capacity of gold bumping (12 inches) exceeded 50,000 pieces, incorporating alternative bumping processes, including copper-nickel-gold and palladium-gold.

The Group launched its initiative in the DRAM packaging sector.

HISTORY AND DEVELOPMENT

MAJOR SUBSIDIARY

The following sets out the principal business activities, place of establishment and date of establishment of the Company’s major subsidiary.

<u>Name of subsidiary</u>	<u>Place of establishment</u>	<u>Date of establishment</u>	<u>Equity interest attributable to the Company</u>	<u>Principal business activities</u>
Jiangsu Union	PRC	August 29, 2011	100%	Display driver IC packaging and testing

MAJOR SHAREHOLDING CHANGES OF THE COMPANY

Early Development and Conversion into a Joint Stock Company

On December 18, 2015, the Company was established under the laws of the PRC as a limited liability company with an initial registered capital of RMB1,000,000 which was held as to 50.45% by Yangzhou Xinruilian, 25.99% by Jiaying Gaohe Equity Investment Fund Partnership (Limited Partnership) (嘉興高和股權投資基金合夥企業(有限合夥)), now known as Jiaying Gaohe Venture Capital Partnership (Limited Partnership) (嘉興高和創業投資合夥企業(有限合夥)) (an Independent Third Party), 15.90% by Yangzhou Jiahui Investment Management Consulting Co., Ltd. (揚州嘉慧投資管理諮詢有限公司) (an Independent Third Party), 3.84% by Jiangsu Gaotou Bangsheng Venture Capital Partnership (Limited Partnership) (江蘇高投邦盛創業投資合夥企業(有限合夥)) (an Independent Third Party) and 3.82% by Yangzhou Jinhai Technology Microfinance Co., Ltd. (揚州市金海科技小額貸款有限公司) (an Independent Third Party). Between 2015 and 2021, the Company underwent several rounds of capital increases and equity transfers, upon completion of which its registered capital increased to RMB667,882,624.40.

On March 30, 2021, the Company was converted into a joint stock company with limited liability. Upon completion of the conversion, the Company had a total share capital of RMB667,882,625 divided into 667,882,625 Shares, which were held as to approximately 26.07% by Yangzhou Xinruilian, 5.65% by Converge Achievement, 3.53% by Ms. Yang, 1.87% by Potential International, 1.66% by Hefei Xincheng and 61.22% by 31 other then Shareholders of the Company, each holding less than 10% of the then total issued share capital and an Independent Third Party.

Listing on the STAR Market

In August 2022, the A Shares of the Company were listed on the STAR Market (stock code: 688403) (the “**A-Share Listing**”). The Company offered a total of 166,970,656 A Shares under the A-Share Listing, representing approximately 20% of the Company’s enlarged share capital immediately following the completion of the A-Share Listing. Immediately upon the completion of the A-Share Listing, the share capital of the Company increased to RMB834,853,281.

Issuance of Convertible Bonds in 2024 and Redemption in 2026

To satisfy funding needs of the Company for, among other things, the expansion projects of the Company’s bumping manufacturing, wafer testing and flip chip packaging, on August 7, 2024, the Company conducted public issuance of convertible bonds (the “**Convertible Bonds**”) and raised gross proceeds of RMB1,148,700,000. The Convertible Bonds were listed on the Shanghai Stock Exchange (bond code: 118049) on September 2, 2024. The conversion period of the Convertible Bonds commenced from the first trading day after six months from the date of completion of the issuance of the Convertible Bonds to the maturity date of the Convertible Bonds, i.e., from February 13, 2025 to August 6, 2030 with the initial conversion price of RMB7.70 per A Share, which was determined after taking into account, among other things, the average trading

HISTORY AND DEVELOPMENT

price of A Shares prior to the date of the offering circular in respect of the Convertible Bonds and was subject to adjustments under the circumstances including, among other things, dividend distribution, increase in the share capital and new share issuance.

During the conversion period, the Company has the right to conditionally redeem part or all of the Convertible Bonds at its principal amount together with accrued and unpaid interest. On April 27, 2026, the Company exercised its conditional redemption rights to redeem all outstanding Convertible Bonds at a total consideration of RMB1,653,769.12. During the conversion period from February 13, 2025 to April 27, 2026, a total of 150,727,890 A Shares were issued by the Company to the holders of the Convertible Bonds upon exercise of the conversion rights, and the Company’s total issued share capital increased to RMB990,938,171 in April 2026. The Convertible Bonds were delisted from the Shanghai Stock Exchange on April 28, 2026.

MATERIAL ACQUISITION, MERGER AND DISPOSAL

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

LISTING ON THE STAR MARKET AND REASONS FOR THE H SHARE [REDACTED]

Since August 2022, the A Shares of the Company have been listed on the STAR Market.

On May 11, 2026, the Anhui Regulatory Bureau of the CSRC (中國證券監督管理委員會安徽監管局) issued a caution letter (the “**Caution Letter**”), and on May 14, 2026, the Shanghai Stock Exchange issued a circulated criticism (the “**Circulated Criticism**”), to the Company, Mr. Cheng (in his capacity as the chairman of the Board and general manager of the Company), Ms. Yan Liu (in her capacity as the finance director of the Company) and Mr. Xi Xie (in his capacity as the Board secretary) in relation to the Company’s failure to carry out the requisite review procedures in a timely manner and make timely disclosure in respect of the investments in Hefei WinRock Electric Limited (合肥萬諾康電子有限公司) and Hefei Xinfeng Technology Inc. (合肥鑫豐科技有限公司), each a related party of the Company, in July 2025 and December 2025, respectively, which constituted related party transactions of the Group. For details of the related parties of the Company, please refer to Note 37 to the Accountants’ Report as set out in Appendix I to this document.

Following the identification of such related party transactions in March 2026, the Company had completed the requisite corporate review and approval procedures (including approvals from the Board and/or the Shareholders), made public disclosure on details of the relevant investments and reported the matter to the relevant regulatory authorities. The Company has also implemented further comprehensive rectification measures, including: (i) reviewing and enhancing its internal policies and procedures relating to related party transactions, including but not limited to the identification of related parties and the periodic review of the list of related parties; (ii) strengthening internal coordination, compliance review and internal audit mechanisms; and (iii) organizing targeted and ongoing training for the Directors, senior management and relevant personnel of the Company on applicable PRC regulatory requirements and corporate governance practices in respect of related party transactions. As of the Latest Practicable Date, no further regulatory actions had been taken against the Company by the relevant authorities in relation to the Caution Letter and the Circulated Criticism. As advised by the PRC Legal Advisor, the Caution Letter and the Circulated Criticism do not constitute administrative penalty under PRC laws and are not regarded as material non-compliance. The Company has completed the rectifications with respect to the Caution Letter and the Circulated Criticism in the prescribed timeframe and submitted a rectification report to each of the Anhui Regulatory Bureau of the CSRC and the Shanghai Stock Exchange, respectively.

The Directors confirm that, since the A-Share Listing and up to the Latest Practicable Date, there had been no instances of material non-compliance of the Company with the applicable rules of the Shanghai Stock Exchange and other applicable PRC securities laws and regulations. To the best knowledge of the Directors, there are no material matters in relation to the compliance record of the Company on the Shanghai Stock Exchange that should be brought to the attention of the

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Stock Exchange or potential investors of the [REDACTED]. The PRC Legal Advisor is of the view that, since the A-Share Listing and up to the Latest Practicable Date, there had been no instances of material non-compliance of the Company with the applicable rules of the Shanghai Stock Exchange and other applicable PRC securities laws and regulations. Based on the independent due diligence conducted by the Sole Sponsor and the PRC Legal Advisor’s view above, no material matter has come to the Sole Sponsor’s attention that would reasonably cause them to disagree with the Directors’ confirmation with regard to the compliance records of the Company on the Shanghai Stock Exchange.

The Company seeks to [REDACTED] its H Shares on the Stock Exchange to raise additional capital for business growth and expansion, diversify its fundraising channels, deepen its strategic layout of globalization, and optimize its capital structure and shareholder composition to support sustainable development and governance. See “Business — Our Growth Strategies” and “Future Plans and Use of [REDACTED]” in this document for more details.

PUBLIC FLOAT AND FREE FLOAT

Pursuant to Rule 8.08(1) (as amended and replaced by Rule 19A.13A) of the Listing Rules, as the Company has Shares apart from the H Shares for which the [REDACTED] is sought, the H Shares for which the [REDACTED] is sought that are held by the public, at the time of the [REDACTED], must (a) represent at least 10% of the Company’s total number of issued Shares (excluding treasury shares); or (b) have an expected market value of not less than HK\$3 billion.

The total number of the H Shares to be issued pursuant to the [REDACTED] represents approximately [REDACTED]% of the total issued share capital of the Company (assuming the [REDACTED] is not exercised and no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan). It is expected that upon [REDACTED] (assuming the [REDACTED] is not exercised and no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan), the H Shares that are held by the public represent approximately [REDACTED]% of the total issued share capital of the Company, which is higher than the prescribed percentage of the H Shares required to be held by the public of 10% under Rule 19A.13A(2) of the Listing Rules, thereby satisfying Rule 8.08(1) (as amended and replaced by Rule 19A.13A) of the Listing Rules.

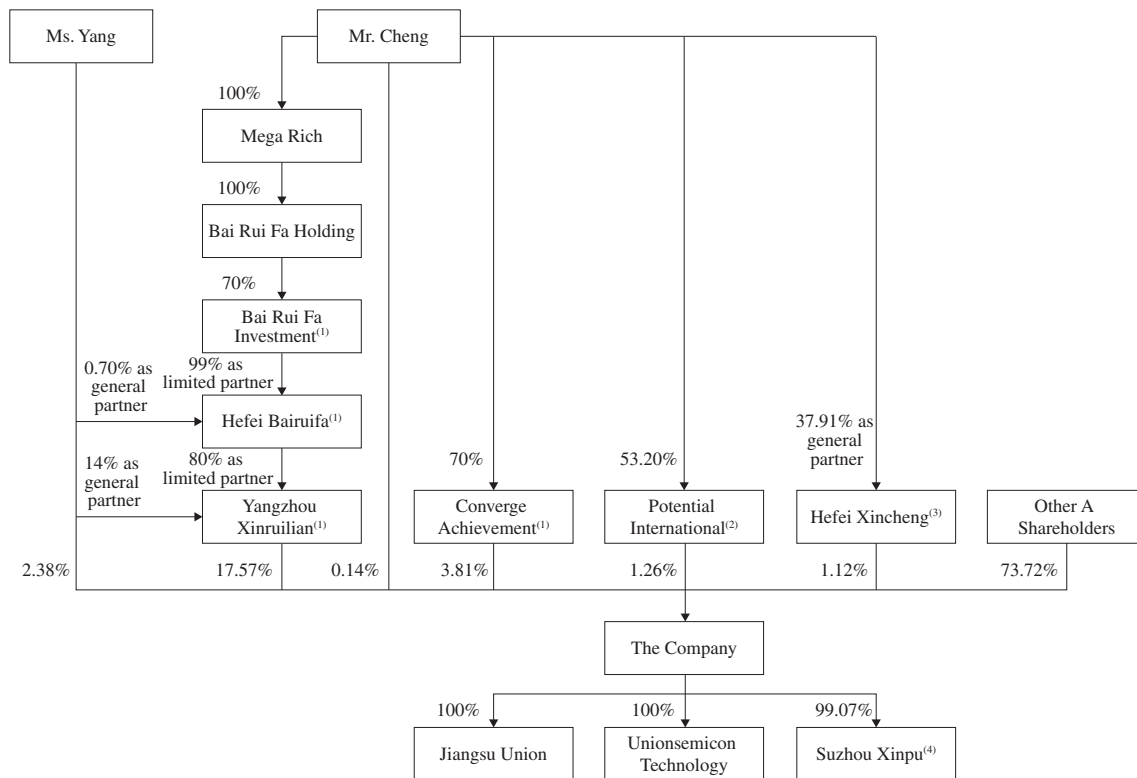
Based on an [REDACTED] of HK\$[REDACTED] per H Share, being the low end of the indicative [REDACTED] range, the Company will satisfy the free float requirement under Rule 8.08A (as amended and replaced by Rule 19A.13C) of the Listing Rules.

HISTORY AND DEVELOPMENT

CORPORATE STRUCTURE

Corporate Structure Immediately before the [REDACTED]

The following chart sets forth the shareholding and corporate structure of the Group immediately before the [REDACTED]:



Notes:

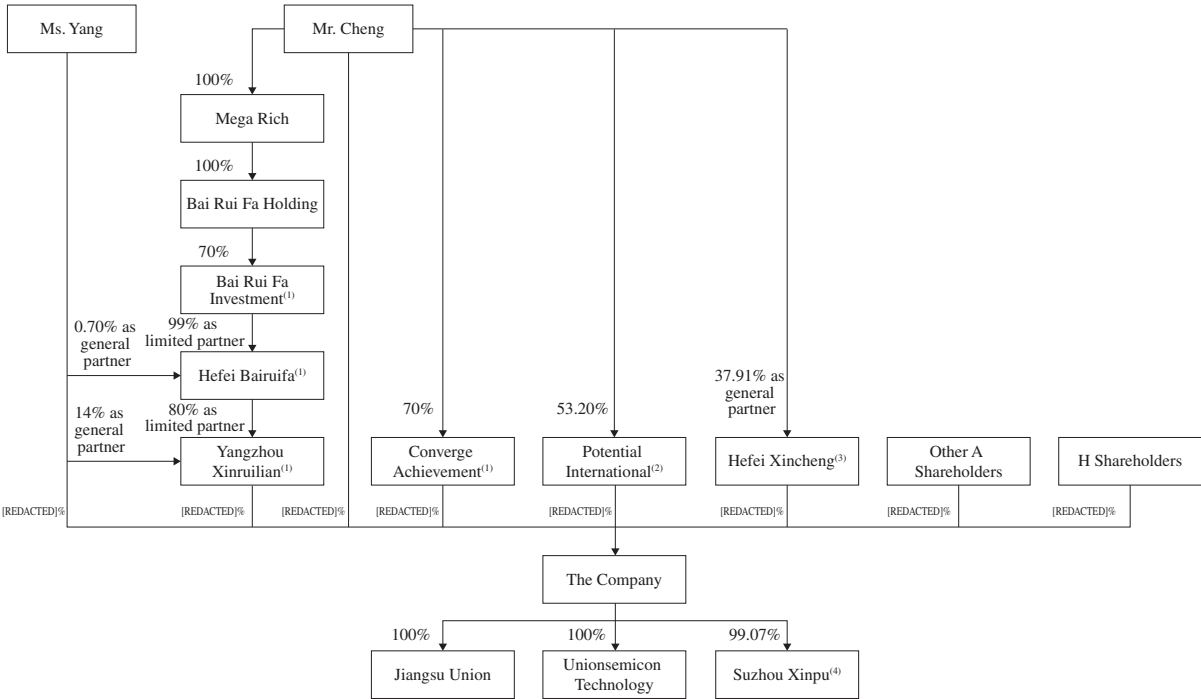
- (1) As of the Latest Practicable Date, (i) the remaining partnership interest in each of Yangzhou Xinruilian and Hefei Bairuifa was held by Ms. Ji Nian (紀念) as a limited partner, and (ii) the remaining equity interest in each of Bai Rui Fa Investment and Converge Achievement was owned by Mr. Shen Kuo-wei (沈國威), the spouse of Ms. Ji Nian and the son of Mr. Shen Chien-wei (a non-executive Director).
- (2) Potential International is an employee shareholding platform established prior to the A-Share Listing. As of the Latest Practicable Date, the remaining equity interest in Potential International was held as to approximately 4.80% by Mr. Lin Wen-hao (an executive Director, the deputy general manager and director of R&D center of the Company) and 42.00% by 18 other shareholders, each a current or former employee of the Group and an Independent Third Party.
- (3) Hefei Xincheng is an employee shareholding platform established prior to the A-Share Listing. As of the Latest Practicable Date, Hefei Xincheng was held as to approximately 37.91% by Mr. Cheng as its general partner, 15.86% by Hefei Baoxin Enterprise Management Consulting Partnership (Limited Partnership) (合肥市寶芯企業管理諮詢合夥企業(有限合夥), “Hefei Baoxin”) as a limited partner, 13.61% by Hefei Huixin Enterprise Management Consulting Partnership (Limited Partnership) (合肥匯芯企業管理諮詢合夥企業(有限合夥), “Hefei Huixin”) as a limited partner and 32.62% by 42 other individuals, each a current or former employee of the Group and an Independent Third Party. Hefei Baoxin was held as to approximately 25.11% by Mr. Cheng as its general partner and 74.89% by 24 other individuals, each a current or former employee of the Group and an Independent Third Party. Hefei Huixin was held as to approximately 22.52% by Mr. Cheng as its general partner and 77.48% by 37 other individuals, each a current or former employee of the Group and an Independent Third Party.

HISTORY AND DEVELOPMENT

(4) As of the Latest Practicable Date, Suzhou Xinpū was owned as to 99.07% by the Company as its sole limited partner and 0.93% by Suzhou Industrial Park Lanpu Venture Capital Management Partnership (Limited Partnership) (蘇州工業園區蘭璞創業投資管理合夥企業(有限合夥)), an Independent Third Party, as its sole general partner. Suzhou Xinpū has been consolidated into the accounts of the Company.

Corporate Structure Immediately after the [REDACTED]

The following chart sets forth the shareholding and corporate structure of the Group immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan):



Notes:

(1)–(4) See “— Corporate Structure — Corporate Structure Immediately before the [REDACTED]” in this section.

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OVERVIEW

Our Vision







We thrive to be a world-class advanced semiconductor packaging and testing service provider and help advance China’s IC industry on the world stage.

Who We Are

We are a semiconductor packaging and testing service provider focusing on advanced packaging and testing solutions for DDICs. Our service portfolio is built around four core process technologies: bumping, chip probing (“CP”), chip-on-glass (“COG”), and chip-on-film (“COF”). Our services are primarily used in DDICs for LCD and AMOLED display panels, with end-use applications spanning consumer electronics, industrial control and automotive electronics. We are also strategically expanding our capabilities into memory IC packaging and testing and are well-positioned to capture opportunities in emerging applications driven by the rapid development of AI.

In 2025, we delivered strong results and achieved significant business growth, with revenue reaching RMB1,783.1 million, representing a year-on-year increase of 18.8%, and EBITDA reaching RMB611.9 million, representing a year-on-year increase of 14.8%. Our shipment volume in 2025 reached 511.3 thousand wafers, making us the fourth-largest DDIC advanced packaging and testing services provider globally. We ranked second in the DDIC advanced packaging and testing market in the Chinese mainland based on revenue in 2025 and ranked second in the packaging and testing market in the Chinese mainland based on 12-inch wafer bumping shipment volume in 2025, according to Frost & Sullivan.

Our key business highlights are illustrated in the following chart:

 Scale	 Leading Position	 Growth
Total shipment volume: 511.3 thousand wafers ⁽¹⁾ 12-inch wafer bumping shipment volume: 416.3 thousand wafers — No. 4 globally ⁽²⁾ — No. 2 in the Chinese mainland ⁽²⁾	In Chinese mainland No. 2 DDIC advanced packaging and testing service provider ⁽³⁾ No. 8 advanced packaging and testing service provider ⁽³⁾ Among the earliest companies to possess 12-inch wafer bumping capabilities	23.5% CAGR of revenue from 2020 to 2025 ⁽⁴⁾
 Coverage ⁽⁵⁾	 Technology	 Performance
We serve four of the global top five DDIC design companies We serve nine of the top ten DDIC design companies in the Chinese mainland	Our bump pitch meets the application requirements of the most advanced products in the industry ⁽⁶⁾ The number of bumps that can be formed on a 12-inch wafer reaches the highest level in the industry ⁽⁷⁾ Yield rate of 99.93%+	2025 Revenue RMB1,783.1 million in 2025 18.8% YOY growth 2025 EBITDA RMB611.9 million 14.8% YOY growth

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Notes:

- (1) For comparison purposes, for bumping and CP, we divided the shipment volume of 8-inch wafers by 2.25 to convert into an equivalent shipment volume of 12-inch wafers.
- (2) Based on (i) total shipment volume of DDIC packaging and testing service providers in 2025 and (ii) 12-inch wafer bumping shipment volume of packaging and testing service providers in 2025, according to Frost & Sullivan.
- (3) Ranking of advanced packaging and testing companies is based on their related revenue in 2025, according to Frost & Sullivan.
- (4) Source: our annual reports published by the STAR Market of Shanghai Stock Exchange from 2021 to 2025, which were not audited in accordance with IFRS.
- (5) Ranking of DDIC design companies is based on their related revenue in 2025, according to Frost & Sullivan.
- (6)(7) Our bumping technology is capable of forming tens of millions of bumps on a 12-inch wafer, with a minimum bump width and pitch of 6µm.

Supported by our advanced process technologies, consistent product yields, and strong service capabilities, we have built a broad base of leading customers across the global DDIC design industry. In 2025, we served four of the top five DDIC design companies globally and nine of the top ten in the Chinese mainland. These include some of the world’s most prominent DDIC design companies, such as Novatek Microelectronics, Fitipower Integrated Technology, Raydium Semiconductor Corporation, Himax Technologies, Sitronix Technology, Chipone Technology, Ilitek, Viewtrix technology, New Vision Microelectronics and Solomon Systech. The chips we package and test are used by globally leading display panel manufacturers.

With years of R&D investment and technological development, we have built a strong portfolio of core technologies, including fine pitch bumping technology for DDICs, high-reliability bump structures and processes, high-precision wafer thinning technology, high-stability wafer dicing technology and high-precision and high-stability wafer testing technology. As of the Latest Practicable Date, we held 421 patents, reflecting the depth of our technological capabilities. We continuously refine our production processes and upgrade equipment to drive improvements in precision, yield and reliability, positioning us well to capitalize on the opportunities presented by the localization of the IC supply chain.

Looking ahead, we plan to further expand our advanced packaging and testing capabilities for AMOLED DDICs and large-size display panels, grow our presence in memory ICs and solidify our leading position across our core end-use application areas. We will continue to invest in R&D, broaden the application scope of our services and actively pursue emerging opportunities in automotive electronics and AI-driven applications.

Our Market Opportunities

Our packaging and testing services support a wide range of end-use application scenarios and are well-positioned in markets with strong growth potential.

Growing demand driven by end-use applications

AI-Driven Demand: Advanced Packaging in the AI Era

AI-related demand is one of the most powerful growth drivers for the advanced packaging and testing industry. Training and running large AI models require ever-greater computing power, which is pushing up demand for high-performance computing ICs and memory ICs and rapidly expanding the addressable market for advanced packaging and testing. According to Frost & Sullivan, the global AI market stood at approximately RMB5.0 trillion in 2025 and is expected to reach approximately RMB14.5 trillion by 2030, representing a CAGR of 23.7%.

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With the rapid development of AI applications, demand for memory ICs and GPUs is increasing exponentially. Memory ICs and GPUs are generally more complex to package and test. As a result of the surge in demand and the more complex processes involved, advanced packaging capacity for memory ICs and GPUs has become increasingly scarce. More broadly, IC packaging itself has undergone a fundamental shift in its role within the semiconductor value chain. Beyond providing physical protection and electrical interconnection, packaging has become a key process for achieving heterogeneous integration and enhancing system performance. This shift has driven packaging and testing to account for a larger share of total chip costs and has cemented their strategic importance within the semiconductor value chain.

Large-Size Displays: Bigger Screens, More Advanced Packaging

Large-size display panels are rapidly evolving towards higher resolution, larger screen sizes and more premium specifications. Demand is being driven by applications such as high-end televisions above 55 inches, in-vehicle central control screens and foldable laptops. According to Frost & Sullivan, global shipments of large-size display panels reached approximately 223.1 million square meters in 2025, and are expected to reach approximately 424.3 million square meters by 2030, representing a CAGR of 13.7%.

As display panels grow larger, the DDICs that drive them also increase in complexity and size, requiring more advanced packaging solutions. Large-size DDICs are typically manufactured on 12-inch wafers to improve production efficiency and bring down unit costs. We are among the first companies in the Chinese Mainland to have achieved mass production of 12-inch wafer-level bumping for DDICs, and our comprehensive packaging and testing service offerings and large-scale production capacity put us in a strong position to execute and deliver large-size DDIC orders.

AMOLED: Structural Upgrade Towards High-End DDICs

According to Frost & Sullivan, global shipments of AMOLED panels reached approximately 19.0 million square meters in 2025, representing a year-on-year increase of 6.7% and are expected to reach approximately 28.2 million square meters by 2030, representing a CAGR of 8.3%. As smartphones and wearable devices evolve toward higher refresh rates, lower power consumption and thinner and lighter in size, AMOLED has also become the display technology of choice for small and medium-sized devices.

The rapid development of AI applications is raising the bar on display quality, accelerating AMOLED penetration in smartphones and driving its expansion into tablets, laptops and other devices. Specifically, AMOLED is gradually displacing traditional LCD in high-end applications, driven by its superior contrast ratio, wider viewing angles and mechanical flexibility. This is expected to trigger a new consumer electronics replacement cycle.

This shift towards AMOLED represents an important technological upgrade in the display industry and necessitates more advanced and complex packaging and testing solutions. Accordingly, this shift directly translates into growing demand for DDIC packaging and testing services and represents growth opportunities for companies who are able to provide advanced and high value-adding packaging and testing services for AMOLED DDICs at scale.

Automotive Electronics: Multi-Screen Cabins and Next-Generation Automotive Display

As smart vehicles evolve towards larger, multiple and higher-resolution in-vehicle displays, demand for automotive-grade ICs continues to increase, making automotive displays emerge as an important application market for DDICs. According to Frost & Sullivan, the automotive-grade IC packaging and testing market in the Chinese mainland reached approximately RMB1,320.0 million in 2025 and is expected to reach approximately RMB3,050.0 million by 2030, representing a CAGR of 18.2%. Multi-screen setups, such as central control displays, instrument clusters, passenger entertainment screens and head-up displays, have become mainstream and new display technologies such as AMOLED and Mini LED are seeing growing adoption in high-end vehicle models. These trends drive growing demand for high-performance, automotive-grade packaging and testing services for DDICs.

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Outsourcing tailwind and industry specialization

The global semiconductor value chain is undergoing a structural shift toward greater specialization. The traditional integrated device manufacturer (“IDM”) model is increasingly giving way to a more collaborative ecosystem in which chip design, manufacturing, packaging and testing are handled by separate, dedicated players. As chip design companies move toward more asset-light business models, a growing number of DDIC design companies are outsourcing their packaging and testing needs to specialized service providers. Our long-standing focus on DDIC packaging and testing has allowed us to develop deep expertise in the industry, enabling us to offer customized services efficiently, respond more promptly to customer needs and build long-term, stable relationships with our customers. On this foundation, we have established ourselves as a key packaging and testing partner to leading DDIC design companies worldwide and are well-placed to deepen these relationships going forward.

IC localization wave and policy support

China is the world’s largest and fastest-growing IC consumption market, and the center of gravity of the global IC industry is shifting toward this region. Strong downstream demand, favorable industrial policies and a vibrant investment ecosystem are all working in concert to drive the development of the IC industry in China. Also, China’s display panel and LED industries have established leading positions globally, whose growth have in turn created strong demand for and accelerated the localization of upstream ICs such as DDICs and LED driver ICs. As technological capabilities across the IC industry chain continue to advance and investment in downstream markets such as smart vehicles and AI applications deepens, domestic players are expected to capture larger market shares across more segments along the value chain, including IC packaging and testing.

The IC industry, as the foundation and core of the IT sector, is an industry of strategic importance for the Chinese economy. In recent years, the Chinese government has introduced a broad range of policies to support IC enterprises covering taxation, financing, R&D, talent development, intellectual property and market access, with the aim of strengthening the industry’s innovation capabilities and international competitiveness. As a result, we are well-positioned to benefit from this favorable policy environment and the broader trend of localization of the IC supply chain.

OUR COMPETITIVE STRENGTHS

Leadership Position: First-Mover Edge and Durable Barriers

The global semiconductor packaging and testing industry is expanding rapidly, driven by the growth of AI applications and the broader electronics and IT sectors. According to Frost & Sullivan, in 2025, the semiconductor packaging and testing market in the Chinese mainland reached approximately RMB314.4 billion, representing a year-on-year increase of 26.7%. The industry is characterized by high entry barriers due to substantial capital investments needed for equipment, complex production processes and stringent quality control requirements. In addition, packaging and testing providers must pass rigorous and lengthy customer certification processes covering technical capabilities, quality and service performance, giving established, qualified players a significant and durable competitive edge.

We are among the first companies in the Chinese mainland to establish 12-inch wafer bumping production lines and achieve mass production. As one of the core technologies in advanced packaging and testing, 12-inch wafer bumping offers high precision and high integration and is capable of meeting the stringent packaging requirements of advanced DDICs. Our early achievement of mass production at scale demonstrates our industry-leading technical capabilities and has given us meaningful first-mover advantages.

We have been focused on DDIC packaging and testing for approximately 15 years and have grown into a leading player in the Chinese mainland. We completed the transition from R&D to mass production of 12-inch wafer packaging and testing as early as 2018, made an early move into the TDDI segment and successfully captured opportunities presented by the localization of the

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Chinese DDIC industry in recent years. We also established an early presence in AMOLED and large-size DDIC packaging and testing, allowing us to strategically develop our capabilities in these areas early on to stay ahead of market trends. We believe this ability to identify and capture emerging opportunities ahead of the market has been, and will continue to be, an important driver of our growth and a key differentiator in a competitive industry.

Customer Partnerships: Deep Collaboration Built on Technical Excellence

Chip packaging and testing is a highly customized process. As an example, leading chip design companies typically require a certification period of approximately 6–12 months before approving a new packaging and testing service provider, and the certification process covers areas such as yield consistency, thermal stress performance and fine pitch bump accuracy. Once a service provider has been certified, chip design companies are generally reluctant to switch suppliers given the considerable cost of having a new supplier go through the certification process. This creates strong and durable advantages for established service providers who entered the supply chain of leading chip design companies early on. As one of the earliest companies in the Chinese mainland to achieve mass production of 12-inch bumping, we have been certified by multiple leading DDIC design companies and have built long-term relationships with them.

Drawing on our deep understanding of end-use applications, we proactively work with our customers to develop solutions tailored to their specific needs and are involved early on from the product definition stage. This level of engagement goes well beyond the traditional customer-supplier relationships and positions us as a technology partner of our customers rather than merely a provider of packaging and testing services. Over time, this approach has translated into deeply interconnected and mutually beneficial relationships with our customers that we believe are difficult for competitors to displace. For instance, in our work with a globally leading DDIC design company, we integrated our packaging and testing process know-how directly into their chip development workflow, contributing to improvements in product performance, chip size reduction and production efficiency. We also worked side by side with said customer to tackle the long-standing industry challenges of chip fragility and insufficient bending resistance. We were able to achieve meaningful gains in chip reliability and durability by optimizing our dicing and thinning processes. This illustrates how we approach customer relationships and why we believe the partnerships we have built are both deep and long-lasting.

Headquartered in Hefei at the core of a national IC industrial base, we are neighbors to leading upstream and downstream companies in the Chinese mainland’s IC supply chain. The area has developed into a well-established industry cluster spanning ICs, display and automotive manufacturing. Being located in this industry cluster gives us ready access to key upstream and downstream partners, allows us to work closely with panel manufacturers and chip companies across the Yangtze River Delta and enables fast turnaround and cost-effective delivery while benefiting from strong local policy support.

Built on consistent yields, end-to-end service capabilities and reliable delivery, we have earned the trust of leading DDIC design companies worldwide. We have established stable, long-term relationships with leading companies such as Novatek Microelectronics, Fitipower Integrated Technology, Raydium, Himax Technologies, Sitronix Technology, Chipone Technology, Ilitek, Viewtrix Technology, New Vision Microelectronics and Solomon Systech, and our technical capabilities and quality management are recognized by companies around the world.

Full-Process Capabilities: End-to-End Services across High-Value and Fast-Growing Sectors

As a market leader capable of providing full-process packaging and testing services for DDICs, we offer integrated capabilities spanning bumping, CP, COG and COF. This integrated full-process offering sets us apart from traditional packaging and testing providers. We improve production efficiency and yield consistency for our customers and have built a meaningful competitive barrier that is difficult to replicate. Starting from consumer electronics, we have expanded into other high value-added sectors and a broader range of application fields, building differentiated strengths through technology, quality and customer certifications.

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- **Large-size display.** We focus on thin-film COF for large-size panels, an area that demands stringent process control, robust system management and substantial production capacity. Years of process refinement and quality improvement have earned us certifications by major panel manufacturers, and we maintain stable monthly shipment volumes that speak to the strength of our market position. The long certification period and stringent certification requirements in this sector also raise the bar significantly for any new market entrant.
- **AMOLED and small and medium-sized intelligent display.** High-end AMOLED DDIC is one of the most demanding areas in packaging and testing, characterized by high bump lead counts, fine pitch requirements, complex wafer processes and strict customer yield thresholds. Through continuous process optimization, we have achieved consistent production yields and are able to deliver highly reliable integrated packaging and testing solutions for AI-enabled, high-resolution and flexible display applications across small and medium-sized intelligent devices.
- **Automotive electronics.** We hold IATF16949 certification, the internationally recognized quality management standard for the automotive industry and one of the most demanding qualifications in the semiconductor supply chain. Every stage of our production process meets automotive-grade CPK requirements, enabling us to serve customers in this sector with the level of reliability, consistency and durability that automotive applications demand, with a particular focus on intelligent cabin applications.
- **Broader DDIC applications.** Our years of focus on DDICs have allowed us to continuously optimize processes, improve yields and expand capacity and have gained recognition from a wide range of chip design companies, panel manufacturers and brand customers. We achieve continuous monthly shipments in packaging and testing of DDICs across a variety of end applications, which has allowed us to build a broad customer base, maintain our business scale and solidify our leading position in the industry.

R&D Excellence: Deep Process Expertise and Continuous Innovation

We have built deep technical expertise across our core packaging and testing processes. Our bumping process uses a point-to-point interconnection approach. Compared with traditional wire bonding, it supports smaller package sizes and higher signal transmission efficiency, making it well suited for high-density interconnects and high-performance chips. Our bumping technology is capable of forming more than ten million bumps on a single 12-inch wafer with a minimum bump width and pitch of 6 μ m, underpinning our leadership in process capability. Our COG and COF technologies are highly synergistic with our bumping process, enabling us to offer full-process packaging and testing services for DDICs across a wide range of end-use applications. Our Flip-chip technology enables direct, high-precision interconnection between chips and substrates, including flexible substrates, significantly reducing package thickness and supporting advanced display formats such as flexible displays and narrow-bezel designs, providing critical technical support for high-end display customers.

Our deep technology reserves give us the flexibility to adapt quickly when market conditions shift. For example, in response to the increase in gold prices in recent years and the corresponding cost pressures, we drew on our extensive mass production experience in bumping and proactively invested in R&D and capacity for alternative bumping processes, including copper-nickel-gold and palladium-gold. These efforts have broadened our service portfolio and allowed us to offer customers more diversified and cost-effective packaging solutions, while further reinforcing our technological leadership in advanced packaging.

In 2025, our R&D expenses reached RMB117.7 million, representing a year-on-year increase of 31.7% and accounting for 6.6% of our revenue. Our sustained R&D investment provides solid support for technological iteration and innovation and helps us build a substantial portfolio of proprietary technologies. As of the Latest Practicable Date, we have been granted 421 patents, which form an important component of our technical barriers. As of December 31, 2025, we had

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245 R&D personnel organized into specialized project teams, each focused on specific technical domains to ensure R&D efficiency. This structure allows us to respond quickly to market developments, accelerate the path from research to implementation and maintain the pace of process iteration that keeps us at the leading edge of the industry.

Manufacturing Excellence: Efficient and Reliable Delivery at Scale

As of December 31, 2025, our total annual designed capacity has reached approximately 779.0 thousand wafers. As we continue to expand our capacity, we expect to benefit from greater economies of scale and be better placed to meet growing customer demand. Underpinning this scale is a comprehensive suite of automated and intelligent manufacturing systems spanning integrated manufacturing, process control, parameter testing and material handling. Real-time data monitoring, in-line parameter measurement and automated material flows work together to keep production orderly and efficient, maintain stable product quality and improve throughput, thereby reducing errors and delays at the source. Our automated diagnostic capabilities also help cut troubleshooting time, reduce downtime and minimize material wastage, lowering overall costs and supporting more consistent and reliable delivery.

These systems have changed how we approach quality management, shifting the emphasis from end-of-line inspection to early detection and prevention. By continuously monitoring production and refining process data, we can minimize quality issues by identifying and addressing potential problems early on. In 2025, our overall yield rate exceeded 99.93%, above the industry average of 99.8% for DDIC packaging and testing, according to Frost & Sullivan. A higher yield means more qualified products from the same inputs and better use of capacity, with benefits that flow through to our customers and to our own cost structure, all of which translate into more reliable delivery and higher customer satisfaction.

Management and Corporate Culture: A Culture Built on Experience and Execution

Our core management team has on average more than 20 years of experience in R&D and management in the IC packaging and testing industry, with many having previously held senior positions at leading industry companies. They bring deep insight into technology trends and the competitive landscape and have consistently made proactive calls on where the industry is heading, deploying advanced packaging and testing technologies ahead of broader market shifts and keeping us at the forefront of industry-wide technology development.

We also place strong emphasis on talent development and have put in place equity incentive plans to recruit and retain core technical and management personnel. As of December 31, 2025, these plans covered more than a hundred employees, aligning their interests closely with the long-term development of the Company and helping to sustain a stable, motivated team.

Since our founding, we have been fostering a corporate culture centered on integrity and pragmatism, a culture that keeps us focused on strengthening our technical capabilities and delivering for our customers. This has earned us strong recognition from customers and partners across the industry and underpins the organizational resilience that has allowed us to navigate industry cycles and pursue long-term, sustainable growth.

OUR GROWTH STRATEGIES

We aim to become a leading advanced semiconductor packaging and testing service provider in China and a world-class player, and to contribute to enhancing the global competitiveness of China’s IC industry. To achieve this goal, we plan to implement the following strategies:

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Diversify beyond DDICs and Build New Growth Drivers

While continuing to grow our core DDIC packaging and testing business, we are actively expanding into other application areas including automotive-grade ICs and memory ICs. This diversification strategy allows us to reduce our exposure to cyclical fluctuations in any single market and build new, sustainable drivers of growth alongside our established business. To achieve this, we plan to pursue the following strategies:

- **Solidifying our position in large-size panel and AMOLED DDICs.** As large-size display panels become more widely adopted and AMOLED penetration accelerates, we plan to expand packaging and testing capacity for large-size panel DDICs and next-generation AMOLED DDICs and bring down unit costs through process optimization and economies of scale, with the aim of strengthening our competitiveness in the mid- to high-end display market and capturing the structural growth opportunities that large-size and AMOLED panels present.
- **Scaling up automotive-grade IC packaging and testing.** In response to the growing adoption of larger, multi-screen in-vehicle displays, we have been building out our automotive-grade IC packaging and testing capabilities and have obtained IATF16949 certification. We have completed customer qualification and are in the process of ramping up large-scale packaging and testing of automotive-grade ICs. We plan to continue scaling this business as automotive-grade IC demand grows.
- **Expanding into memory IC packaging and testing.** Amidst growing global demand for memory ICs driven by AI computing, we have made a strategic investment in Hefei Xinfeng Technology and entered into a partnership with Walton Advanced Engineering (Suzhou), giving us access to the DRAM packaging segment through an asset-light model. We plan to support capacity expansion and, together with Walton Advanced Engineering (Suzhou), explore the domestic implementation of advanced chip stacking packaging technologies for DRAM chips, positioning us to benefit from the localization of the packaging supply chain for memory ICs.

Looking ahead, we aim to build a business that spans DDICs and memory ICs, driving long-term, steady growth through both expansion into new fields and the continued deepening of our core technological capabilities.

Geographic Expansion: Leverage Our Geographic Edge and Expand Our Customer Base

Our customer base has evolved alongside the shifting landscape of the global IC industry. In our early years, we served primarily DDIC design companies from Taiwan and relied on the Taiwan-based supply chain to develop our technical capabilities and build production scale. As the semiconductor industry in the Chinese mainland has grown rapidly, we have shifted our focus accordingly, deepening engagement with customers in the Chinese mainland and building a more balanced customer mix across Taiwan and the Chinese mainland. To continue this momentum, we plan to pursue the following strategies:

- **Leveraging our geographic advantages.** We are closely integrated into the local semiconductor cluster in Hefei and Yangtze River Delta ecosystem. Accordingly, we plan to deepen cooperation with local IC companies through near-site support, joint R&D and other collaborative initiatives, improving supply chain coordination and creating mutually beneficial partnerships.
- **Capitalizing on the localization trend of the IC supply chain.** Leveraging our accumulated technologies and capacity, we have already established ourselves as a core packaging and testing supplier to many leading DDIC design companies in the Chinese mainland, with market share among the highest in the industry. Looking ahead, we plan to strengthen strategic cooperation with existing customers and broaden our key customer

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base in high-growth areas such as high-end displays, automotive-grade ICs and memory ICs, capturing new localization opportunities and driving growth in both customer coverage and overall market share.

R&D and Innovation: Advance Our Technologies to Capture New Opportunities

We take a customer-driven approach to R&D, closely tracking developments in downstream applications and continuously iterate our processes and technologies. Through joint development with leading customers and early involvement in their product development phase and process qualification phase, we ensure our packaging and testing capabilities evolve in conjunction with chip design roadmaps and can respond quickly to market demands for higher performance, lower power consumption and smaller ICs. Building on our four core process technologies, we plan to advance R&D in the following areas:

- **Bumping.** Drawing on our extensive manufacturing experience, we are developing new bumping processes based on copper-nickel-gold and palladium-gold. Against a backdrop of rising gold prices, we have established a monthly capacity of 20,000 wafers for these new processes to support customers’ cost reduction needs. Going forward, we plan to explore the broader application of multi-layer composite metal bumps in IC packaging, helping our customers reduce costs of raw materials while maintaining stable yields and our processing fee levels, therefore supporting improvements in our overall gross margin. We also plan to develop AI-based automatic image recognition for wafer bump defects to replace manual screening and improve production efficiency.
- **CP.** To meet the testing requirements of next-generation AMOLED DDICs, we plan to enhance our 12-inch wafer CP capabilities for more advanced process nodes and utilize higher-performance, higher-throughput testing equipment to overcome challenges of wafer-level testing for high-frequency and high-speed chips. We also plan to advance several initiatives to streamline test flows, including automated handling, intelligent coordination among testing equipment and automated test data analysis, with the aim of improving testing efficiency and quality control.
- **COG.** We are continuously refining our packaging and testing technologies for high-end AMOLED and small-size panel DDICs through AOI, improved process alignment and upgraded dicing and thinning processes, enhancing packaging process and inspection precision as well as product yields. We plan to increase our investment in automotive-related applications, deepening our engagement with customers in high-growth sectors, strengthening customer stickiness and pricing power and supporting the continued development of our COG business.
- **COF.** We are driving process innovation in COF in large-size and advanced display applications, including foldable smartphones with flexible AMOLED, high-definition televisions and high-end laptops. Our high-density interconnection flexible substrate solutions have entered the customer certification stage, and we plan to continue our investment to address higher-density interconnect requirements, broaden our flexible substrate packaging portfolio and enter mass production. These efforts are expected to strengthen our technical barriers in high-end COF, deepen cooperation with leading customers and shift our COF business toward higher value-added products.
- **Frontier R&D.** We plan to leverage our core process technologies and expertise in the field to develop a proprietary R&D platform: HITS, to develop next-generation advanced packaging and testing solutions with a focus on key technology nodes such as ultra-fine pitch bump bonding, ultra-fine circuit interconnection for high-speed chips, system integration packaging for ultra-large-size chips, high-density interconnects and fine pitch redistribution layers. The HITS platform is expected to enable efficient integration of multiple chips, ultimately achieving a smaller form factor, shorter signal paths and optimized timing, while significantly boosting thermal efficiency and power efficiency to deliver superior overall system performance. We believe these endeavors will allow us to offer customers higher-integration, higher-performance and higher-reliability packaging

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and testing services and open up new growth opportunities. In particular, we plan to leverage the HITS platform to capture the surging demand from applications such as high-end mobile devices, AI-servers and edge AI applications.

- **IP Development.** Through sustained R&D investment and a systematic approach to IP development, we have built a patent portfolio that covers our major process technologies and reinforces our technical barriers. We expect our ongoing R&D efforts to continue translating into technological advantages and stronger market competitiveness, providing a solid foundation for our long-term, high-quality growth.

Capacity Expansion and Smart Manufacturing: Build for Scale, Deliver with Precision

We track end-market demand closely and plan capacity expansion accordingly, while continuously upgrading our manufacturing infrastructure to ensure quality and efficiency. To this end, we plan to pursue the following strategies:

- **Expanding production capacity based on end-market demand.** To capture opportunities arising from growing demand across our end markets, including automotive electronics, we have planned and commenced the construction of a dedicated production line, with an initial phase of approximately 6,000 square meters, focused on capacity expansion for high-end products such as automotive-grade ICs. This project, which has obtained the requisite approvals, is expected to add capacity reserves to support our future growth. Through disciplined and targeted capacity planning, we aim to maintain stable utilization rates and allocate production resources efficiently.
- **Building a best-in-class intelligent manufacturing system.** We plan to execute a structured upgrade of our manufacturing infrastructure, with the goal of building a best-in-class automated and intelligent production system. Our efforts would include:
 - *Smart production.* We plan to roll out fully automated testing equipment, high-precision vision inspection systems and automation upgrades across key process steps, working toward comprehensive automation coverage across our critical packaging and testing processes and driving meaningful gains in production efficiency and yields.
 - *Smart logistics.* We plan to build automated stereoscopic warehouses and deploy intelligent material handling systems, replacing manual handling with automated storage and transportation to improve material turnover and reduce friction in the production flow.
 - *Smart management and control.* We plan to upgrade our industrial internet platform and data center, bringing together manufacturing execution, advanced scheduling and quality management systems and layering in AI-driven analytics and digital factory capabilities. The result will be intelligent scheduling, predictive maintenance and end-to-end quality traceability across the entire production process.

These initiatives are designed to improve equipment utilization, increase product yields, shorten lead times and decrease labor and energy costs, building a stable, reliable delivery system that our customers expect and that supports our long-term profitability.

Strategic Partnerships and Investments: Expand Our Ecosystem and Cultivate New Growth Areas

To further strengthen our position in advanced packaging and testing, we plan to actively pursue strategic partnerships and investments, building a cohesive ecosystem that serves as a driver of growth. To achieve this, we plan to pursue the following strategies:

- **Growing into new areas through strategic partnerships.** We plan to seek partnerships with leading upstream and downstream players, particularly in memory ICs and advanced packaging and testing technologies. By working closely with DDIC design companies,

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foundries and partners with established packaging and testing processes in new fields, we aim to get involved earlier in customers’ product development cycles and offer more comprehensive, value-adding packaging and testing services. We believe these collaborations will help us broaden our customer base, enter new application areas and strengthen our position in next-generation advanced packaging and testing technologies.

- **Strategic transactions with market upside.** We plan to pursue acquisitions and investments across the industry value chain that are closely aligned with our core business and capable of creating meaningful synergies with our existing operations. We are focused on two types of targets: early-stage companies with innovative technologies in emerging fields such as advanced packaging, micro-displays and third-generation semiconductors, where we can capture technology-driven growth opportunities; and upstream or downstream partners with established packaging and testing capabilities or strong customer relationships, where controlling interest investments can deepen business collaboration, enable resource sharing and cultivate new growth drivers for our medium- to long-term development.

Going Global: Build Our International Presence and Customer Base

We are committed to steadily advancing our global footprint and strengthening our position in the global semiconductor packaging and testing value chain. To this end, we plan to pursue the following strategies:

- **Building Hong Kong into our global commercial hub.** We plan to increase resource allocation to our Hong Kong subsidiary and expand its role as our overseas sales center and customer service platform. Drawing on Hong Kong’s position as an international financial center and free trade port, we plan to build a dedicated overseas sales and technical support team to serve international customers more effectively. Our Hong Kong subsidiary will take on responsibilities spanning overseas market development, brand building and international supply chain management, helping us respond more efficiently to international customer needs and deepen our presence in global markets.
- **Targeting top-tier customers in key overseas markets.** We plan to expand our international customer base with a focus on leading chip design companies and IDM manufacturers in markets such as Europe, Japan and Korea. Leveraging our technological strengths and mass production experience in bumping and 12-inch advanced wafer-level packaging and testing, we plan to deepen technical and commercial engagement with foreign customers and participate in their global supply chains. A broader customer base will help reduce market-specific risk, match our technological and quality standards to international benchmarks and strengthen our brand recognition globally over time.

OUR BUSINESS MODEL

We are an advanced semiconductor packaging and testing service provider in China. Since our establishment, we have pursued a focused and progressive strategy, initially concentrating on DDICs and gradually expanding our capabilities and service scope into other products in response to evolving customer demands and industry trends.

We focus on providing packaging and testing services to DDIC design companies without engaging in IC design or wafer fabrication. Our customers usually design DDICs and arrange for wafers to be fabricated by semiconductor foundries. Wafers are then delivered to us for customized packaging and testing in accordance with their specifications. Upon completion, we deliver fully packaged DDICs ready for panel assembly to panel or module manufacturers as directed by our customers.

At our inception, we built our core capabilities in bumping, which laid the technical foundation for downstream packaging and testing services. Building on this, we expanded into CP, COG and COF, forming an integrated service platform for DDICs. By adopting advanced

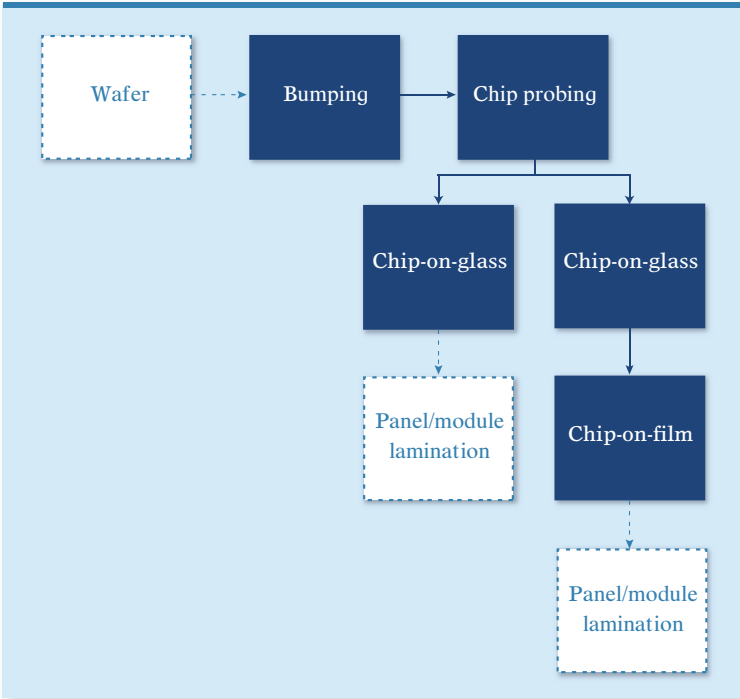
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technologies early and optimizing our processes, we became one of the earliest service providers in the Chinese mainland to develop bumping capabilities and among the first to achieve volume production of 12-inch wafer bumping for DDICs.

Our services cover a broad range of DDIC products used in mainstream display technologies, including LCD and AMOLED panels, and extend across consumer electronics applications such as smartphones, smart wearable devices, televisions, laptops and tablets. By maintaining long-standing relationships with leading DDIC design companies, our services are deeply embedded in customers’ supply chains, reinforcing our market position.

OUR SERVICES

We provide advanced semiconductor packaging and testing services primarily for DDICs, which are key components of display panel imaging systems. Our comprehensive service offerings cover the full packaging and testing processes: bumping and chip probing are conducted at the wafer level prior to wafer dicing. The chip is subsequently packaged using either chip-on-glass or chip-on-film, depending on the target application and module design. Our customers can choose to engage us for one or several of these processes.



- **Bumping:** Bumping is the process of forming bumps on the pads of a wafer through processes such as sputtering, lithography, electrochemical deposition and wet etching. Bumps enable efficient electrical transmission and replace traditional wire bonding in certain advanced packaging applications.
- **CP:** CP is the process of establishing electrical contact with each die on a wafer using a probe card to test its electrical characteristics. Dies that do not meet specified criteria are marked (for example, by ink) and are subsequently screened out at the dicing stage, and therefore do not proceed to downstream packaging and testing processes.
- **COG:** COG is the process of bonding the bumps on a die directly to the electrodes on a glass substrate and encapsulating the connection area with adhesive materials to provide mechanical protection and environmental isolation.

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- **COF:** COF is the process of bonding the bumps on a die to the inner leads on a flexible film substrate, providing high-density interconnection and a flexible mounting format for display and related applications.

Through the integration of these processes, we are able to support customers across different process requirements and within the value chain for DDICs.

Bumping

Bumping is one of the representative technologies in advanced semiconductor packaging. By adopting a point-to-point interconnection approach in place of traditional wire-based connections, bumping significantly increases the physical limit of input/output counts per chip, thereby enhancing packaging density, reducing module size and enabling higher levels of system integration required for advanced display applications.

Our bumping process comprises multiple precision manufacturing steps, including sputtering, lithography, electrochemical deposition and wet etching, to form bumps on wafer bond pads. This process enables efficient and reliable electrical signal transmission and serves as an alternative to conventional wire bonding used in traditional packaging solutions.

Leveraging proprietary process know-how and long-term manufacturing experience, our bumping technology supports both 8-inch and 12-inch wafers, enabling full-flow processing for DDICs. The process achieves ultra-fine pitch bump structures with a minimum line width and spacing of approximately 6µm and is capable of forming over 10 million bumps on a single 12-inch wafer. These capabilities allow us to support high-density interconnections on large-format wafers and high I/O-density chip designs, helping to reduce overall module size and offering advantages including high interconnect density, improved thermal performance and enhanced reliability. They form the technological foundation of our advanced packaging and testing services for DDICs and enable us to meet customers’ requirements for miniaturization, high integration and stable performance.

CP

CP is a critical front-end testing process in the semiconductor packaging and testing flow. Using a combination of testers and probers, the probe card makes electrical contact with individual dies on the wafer to verify that their electrical performance and functional characteristics meet the required product specifications and operating standards before they proceed to packaging.

Through wafer-level electrical testing, dies that do not meet specified performance requirements are identified and marked and are subsequently excluded after the wafer dicing stage, preventing defective dies from entering downstream packaging processes. This early-stage screening enables accurate assessment of wafer-level yield and helps reduce unnecessary processing in subsequent assembly steps, thereby improving overall manufacturing efficiency and cost control.

COG

COG is the process in which the bumps on a die are bonded directly to the electrode pads on a glass substrate, followed by sealing with adhesive materials to protect the interconnect structure. Under this packaging method, we perform wafer dicing and device formation, after which our customers, including panel and module manufacturers, integrate the packaged DDICs directly with glass substrates of display panels.

COG is considered a well-established and cost-efficient packaging solution within the display supply chain. As the die is mounted directly onto a glass substrate, COG typically results in relatively higher substrate area usage compared with certain alternative packaging formats. However, its relatively simple manufacturing process and cost advantages have supported its widespread adoption in mass-production display applications. COG is primarily used for small- and medium-sized display panels.

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COF

COF is an advanced, flexible IC packaging technology in which the bumps on a die are bonded to the inner leads of a flexible polyimide-based film carrier with conductive traces. This structure eliminates the need for traditional wire bonding in many cases and enables ultra-thin, lightweight and compact electronic assemblies. The packaged film tape is subsequently delivered to panel or module manufacturers, who then connect the outer leads of the film to the glass substrate during panel assembly.

COF offers several advantages, including high-density, fine-pitch interconnection, enhanced reliability, thin and lightweight form factor and mechanical flexibility, making it suitable for curved or narrow-bezel display designs. By supporting compact layouts and narrow bezel configurations, COF helps minimize bezel width and improve overall screen-to-body ratios in modern display devices.

To further strengthen process control in COF production, we have enhanced our inspection system by introducing a high-resolution coating-defect AOI system into the production line. This improvement replaces traditional sampling-based manual inspection with fully automated in-line inspection. Each unit now undergoes AOI screening, which enables early detection and removal of coating and other process defects, reduces abnormal scrap and improves product reliability for our customers.

The table below sets forth a breakdown of our revenue by service offering for the years indicated:

	Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
DDIC advanced packaging and testing services	1,168,454	94.4	1,356,592	90.4	1,579,071	88.6
Bumping	534,595	43.2	630,545	42.0	748,934	42.0
CP	314,527	25.4	357,931	23.8	390,704	21.9
COG	148,611	12.0	182,796	12.2	185,259	10.4
COF	170,721	13.8	185,320	12.4	254,174	14.3
Others⁽¹⁾	69,839	5.6	144,428	9.6	204,064	11.4
Total	<u>1,238,293</u>	<u>100.0</u>	<u>1,501,020</u>	<u>100.0</u>	<u>1,783,135</u>	<u>100.0</u>

Note:

(1) Mainly includes sales of recovered gold.

RESEARCH AND DEVELOPMENT

We consistently invest in research and development to enhance our core process capabilities. Our R&D efforts focus on fine-pitch bumping, wafer thinning and dicing, COF bonding, process automation and the improvement of production consistency and yield. By carrying out technical evaluations, process design, engineering verification and mass-production validation, we continue to adjust and optimize our manufacturing processes in response to customer requirements and changes in product specifications. These efforts support the delivery of display-driver and automotive-grade ICs packaging and testing services, facilitate our development of fan-out, chip stacking packaging technologies, and align with our plans for expanding production capabilities and upgrading our process technologies.

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R&D Processes

We believe our ability to continue upgrading our process technologies depends on a structured R&D workflow that supports process development, validation and production readiness.

- **Project assessment and feasibility evaluation.** Typically begins with market and technology research conducted by the R&D Center and customer-driven demand collection by the marketing team, forming proposals for new process or product development based on industry trends and customer requirements.
- **Project establishment.** After feasibility is confirmed, projects are formally initiated, and responsibilities are allocated to relevant R&D groups covering bumping, wafer thinning, bonding and reliability engineering. Project schedules, development scopes and technical targets are established at this stage.
- **Process design and development.** Includes detailed parameter design and experimentation for fine-pitch bumping, wafer thinning, COF bonding, slicing and other related steps. This stage involves iterative testing, tool parameter optimization and coordination among engineering, equipment and quality teams.
- **Customer certification.** Typically includes the preparation of engineering samples and the execution of reliability, electrical and functional tests, as well as customer-driven certification procedures. Necessary adjustments to process parameters are made based on test results and customer feedback.
- **Pilot run and mass-production validation.** Upon verification, project review meetings are held to assess sample performance. After approval, the project team prepares the final completion report, concluding the R&D work before transfer to production.

R&D Achievements

We continue to strengthen our R&D capabilities by developing fine-pitch bumping, wafer thinning, photoresist coating, COF bonding and wafer dicing technologies, as well as by enhancing our material applications and production control systems. These efforts have supported measurable improvements in our manufacturing performance and process stability, and have contributed to the expansion of our technical capabilities across DDICs, automotive-grade ICs and advanced packaging applications.

- **Fine-pitch bumping capability reaching 6 μ m.** We have developed a fine-pitch bumping process for DDICs that enables a minimum bump width and spacing of approximately 6 μ m. By designing staggered bump layouts, adopting spiral photoresist coating to improve resolution and optimizing exposure parameters on high-precision steppers, we have implemented a micro-pitch bump structure that reduces the pitch between adjacent bumps while mitigating short-circuit risk and preserving sufficient process margin for subsequent packaging.
- **High-quality and high-efficiency spiral photoresist coating.** We have developed a spiral photoresist coating process and associated equipment for wafer-level bumping and advanced packaging. Using a high-precision robotic arm, we dispense photoresist onto designated locations on the wafer and then apply controlled rotational speeds to spread the photoresist in a spiral pattern across the wafer surface. This process improves photoresist thickness uniformity and adhesion, reduces defect risk and enhances exposure accuracy in subsequent lithography steps.

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- **High-precision wafer thinning with ~0.1µm-level control.** We have developed a high-precision wafer thinning process that utilizes laser-based grinding and polishing equipment capable of controlling material removal at approximately the 0.1µm level. Through integrated equipment control and in-process thickness monitoring, we thin silicon wafers from the backside in micron-level increments, ensuring stable wafer support, improved flatness and precise control of final wafer thickness. Our thinning process can reduce wafer thickness to a minimum of 150µm and maintain backside surface roughness within 7.5nm, meeting customers’ stringent requirements for advanced packaging applications.
- **High-stability wafer dicing technology.** We have developed high-stability wafer dicing technology and supporting equipment to improve singulation quality and process control. In particular, we have invented a dicing method to address vacuum-related abnormalities, which reduces dicing-induced defects and enables clean dicing, improving packaging yield. Our dicing tools support unified control and coordinated operation across multiple units, enhancing dicing efficiency, reducing manual operation errors and improving cutting precision so that diced chips have smoother edges with fewer burrs, thereby supporting higher downstream packaging yield.
- **Enhanced COF bonding accuracy and fine-pitch COF capability.** At the COF inner-lead bonding station, we have introduced a dual-lens AOI precision inspection module that performs 100% in-line inspection of positional deviation for each unit and feeds the measured offset back to the bonder for automatic compensation and alignment correction, thereby improving COF bonding accuracy. Our fine-pitch COF capability has been demonstrated in mass production at 18µm pitch, with cumulative shipments of approximately 42.6 million units and we are currently carrying out customer certification of 16µm pitch COF services on an initial batch of 300 units.

Additionally, our software capabilities support stability, traceability and efficiency of our manufacturing operations. Key systems include:

- **Statistical process control (SPC).** We use SPC systems to monitor production processes in real time and to prevent defects proactively. By applying statistical methods, such as control charts and process capability analysis, the system tracks key process parameters, automatically identifies abnormal variations and generates alerts to enable timely intervention.
- **Recipe and parameter management (RMS).** Our RMS solutions support automated collection and integration of equipment and process parameters. By managing critical parameters across products and production steps, these systems help ensure consistency and traceability and support real-time monitoring.
- **Automated logistics.** We operate automated logistics systems that link production flows with material movement, reducing manual handling and error rates.
- **Integration of SAP and MES.** We have integrated our SAP system with our MES production system so that capacity planning and work orders are linked between the planning and execution layers. This improves efficiency from order intake through to delivery.

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Future R&D Focus

In the coming years, we intend to advance a series of R&D initiatives aligned with the technical directions set by our management. This includes scaling up our automotive-grade IC packaging and testing operations, where we have already obtained IATF16949 certification and brought core products to mass production for growing in-vehicle display demand. Simultaneously, to address the increasing global demand for memory ICs driven by AI computing, we are strategically expanding into memory IC packaging and testing through investments and partnerships, utilizing an asset-light model to access DRAM packaging. These projects are designed to broaden our service offerings beyond DDICs and position us to capture emerging growth opportunities in automotive electronics and AI-driven applications.

R&D Team and Expenses

We have established R&D centers in the Chinese mainland that are responsible for upgrading our technologies and production processes as well as enhancing our equipment and facilities. As of December 31, 2025, we had 245 employees dedicated to R&D, representing approximately 15.4% of our total number of employees, with 62.4% of our R&D employees held a bachelor’s degree or above. Certain core members of our R&D team have nearly 20 years of experience in IC technology or management. Our R&D center comprises several functional departments that are responsible for different aspects of our technology development and operational support. The key responsibilities of these departments include:

- **Product Development Department.** It monitors market trends in packaging and testing technologies, formulates product development directions based on industry developments and conducts R&D of new technologies and products, including independent or collaborative R&D projects.
- **Process Engineering Department.** It introduces and integrates new technologies and process techniques, optimizes production processes, supports the transition of new processes or technologies into mass production and provides training to strengthen process capabilities and production efficiency.
- **Equipment Department.** It designs and develops production equipment and components to improve production efficiency and yield, ensures the operation and utilization of production equipment.

In 2023, 2024 and 2025, our R&D expenses amounted to RMB78.9 million, RMB89.4 million and RMB117.7 million, respectively, representing 6.4%, 6.0% and 6.6% of our total revenue in the respective year.

SALES AND MARKETING

Our sales and marketing efforts are centered on building and expanding strategic relationships with our customers, with the goal of becoming and remaining their trusted long-term collaborator. We maintain close collaboration with established DDIC design companies, particularly in Taiwan, while continuing to expand our customer base in the Chinese mainland and engage with overseas customers. In addition, we actively collaborate with emerging design companies and support the early-stage testing and verification of new products. Where production capacity permits, we may prioritize selected customers and projects that demonstrate strong growth potential, with the aim of establishing long-term commercial relationships and expanding future business opportunities.

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Our Customers

Our customers primarily consist of DDIC design companies.

In 2023, 2024 and 2025, sales to our five largest customers amounted to RMB899.0 million, RMB996.3 million and RMB1,228.0 million, accounting for 72.6%, 66.4% and 68.9% of our total revenue in the respective years. In 2023, 2024 and 2025, sales to our largest customers amounted to RMB392.9 million, RMB362.8 million and RMB491.2 million, accounting for 31.7%, 24.2% and 27.5% of our total revenue in the respective years. During the Track Record Period, to the best knowledge of our Directors, none of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) had any interest in our five largest customers in any period during the Track Record Period that are required to be disclosed under the Hong Kong Listing Rules.

For the year ended December 31, 2025

<u>Customer</u>	<u>Transaction amount</u> (in RMB thousands)	<u>Percentage of revenue</u> %	<u>Year of commencement of business relationship</u>	<u>Major products/services provided</u>	<u>Credit term</u>
1 Customer A ⁽¹⁾	491,249	27.5	2016	DDIC packaging and testing	60 days
2 Customer B ⁽²⁾	309,908	17.4	2018	DDIC packaging and testing	90 days
3 Customer C ⁽³⁾	168,866	9.5	2020	DDIC packaging and testing	120 days
4 Customer D ⁽⁴⁾	132,042	7.4	2021	DDIC packaging and testing	60 days
5 Customer E/ Supplier B ⁽⁵⁾	125,923	7.1	2022	Recovered gold	7 days

Notes:

- (1) Customer A is a company engaged in the R&D of LCD driver ICs and SoC solutions, headquartered in Taiwan. Its shares are listed on the Taiwan Stock Exchange.
- (2) Customer B is a fabless IC design company, headquartered in Taiwan. Its shares are listed on the Taiwan Stock Exchange.
- (3) Customer C is a company engaged in the R&D and sale of DDICs, touch controller ICs and power management ICs, headquartered in Taiwan. Its shares are listed on the Taiwan Stock Exchange.
- (4) Customer D is a private company that designs DDICs, headquartered in Beijing, China.
- (5) Customer E/Supplier B is a private company engaged in the production and recycling of precious metal products, headquartered in Hong Kong, China.

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For the year ended December 31, 2024

<u>Customer</u>	<u>Transaction amount</u> (in RMB thousands)	<u>Percentage of revenue</u> %	<u>Year of commencement of business relationship</u>	<u>Major products/ services provided</u>	<u>Credit term</u>
1 Customer A	362,792	24.2	2016	DDIC packaging and testing	60 days
2 Customer B	321,791	21.4	2018	DDIC packaging and testing	90 days
3 Customer D	121,140	8.1	2021	DDIC packaging and testing	60 days
4 Customer C	96,229	6.4	2020	DDIC packaging and testing	120 days
5 Customer F ⁽¹⁾	94,307	6.3	2020	DDIC packaging and testing	60 days

Note:

- (1) Customer F is a supplier of DDICs and touch controller ICs, headquartered in Taiwan. Shares of its parent company are listed on the Taiwan Stock Exchange.

For the year ended December 31, 2023

<u>Customer</u>	<u>Transaction amount</u> (in RMB thousands)	<u>Percentage of revenue</u> %	<u>Year of commencement of business relationship</u>	<u>Major products/ services provided</u>	<u>Credit term</u>
1 Customer A	392,947	31.7	2016	DDIC packaging and testing	60 days
2 Customer B	242,330	19.6	2018	DDIC packaging and testing	90 days
3 Customer D	121,351	9.8	2021	DDIC packaging and testing	60 days
4 Customer F	79,495	6.4	2020	DDIC packaging and testing	60 days
5 Customer G ⁽¹⁾	62,894	5.1	2018	DDIC packaging and testing	90 days

Note:

- (1) Customer G is a private chip design company focused on the human-machine interaction field, headquartered in Shenzhen, China.

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Arrangement with Our Customers

We typically 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 service or project and the result of our negotiation with each customer, but these agreements generally contain the following terms:

- Price** : Pricing is generally specified in the purchase orders and may be adjusted from time to time by mutual agreement.
- Shipping and transfer of risks** : Shipping costs and risks shall be borne by the party responsible for arranging shipment. If customers request delivery to a location other than those previously agreed, shipment to such location shall be at customers’ own cost.
- Payment and credit terms** : Typically subject to monthly settlement with a credit period of 60 days.
- Minimum purchase requirements** : Our framework agreements generally do not contain minimum purchase requirements.
- Returns/exchanges** : For finished products that fail acceptance and cannot be retested, or that fail acceptance again after retesting by us, the parties shall determine the cause through mutual consultation. If such failure is attributable to us, we shall provide compensation to customers.
- Confidentiality** : We and our customers shall exercise reasonable care and take necessary measures to prevent any confidential information obtained under the framework agreement from being disclosed to any third party.
- Duration, termination and renewal** : The duration varies depending on the agreement. These framework agreements can be terminated with mutual consent by parties.

Concentration of Our Customers

During the Track Record Period, sales to our top five customers and our largest customer were relatively concentrated, with the top five customers contributing to 72.6%, 66.4% and 68.9% of our revenue and the top customer contributing to 31.7%, 24.2% and 27.5% of our revenue in 2023, 2024 and 2025.

We believe that we do not unduly rely on our major customers for the following reasons:

- **Highly concentrated nature of the industry.** The main customers for a DDIC packaging and testing service provider are DDIC design companies and display panel manufacturers. According to Frost & Sullivan, as of December 31, 2025, given the complexity and customization involved in DDIC design and the downstream use of DDICs in specific panel platforms, DDIC design companies and display panel manufacturers typically work closely together and rely on a limited number of qualified packaging and testing partners that are able to meet their technical, quality and delivery requirements. Accordingly, the DDIC design companies tend to maintain strong, long-term relationships with certified DDIC packaging and testing service providers, and it is common in the industry for such service providers to have a highly concentrated customer base.

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- **Mutually beneficial and long-term relationships.** DDIC packaging and testing services are essential to deliver qualified DDICs that can be integrated into display panels and meet end-customer specifications. DDIC design companies and display panel manufacturers benefit from stable, high-quality packaging and testing support that helps ensure DDIC performance, yield and reliability and supports their own supply commitments to brand companies. We have established long-term cooperative relationships with our major customers, which have in many cases developed over multiple years of collaboration. In addition, given the strict certification and quality control requirements of brand companies, DDIC design companies and display panel manufacturers generally need to maintain stable, long-term strategic relationships with packaging and testing partners that have been qualified under their certification procedures, in order to secure a reliable supply of DDICs that meet stringent requirements. In light of the above, we believe that we have mutually beneficial relationships with our major customers and that the likelihood of any material adverse change in our business with such customers in the near term is low.

Customer Service

We work closely with our customers throughout stages of product design, development, and manufacturing, aiming to deliver services that meet their expectations. In particular, we maintain frequent and proactive communication with customers during the design and development phase, as R&D activities are often carried out collaboratively. Throughout this process, we actively solicit and incorporate customer feedback to strengthen their experience and ensure a high level of satisfaction with our offerings.

Pricing

We offer a customized contract manufacturing model, under which the price of our services reflects both the cost of materials we procure and the processing fees agreed with customers based on their specific process requirements. Given the tailored nature of each customer’s chip packaging and testing solution, pricing is determined through negotiation, taking into account factors such as order scale, our overall production capacity utilization and prevailing market supply and demand conditions. Pricing may be adjusted subsequently to reflect changes in customers’ particular process requirements.

For bumping, pricing is determined by the cost of raw materials, together with associated processing fees. For certain non-ferrous metals, we generally adopt the average spot price on the London Metal Exchange for the preceding quarter, which enables us to effectively reflect changes in raw material prices in our pricing to customers.

For CP, COG and COF, pricing is negotiated with customers, taking into consideration the specific process requirements of each chip, the type of equipment used, processing duration and prevailing market conditions.

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SUPPLY CHAIN

Raw Materials

The main raw materials used in our bumping service mainly consist of gold salts, gold targets and negative photoresist. The main raw materials used in our CP service mainly consist of ink and testing consumables. The main raw materials used in our COG service mainly consist of dicing blades, tape, device trays and grinding wheels. The main raw materials used in our COF service mainly consist of resin and heat dissipation pads.

We mainly source raw materials from the Chinese mainland, Taiwan and Japan. Our raw material prices fluctuate due to a variety of factors, including supply and demand dynamics, our ability to negotiate prices with suppliers and others. We typically engage a small number of qualified suppliers for each major category of raw materials. While alternative suppliers may be available, switching suppliers requires customer validation and approval. During the Track Record Period, we did not experience any significant shortage of raw material supplies, and the raw materials provided by our suppliers did not have any significant quality issues.

Our Suppliers

Our major suppliers primarily consist of suppliers of raw materials and equipment. We have established and maintain stable long-term relationships with these major suppliers.

Selection and Management of Suppliers

We have established rigorous processes for the selection, evaluation and management of our suppliers to ensure suppliers meet our quality and performance standards. We consider a number of factors during our supplier selection and qualification process, including each supplier’s financial condition, industry reputation, technical certifications and the price and quality of the products or raw materials they offer. We assess each potential supplier’s qualifications and credentials carefully, and we also conduct on-site visits to potential suppliers’ business premises before we decide to engage the suppliers. We regularly evaluate the performance of our suppliers, focusing on criteria such as delivery capability, price and quality of the products supplied by them and their compliance with our policies and requirements.

Major Suppliers

In 2023, 2024 and 2025, purchases from our five largest suppliers amounted to RMB899.2 million, RMB761.1 million and RMB787.8 million, accounting for 58.0%, 61.1% and 62.4% of our total purchases in the respective years. In 2023, 2024 and 2025, purchases from our largest supplier amounted to RMB325.8 million, RMB423.2 million and RMB506.0 million, accounting for 21.0%, 34.0% and 40.1% of our total purchases in the respective years. During the Track Record Period, to the best knowledge of our Directors, none of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) had any interest in our five largest suppliers in any period during the Track Record Period that are required to be disclosed under the Listing Rules.

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For the year ended December 31, 2025

<u>Supplier</u>	<u>Transaction amount</u> (in RMB thousands)	<u>Percentage of procurement</u> %	<u>Year of Commencement of business relationship</u>	<u>Major products or services supplied</u>	<u>Credit term</u>
1 Supplier A ⁽¹⁾	506,034	40.1	2013	Gold salt	Prepayment
2 Customer E/ Supplier B	121,952	9.7	2022	Gold salt	Prepayment
3 Supplier C ⁽²⁾	89,945	7.1	2024	Plant construction services	Prepayment
4 Supplier D ⁽³⁾	35,119	2.8	2014	Equipment	30 days
5 Supplier E ⁽⁴⁾	34,715	2.8	2012	Gold-containing electroplating solution	Prepayment

Notes:

- (1) Supplier A is a developer and manufacturer of thin-film target materials, headquartered in Taiwan. Its shares are listed on the Taiwan Stock Exchange.
- (2) Supplier C is a private company engaged in construction contracting services for housing projects, headquartered in Anhui Province, China.
- (3) Supplier D is a private company engaged in automation equipment R&D and manufacturing, headquartered in Taiwan.
- (4) Supplier E is the branch in Shanghai, China, of a private company that provides advanced materials to a wide range of industries, including semiconductors, electronic components and automotive, headquartered in Tokyo, Japan.

For the year ended December 31, 2024

<u>Supplier</u>	<u>Transaction amount</u> (in RMB thousands)	<u>Percentage of procurement</u> %	<u>Year of Commencement of business relationship</u>	<u>Major products or services supplied</u>	<u>Credit term</u>
1 Supplier A	423,200	34.0	2013	Gold salt	Prepayment
2 Supplier F ⁽¹⁾	174,606	14.0	2014	Equipment	Prepayment
3 Customer E/ Supplier B	65,286	5.2	2022	Gold salt	Prepayment
4 Supplier G ⁽²⁾	52,635	4.2	2012	Equipment	Prepayment
5 Supplier E	45,363	3.6	2012	Gold-containing electroplating solution	Prepayment

BUSINESS

Notes:

- (1) Supplier F is a manufacturer of automatic test equipment, headquartered in Japan. Its shares are listed on the Tokyo Stock Exchange.
- (2) Supplier G is engaged in the manufacturing, sale and recycling of precision grinding and dicing equipment, headquartered in Shanghai, China. Shares of its parent company are listed on the Tokyo Stock Exchange.

For the year ended December 31, 2023

<u>Supplier</u>	<u>Transaction amount</u> (in RMB thousands)	<u>Percentage of procurement</u> %	<u>Year of Commencement of business relationship</u>	<u>Major products or services supplied</u>	<u>Credit term</u>
1 Supplier F	325,792	21.0	2014	Equipment	Prepayment
2 Supplier A	318,671	20.6	2013	Gold salt	Prepayment
3 Supplier G	106,014	6.8	2012	Equipment	Prepayment
4 Supplier H ⁽¹⁾	97,866	6.3	2014	Equipment	Prepayment
5 Supplier E	50,840	3.3	2012	Gold-containing electroplating solution	Prepayment

Note:

- (1) Supplier H is a leading manufacturer of high precision measuring instruments and semiconductor production equipment, headquartered in Japan. Its shares are listed on the Tokyo Stock Exchange.

Arrangement with our Suppliers

We generally maintain long-term cooperative relationships with our key suppliers, rather than entering into long-term binding framework agreements with fixed pricing or volumes. In practice, pricing, quantities and specifications are usually agreed in individual purchase orders. This arrangement allows us to renegotiate pricing with suppliers in light of market conditions and our procurement needs. Where we do enter into the framework agreements with suppliers, these agreements generally contain the following terms:

Price	:	Pricing is generally specified in the agreements and may be adjusted from time to time by mutual agreement.
Inspection	:	If any product is found to be defective, we may return the product to suppliers and require the suppliers to replace with new products.
Payment and credit terms	:	Payment is generally made in accordance with agreed payment schedules.
Confidentiality	:	Our suppliers should bear confidentiality responsibilities for the framework agreement and the documents or other items relevant to the framework agreement.
Termination	:	We are entitled to terminate the contract under various circumstances, including where our suppliers failed to perform the contract. Our suppliers may also terminate the contract with one month notice.

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Overlapping Customers and Suppliers

During the Track Record Period, Customer E/Supplier B, one of our top customers in 2025, was also one of our top suppliers in 2024 and 2025. We provide our recovered gold to Customer E, while our purchases from Customer E/Supplier B were gold salt.

During the Track Record Period, Supplier A, one of our top suppliers in 2023, 2024 and 2025, was also our customers in the same year. We primarily purchase gold salt from Supplier A, while we sell recovered gold to Supplier A. In 2023, 2024 and 2025, our revenue from Supplier A amounted to RMB18.8 million, RMB36.7 million and RMB65.4 million, accounting for 1.5%, 2.4% and 3.7% of our total revenue, respectively.

The overlap between our customers and suppliers is a result of our gold-related production cycle. We purchase gold salt from these suppliers for use in our bumping process and, because we do not hold the requisite permits for hazardous waste disposal and precious metal refining, we in turn engage the same counterparties to process and recover gold from the by-products generated during production. Our sales to and purchases from Customer E/Supplier B and Supplier A were conducted in the ordinary course of business and on commercial terms negotiated on an arm’s length basis. According to Frost & Sullivan, it is in line with industry practice for a company to have both sales to and purchases from the same customer/supplier.

Inventory Management

Our inventories mainly comprise raw materials and finished goods. Our operations team reviews inventory levels on a regular basis, taking into account customers’ project schedules and demand forecasts and adjusts our procurement and production plans accordingly. We also monitor inventory aging with a view to managing the risk of inventory obsolescence.

Logistics

Our products and most of raw materials are stored in our own warehouses prior to delivery, while a small amount of raw materials are stored in leased warehouses. We primarily engage third-party logistics service providers to transport raw materials from leased warehouses to our production facilities and to deliver finished goods from our production facilities to locations specified by our customers.

When selecting a logistics service provider, we typically consider their specialty and professional qualification, price, reputation, transportation efficiency, transportation capability and their track records. We also require our logistics providers to possess transportation permits and other relevant qualifications to conduct their business, as well as other qualifications as required by law. We normally enter into one-year agreements with our logistics service providers and evaluate their performance on an annual basis. We purchase insurance policy against the risks associated with delivery of the packaged ICs.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant delay in delivery that materially affected our business operations.

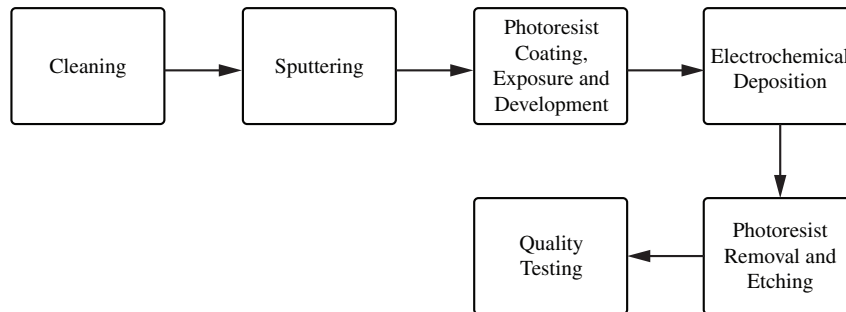
PRODUCTION AND MANUFACTURING

We manufacture products in our production centers located in the Chinese mainland, ensuring the timely delivery of products to meet customer demands. These production centers are strategically situated near upstream and downstream players in our supply chain, helping to reduce logistics costs effectively. By incorporating smart manufacturing technologies into multiple aspects of our operations, we have significantly enhanced production efficiency and product yields, allowing us to consistently achieve our performance and quality objectives.

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Production Process

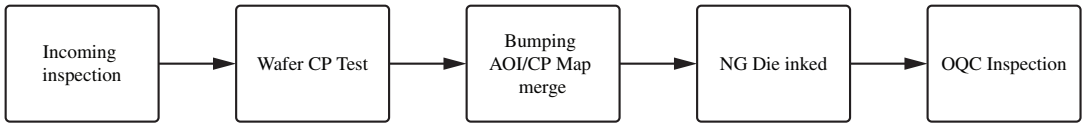
Bumping



- *Cleaning.* Incoming wafers that have passed inspection are cleaned with deionized water to remove free particles on the surface.
- *Sputtering.* Use high-energy ions to bombard metal targets so that titanium-tungsten and gold atoms are sputtered and deposited onto the wafer surface to form the metal seed layer.
- *Photoresist Coating, Exposure, and Development.* A photoresist layer is applied to the wafer, exposed through a photomask to define the bump pattern and then developed so that selected areas of the photoresist are removed, opening windows for subsequent bump formation.
- *Electrochemical Deposition.* Immerse the wafer in electroplating chemical; when an external current is applied, metal ions are reduced at the cathode (wafer side) and deposit selectively within the photoresist openings, forming bumps.
- *Photoresist Removal and Etching.* Remove the photoresist and perform precise wet etching to remove the excess gold and titanium-tungsten layers surrounding the bump structures, completing the fabrication of bumps.
- *Quality Testing.* Perform quality testing on the bumps, including measurements of bump height, dimensions, hardness, surface roughness, shear strength, and other specifications. In addition, perform optical inspection of the wafers to identify visual defects and mark defective dies with red ink for exclusion from subsequent processes. Wafers that pass these tests may then proceed to the wafer probing stage.

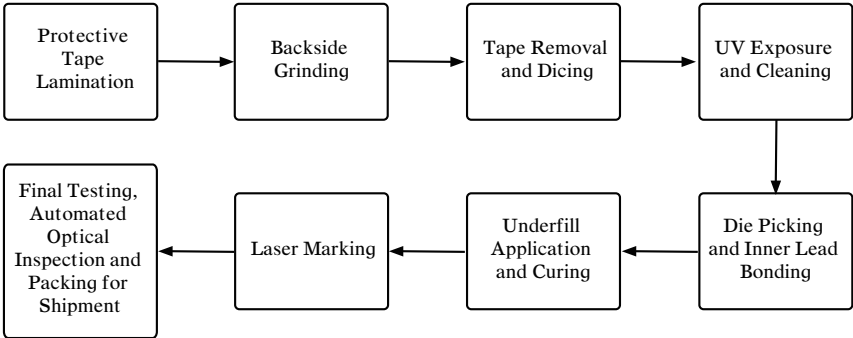
BUSINESS

CP



- *Incoming inspection.* This is performed on wafers prior to their entry into the main production flow. The goal is to identify and segregate non-conforming material early in the process stream, preventing defective wafers from undergoing costly testing and manufacturing steps.
- *Wafer CP test.* Utilizes a combination of a tester and a prober, which establish electrical contact with individual dies on the wafer via a probe card. The goal is to verify that each die’s electrical performance and functional characteristics meet product specifications and operational standards prior to packaging.
- *Bumping AOI/CP map merge.* Map merging of the bump inspection map generated through AOI at the front-end bumping stage and the CP test map is conducted through internal systems. This process integrates defect information from both bump inspection and CP testing into a comprehensive final wafer map, enabling precise identification and localization of all defective dies. Following map consolidation and inking, this integrated information facilitates accurate die selection during the subsequent COG process, preventing processing of defective dies and minimizing unnecessary manufacturing steps.
- *NG die inked.* Through wafer-level electrical testing, dies failing to meet specified performance criteria are identified and marked with ink. These defective dies are subsequently excluded during wafer dicing and all downstream assembly processes, thereby preventing their progression to later manufacturing stages. This front-end screening enables accurate assessment of wafer-level yield, minimizes unproductive processing in subsequent stages, and ultimately enhances overall manufacturing efficiency and cost control.
- *OQC.* The final quality verification process performed on tested wafers prior to shipments to ensure they meet all customer specifications and visual standards.

COG and COF



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For both COG and COF, the production process is generally similar. The first five steps described below apply to both COG and COF, while the subsequent steps are only involved in COF.

- *Protective Tape Lamination.* A protective adhesive film is applied to the front side of the wafer to prevent surface damage and contamination during the grinding process.
- *Backside Grinding.* The wafer is placed with the backside facing up on a ceramic grinding chuck and thinned using diamond grinding to the thickness specified by the customer.
- *Tape Removal and Dicing.* After removing the protective tape, the wafer is mounted onto a metal ring frame using adhesive tape and diced into individual chips using diamond blades. The diced wafer is then inspected again for defects such as chipping, cracks, scratches or metal peeling.
- *UV Exposure and Cleaning.* UV exposure is applied to modify the chemical structure of the adhesive film between the wafer and the ring frame, weakening the adhesive layer and facilitating subsequent die picking.
- *Die Picking and Inner Lead Bonding.* Diced chips are picked and bonded by connecting the bumps on the die to the inner leads of the film tape.
- *Underfill Application and Curing.* Coating resin is applied around the bottom perimeter of the die, after which the assembly is placed in curing equipment for high-temperature baking and curing to enhance the mechanical strength and reliability of the bond between the die and the carrier.
- *Laser Marking.* The processed chips are laser-marked with identification codes to enable product traceability.
- *Final Testing, Automated Optical Inspection and Packing for Shipment.* Test equipment is used to perform final electrical testing of the finished chips and screen out defective units, followed by optical inspection to detect any external defects. Chips that meet all specifications are then packaged in reel or other agreed formats and released for shipment to customers.

Production Facilities

We manufacture our products in our production facilities in Hefei, Anhui and Yangzhou, Jiangsu. Our production lines are designed to be compatible with different production processes. The following table sets forth certain information regarding our production centers as of December 31, 2025.

<u>Production center</u>	<u>Year established</u>	<u>Primary production processes</u>	<u>Supported wafer sizes</u>	<u>Total site area (m²)</u>
Hefei, Anhui, PRC	2017	Bumping, CP, COG, COF	12-inch	26,666.7
Yangzhou, Jiangsu, PRC	2012	Bumping, CP, COG, COF	8-inch and 12-inch	39,821.0

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Set forth below are photos of our production centers.



The following table sets forth the production capacity and utilization rate for our main service categories for the years indicated.

Service Category	Year ended December 31,					
	2023		2024		2025	
	Capacity ⁽¹⁾⁽²⁾	Utilization ⁽³⁾	Capacity ⁽¹⁾⁽²⁾	Utilization ⁽³⁾	Capacity ⁽¹⁾⁽²⁾	Utilization ⁽³⁾
		%		%		%
Bumping	614,110.2	76.9	648,323.0	83.8	711,616.0	70.3
CP ⁽⁴⁾	2,410,495.2	70.6	3,099,924.0	67.8	3,429,378.0	66.2
COG	1,560,288.7	68.2	1,727,065.0	80.8	1,884,000.9	77.8
COF	412,989.4	81.0	455,090.8	80.6	547,569.4	93.4

Notes:

- (1) Production capacity is calculated based on the following assumptions: (i) all our production lines and equipment operating in their full capacity, (ii) 21.6 working hours per day and (iii) 365 working days a year.
- (2) Production capacity are measured using the following units for each service category: bumping is measured in piece; CP is measured in hours; COG is measured in thousand dies; COF is measured in thousand dies.
- (3) For bumping, COG and COF, utilization rate is calculated by dividing the actual number of units produced in the period by the production capacity of the period. For CP, utilization rate is calculated by dividing the actual number of hours that the equipment worked in that period by the production capacity of that period.
- (4) For CP, production capacity is measured in hours because the time required for testing varies depending on chip type, specifications and testing complexity.

Production Planning

We typically plan our production on a monthly basis based on demand forecasts. We continuously review our production plans and utilization rates and update our production plans at least on a monthly basis, pursuant to the utilization rate of our factories in the preceding month and the rolling forecasts of customer orders and expected utilization rates. We also strategically plan our production in advance to prepare for seasonal increases in customer orders.

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Equipment and Machinery

The main equipment used in our bumping processes mainly consists of wafer electroplating equipment, wet process equipment and the coating, exposure, development and critical dimension measurement systems used in the lithography process. The main equipment used in our CP processes mainly consists of wafer CP testers. The main equipment used in our COG processes mainly consists of wafer lamination, dicing and grinding equipment. The main equipment used in our COF processes mainly consists of inner lead bonding machines, dispensing machines, laser marking machines, testers and AOI machines for chip appearance inspection.

We mainly source equipment from the Chinese mainland and Japan. We work with our suppliers to ensure that the equipment we procure meets our process and quality requirements. During the Track Record Period, we did not experience any significant shortages or delivery delays in equipment supplies, and the equipment provided by our suppliers did not have any significant quality issues.

We regularly inspect and maintain the material equipment and machinery used in our production processes and replace worn consumable parts and components. Our major production equipment and machinery have an estimated average useful life of 10 years.

WARRANTY, PRODUCT RETURN AND AFTER SALES SERVICES

The warranty periods, coverage and conditions under our customer contracts are not standardized and may differ among customers, and our return arrangements also vary by customer, which we believe is in line with prevailing industry practice. During the Track Record Period, we did not make provisions for warranties.

We have devised a standard operation procedure for customer service. We collect and record customer feedback and complaints from different channels and make timely responses in order to achieve customer satisfaction.

We believe our return policy is consistent with the relevant PRC laws and regulations governing product quality and consumer rights and interests. We have not received any requests for returns during the Track Record Period which individually or in aggregate had a material adverse effect on our business and financial condition.

QUALITY CONTROL

We believe that quality is the cornerstone of our business operations and sustainable growth. We are committed to delivering services that meet the highest industry standards and exceed customer expectations. Our comprehensive quality control and quality assurance systems are integrated into every stage of our production process, ensuring consistent and reliable delivery of high-quality services.

We have established a quality management system certified under ISO 9001:2015 and IATF 16949:2016. We conduct regular internal audits and management reviews of our quality control systems to promptly identify and address potential issues, ensuring continuous improvement and refinement of our quality control systems.

To ensure service quality, we have a quality control department dedicated to implementing quality control measures throughout the entire production cycle, including raw material inspection and in-process quality control.

Our quality control procedures and processes cover our entire production process to ensure that our product quality meets the expectations and imposes requirements after each critical process. Yield rate is the critical indicator we monitor during each of our critical production processes.

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INTELLECTUAL PROPERTY

As of the Latest Practicable Date, our research and development efforts have produced 421 patents, two registered trademarks, three copyrights and two domain names. See “*Appendix IV — Statutory and General Information — Further Information about the Business — Intellectual Property.*” for further details.

We rely on a combination of intellectual property protections laws and contractual arrangements (including confidentiality provisions) to establish and protect our proprietary technologies, know-how and other intellectual property rights. We proactively manage and expand our intellectual property portfolio and use confidentiality and non-compete agreements to protect our intellectual property and trade secrets. Despite our efforts, we may be subject to risks associated with alleged infringement of third parties’ intellectual property rights, or infringement of our intellectual property rights by third parties. See “*Risk Factors — Risks Relating to Our Business and Industry — Our business prospects may be harmed if we are unable to protect proprietary technology from infringement and operate without infringing the proprietary rights of others.*” for further details.

During the Track Record Period, we did not experience any material infringement of our intellectual property rights. Neither our Group nor any of our intellectual properties were the subject of, or to the best of the Directors’ knowledge, is expected to be subject to, any disputes or litigation in relation to the infringement of any intellectual property rights during the Track Record Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We are committed to integrating ESG considerations into our strategic planning and day-to-day operations as we pursue sustainable long-term development. We have established an ESG management framework that allocates responsibilities across different organizational levels to strengthen ESG governance, implementation and oversight.

The Board and senior management assume overall responsibility for formulating our ESG strategies and objectives and overseeing related risk management. Under their leadership, we have set up an ESG committee which is responsible for reviewing and evaluating our ESG strategies, systems, work plans and risk management measures. We have also established an ESG task force led by the management of relevant departments to implement ESG work plans and monitor their effectiveness.

We have put in place environmental and occupational health and safety management systems to ensure that our business operations are conducted in a safe working environment for employees and with minimized environmental impact. We have obtained certifications under ISO 9001:2015, ANSI/ESD S20.20:2014, ISO 14001:2015 and ISO 45001:2018.

We maintain ongoing communication with key shareholders, employees, customers and suppliers to understand their expectations and continuously enhance our ESG performance. During the Track Record Period and up to the Latest Practicable Date, we were not exposed to any material ESG-related risks or incidents. Looking ahead, we intend to continue strengthening our ESG governance structure, enhancing ESG risk identification and management processes and ensuring transparent and regular ESG disclosures.

Environmental Matters

We proactively monitor changes in environmental laws, regulations and policies, assess compliance risks and adjust our practices in a timely manner to align with evolving environmental priorities. We have established an environmental management framework focused on reducing environmental impact, improving resource-use efficiency and lowering overall carbon emissions. During the Track Record Period and up to the Latest Practicable Date, we cumulatively invested

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approximately RMB5.3 million in environmental protection-related expenditures. In our day-to-day operations, we implement a range of measures to minimize the environmental impact of our activities.

We are mindful of the environmental and climate-related impacts of our business and take measures to protect the environment in the course of our operations. Our business involves the use of hazardous and flammable materials, including chemicals materials, which may generate hazardous waste such as wastewater. Such waste is stored in accordance with our internal policies and applicable laws and regulations and handled and disposed of by qualified service providers to ensure safe treatment.

The waste generated in our daily operations mainly comprises solid waste, wastewater and exhaust gas. The following table sets forth the breakdown of our waste generated during the Track Record Period.

<u>Metric</u>	<u>Unit</u>	<u>Year ended December 31,</u>		
		<u>2023</u>	<u>2024</u>	<u>2025</u>
Total hazardous waste generated	Tons	196.9	248.8	231.3
Total non-hazardous waste generated	Tons	229.0	312.4	295.0
Wastewater discharge	Thousand tons	1141.7	1544.9	1615.9
Exhaust gas emissions	Tons	1.4	1.1	1.5

In our daily operations, the resources we consume primarily include electricity and water. We actively promote energy conservation and consumption reduction to reduce resource usage. The following table sets forth our resource consumption data during the Track Record Period.

<u>Metric</u>	<u>Unit</u>	<u>Year ended December 31,</u>		
		<u>2023</u>	<u>2024</u>	<u>2025</u>
Total electricity consumption	GWh	85.9	106.1	122.0
Total water consumption	Thousand tons	1,634.8	1,947.6	2,067.5
Packaging materials used	Ton	268.0	295.5	347.6

The metrics we have identified include greenhouse gas (“GHG”) emission scope 1, GHG emission scope 2 and scope 3 emissions. The following table sets forth our GHG emissions during the Track Record Period.

<u>Metric</u>	<u>Unit</u>	<u>Year ended December 31,</u>		
		<u>2023</u>	<u>2024</u>	<u>2025</u>
Direct GHG emission (Scope 1)	tCO ₂ e	1,965.1	3,451.1	3,748.2
Indirect GHG emission (Scope 2)	tCO ₂ e	50,117.6	62,106.9	67,132.7

Social Responsibilities and Corporate Governance

We are committed to corporate social responsibility and sustainable development. We regard corporate social responsibility as an integral part of our corporate philosophy and is pivotal to our ability to create sustainable value for our stakeholders by embracing diversity and addressing public interests.

Employee Caring Initiatives

We have designed employee caring initiatives including employee welfare systems, workplace safety guidance, diversity policies and self-development opportunities which our human resource department is responsible for implementing and supervising. Specifically, we have conducted courses such as technical and R&D training, as well as training on administrative office environment standards and general affairs management systems. We have also organized emergency

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response and fire safety training sessions. We set a series of internal guidelines regarding the remuneration and incentive mechanism. We promote comprehensive employee welfare systems to look after employees’ health and wellbeing.

We are committed to creating an equal, diverse and non-discriminatory workplace. We provide equal career opportunities for employees of different backgrounds, ages and genders. As of December 31, 2025, we had 539 female employees, accounting for 33.9% of our total employees. We designed and offer various training programs for employees in different departments and positions, covering subjects from operations, research and development, branding and marketing, career advancement as well as general management in order to enhance their professional skill sets and their understanding of our company and the industry.

Business Integrity

We have implemented a series of strict internal rules regarding business integrity to prevent corruption, bribery, extortion, fraud and money laundering. We also carry out compliance trainings, such as anti-corruption, fraud and money laundering trainings for employees to strengthen their awareness. We encourage our employees to report non-compliance incidents and have formulated a whistleblower policy. Employees can report concerns and non-compliance incidents through various channels such as private chats, hotlines and e-mail. We maintain strict confidentiality of all whistleblowers.

During the Track Record Period, we had not experienced any instances of corruption and malpractice that had a material adverse effect on our business or were likely to have a material adverse effect on our business.

DATA PRIVACY AND CYBERSECURITY

In recent years, data privacy and cybersecurity have emerged as critical governance priorities for companies worldwide. In particular, the PRC legislative and government authorities regularly introduce new cybersecurity, data security and privacy laws and regulations. Consequently, our practices regarding the collection, process and transfer of various types of data may come under increased administrative scrutiny. See “*Risk Factors — Risks Relating to Our Business and Industry — our information systems may experience system failures, interruptions or security breaches.*” for further details.

We collect and store business data, management data 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. We generally do not collect or process individual customers’ personal information since our customers are companies rather than individuals.

We have established a comprehensive data compliance system that consists of organizational structure and internal policies. Specifically, we have set up data security operational platforms covering multiple areas of our business operations. Our platforms and procedures ensure that we have a comprehensive set of protocols covering the prevention of data breaches, immediate action and response in case of data incidents and post-incident assessment and analysis. Our data security policies have been certified under ISO 27001:2022. In addition, we conduct annual trial runs of data breach incidents to test our data protection mechanism and provide various data security trainings to our employees (including trainings during their on-boarding process) to ensure that our employees are well aware of our data security policies and their responsibilities in terms of data protection. We require our employees to pass our data security tests before they can commence working for us.

As advised by our PRC Legal Advisors, during the Track Record Period, we had complied with applicable laws and regulations related to cybersecurity and data protection in all material aspects.

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INFORMATION TECHNOLOGY

Our information technology systems are essential to our business operations. We have developed or employ various information technology systems covering all material aspects of our operations, including sales, supply chain management, inventory management and quality control. Our information technology department is responsible for developing and maintaining information technology systems to support our business operations and growth.

Our key information technology systems are set forth below:

- Our Customer Relationship Management system manages customers’ information and sales processes. It helps to track potential customers and sales opportunities in order to enhance efficiency, reduce human errors and increase customer satisfaction.
- Our Enterprise Resource Planning system provides a unified platform that enables cross-departmental collaboration and enhances overall operational efficiency. It provides a unified platform that enables cross-departmental collaboration, strengthens overall operational efficiency and delivers real-time business data to help management in decision-making.
- Our Quality Management system monitors and controls service quality to ensure compliance with our and industry standards. By conducting quality inspection and analysis, it detects and resolves quality issues early on and minimizes defects.
- Our Manufacturing Execution System manages the production execution process in real time, including work order scheduling, equipment status, quality data collection, material tracking and production progress. It helps management identify and address on-site issues promptly and supports efficient execution of production plans.
- Our Test Data Control system provides real-time monitoring of chip testing processes, capturing, aggregating and analyzing test results during production. It enables early detection of anomalies and supports optimization of test operations, thereby improving equipment utilization and enhancing overall test efficiency

The capabilities and the stability of our IT infrastructure are vital to our business operations. The IT department performs system checks, data back-ups, system maintenance and other activities to secure the continual operation of the critical IT systems and facilities. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material failure or general breakdown of our IT systems which had resulted in a material adverse impact on our overall business operations.

PROPERTIES

As of December 31, 2025, we operated our business through six owned properties and 55 leased properties in China.

As of December 31, 2025, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include any valuation report in this document. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

Owned Properties

As of December 31, 2025, we owned six properties with a gross floor area of 63,907.2 sq. m. in the Chinese mainland. We mainly use these properties as our production facility.

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Leased Properties

As of December 31, 2025, we leased 55 properties with a gross floor area of 14,661.6 sq. m. in the Chinese mainland, mainly as our staff dormitories, storage and offices.

EMPLOYEES

We believe that our long-term growth depends on the expertise, experience and development of our employees. As of December 31, 2025, we had 1,588 full-time employees. Substantially all of our employees were in the Chinese mainland. The following table sets forth a breakdown of our full-time employees by function as of December 31, 2025.

Function	As of December 31, 2025	
	Number	%
Technical	687	43.2
Production	737	46.4
Management and administration	141	18.9
Sales and marketing	23	1.5
Total	1,588	100.0

We provide our employees with certain benefits including social insurance coverage and retirement benefits. We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, confidentiality and grounds for termination. Our employees’ compensation is determined with reference to their job positions, technical skills and job performance. We have various employee training programs that aim to enhance our employees’ technical skills and innovation capability.

We maintain good relationships with our employees. During the Track Record Period, there was no material dispute between our Group and our employees, and we did not experience any strikes, work stoppages, labor disputes or actions which had a material adverse effect on our business and operations.

COMPETITION

The packaging and testing services industry generally requires continuous investment in technology and manufacturing capabilities, while customer qualification processes and long-term cooperation relationships may further intensify market competition. To maintain and grow our business, we must continue to meet our customers’ requirements and deliver differentiated services that meet their evolving needs. If we are unable to keep pace with such advancements or fail to differentiate our services in terms of quality or cost, we risk losing market share to our competitors. See “*Industry Overview*” for further details.

INSURANCE

We maintain insurance policies to cover property insurance, business interruption insurance, employers’ liability insurance and directors’ and officers’ liability insurance. We review our insurance policies from time to time to assess the adequacy and breadth of coverage. We believe that our existing insurance coverage is adequate for our business operations and is in line with industry standards in the areas 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 be insufficient to cover all of our potential losses.*” for further details.

During the Track Record Period, we had not made, and were not the subject of, any insurance claims which are material to our business or financial condition.

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RISK MANAGEMENT AND INTERNAL CONTROL

Our future operating performance may be affected by risks relating to our business. Some of these risks are specific to us while others relate to economic conditions and the general industry in which we operate. See “*Risk Factors*” for further details.

The Board of Directors and our senior management are responsible for establishing and maintaining adequate risk management and internal control systems. Risk management is the process designed to identify potential events that may affect us and to manage risks to be within our risk appetite. Internal control is the process designed to provide reasonable assurance regarding achievement of objectives related to effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

Risk Management and Internal Control Policies

We have implemented or will adopt upon [REDACTED] a number of policies and measures to manage our risks and set up proper internal controls. These policies cover areas such as (i) the duties and roles of the Directors, the Board and our senior management; (ii) social and environmental matters, including policies on diversity; (iii) financial reporting; (iv) whistleblowing; (v) prevention of market misconduct and (vi) compliance with the Listing Rules.

Under our risk management and internal control policies, the Board oversees risk management and internal control systems on an ongoing basis and reviews the effectiveness of these systems.

In March, 2026, we engaged an independent consulting firm to perform a review over our internal control. The key areas of inspection include financial reporting and disclosure, research and development management, management policies over sales, supply chain controls, trade receivables and payables management, service quality and delivery control, inventory management, intangible assets management, human resource and remuneration management, capital management, tax management, insurance management, contract control and information system control.

LICENSES, PERMITS AND APPROVALS

We are required to obtain or maintain various licenses, permits and approvals in order to operate our business. We believe we have all material licenses, permits and approvals necessary in order to operate our business. We continually monitor our compliance with these requirements in order to ensure that we have all such approvals, licenses and permits as are necessary to operate our business.

We had not experienced any material difficulties in renewing material licenses, permits or approvals during the Track Record Period and do not expect there to be any material difficulties in renewing them upon their expiry.

LEGAL PROCEEDINGS

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. As of the Latest Practicable Date, there was no litigation, arbitration or administrative proceedings pending or threatened against us or any of our Directors which 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 were 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.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants’ Report in Appendix I to this Document. Our consolidated financial information has been prepared in accordance with the IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this Document, including but not limited to the sections headed “Risk Factors” and “Business.”

For the purpose of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a semiconductor packaging and testing service provider focusing on advanced packaging and testing solutions for DDICs. Our service portfolio is built around four core process technologies: bumping, chip probing (“CP”), chip-on-glass (“COG”), and chip-on-film (“COF”). Our services are primarily used in LCD and AMOLED DDICs, with end-use applications spanning consumer electronics, industrial control and automotive electronics. We are also strategically expanding our capabilities into memory IC packaging and testing and are well-positioned to capture opportunities in emerging applications driven by the rapid development of AI.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our historical financial condition and results of operations have been affected by a number of factors, which we believe will continue to affect our financial condition and results of operations in the future. Our results are primarily affected by the following factors:

Demand in the DDIC and other end markets

Our business is closely tied to demand for DDICs and the development of the end markets served by our customers, particularly consumer electronics and display-related applications such as smartphones, televisions, laptops and tablets. Demand in these end markets is influenced by factors such as consumer preferences, product replacement cycles, display specification upgrades, panel technology developments and broader technological trends.

For example, the adoption of slimmer displays and the increasing use of AMOLED panels may support demand for COF, while changes in customer product mix, panel technologies and packaging solutions may affect the relative demand for our other services. Increases in demand for DDICs or relevant end products can contribute to our business growth and operating performance to the extent that we are able to satisfy our customers’ requirements in terms of quality, capacity, technology and delivery. Accordingly, changes in demand conditions and technology trends in the DDIC and relevant end markets may affect the demand for our service offerings, our service mix and our results of operations.

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Raw material costs

Our results of operations are affected by the availability and pricing of raw materials used in our production processes. In 2023, 2024 and 2025, raw material costs represented approximately 48.2%, 50.6% and 54.4% of our cost of sales, respectively. Certain of our service offerings, particularly gold bumping, involve the use of gold, and fluctuations in gold prices may therefore affect our cost structure and operating results.

In recent years, gold prices have experienced relatively significant fluctuations. While such fluctuations may affect our cost of sales and margins in the short term, we generally pass on changes in gold prices to customers through our pricing mechanism, which typically takes into account the average gold price over the preceding quarter on an ongoing basis. As a result, our pricing mechanism helps mitigate the impact of gold price volatility on our operating results. However, because there is an inherent time lag between our procurement of gold-related raw materials and the timing at which we quote or adjust prices to customers, changes in gold prices may not be passed on to customers fully, immediately or completely. In addition, we generally adopt a procure-on-demand approach, under which we purchase raw materials based on actual production needs rather than maintaining significant inventory based purely on predictions of order volumes. This approach helps reduce our exposure to price fluctuation risks associated with holding large amount of raw materials. However, passing on higher gold costs to customers through higher service prices may in turn affect customer demand for our gold-intensive services, such as gold bumping, particularly during periods of sharp price increases. Also, if gold prices or the prices of other raw materials experience significant fluctuation in the short term and we are unable to offset such increases through timely price adjustments, process optimization, procurement initiatives, inventory planning or other cost control measures, our cost of sales and gross profit margin may be affected.

Capital expenditures, capacity expansion and utilization rates

Our business is capital intensive, and our results of operations are affected by our capital expenditures, capacity expansion plans and utilization rates. We have made, and expect to continue to make, significant investments in equipment, facilities and process capabilities to support business growth, enhance our technological capabilities and meet customer demand. Such investments may increase our production capacity, improve our manufacturing capabilities and broaden the range of services we are able to provide.

The timing and scale of our capital expenditures and capacity expansion affect our cost structure and operating performance. In particular, newly added equipment and production capacity generally increase depreciation and other fixed costs, and new production lines typically require a ramp-up period before achieving higher utilization rates and more stable operating efficiency. The financial impact of such investments therefore depends not only on the amount and timing of the related expenditure but also on the speed at which the added capacity is brought into effective use.

Our capacity utilization rates are also an important factor affecting our results of operations because a substantial portion of our production costs is fixed in nature. Higher utilization generally improves the absorption of fixed costs and supports gross profit margin, while lower utilization generally results in a higher amount of fixed cost allocated to each unit processed. Capacity utilization may be affected by factors such as customer order patterns, service mix, the commissioning and ramp-up of new equipment, maintenance schedules and other operational factors. Accordingly, the timing and scale of our capital expenditures and capacity expansion, together with the utilization of such capacity, have affected and may continue to affect our financial condition and results of operations.

Service mix

Our revenue and profitability are affected by the mix of services we provide across different stages and configurations of DDIC packaging and testing. We provide a range of services, including bumping, CP, COG and COF, which form part of an integrated, sequential process. Depending on the customer’s product design, packaging solution, panel technology and application requirements,

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different orders may require different service flows, combinations of services or levels of technical complexity. As a result, the relative contribution of our various service offerings may change from period to period.

Different service stages generally have different average selling prices, cost structures and gross profit margins due to variances in technical complexity, process requirements, number of processing steps, raw material consumption, equipment intensity, yield profile and customer specifications. During the Track Record Period, for example, COF generally recorded higher gross profit margins than bumping and COG. Accordingly, shifts in the composition of services performed in a given period may affect our financial condition and profitability. Accordingly, changes in the mix of services we provide may continue to affect our average selling price, revenue, gross profit margin and results of operations.

Cyclical nature of the semiconductor industry

The semiconductor industry is highly cyclical and has historically experienced recurring periods of expansion, peak, downturn and recovery. Such cyclical nature is driven by a combination of factors, including macroeconomic conditions, changes in overall semiconductor demand, inventory build-up and destocking across the supply chain, technology transitions, pricing dynamics and industry-wide capacity expansion. Because capacity additions in the semiconductor industry typically require significant capital investment and lead time, supply and demand may at times become imbalanced. As a result, periods of strong market demand may be followed by industry-wide capacity expansion, which, if demand growth does not keep pace, may lead to oversupply, intensified competition and pricing pressure.

As a provider of semiconductor packaging and testing services, our business is affected by such industry cycles primarily through fluctuations in customers’ inventory levels, procurement activity, production schedules and outsourcing need. During periods of industry downturn or inventory de-stocking, our customers may reduce orders, delay production plans or place greater pressure on pricing, which may adversely affect our revenue and gross profit margin. In addition, our business involves significant fixed costs, including depreciation, labor and manufacturing overheads. Lower order volume during cyclical downturns may lead to lower capacity utilization, weaker absorption of fixed costs and higher unit costs, as well as price competition from industry peers, and such adverse effect could be magnified by the relatively large proportion of fixed costs out of our total costs. Accordingly, the cyclical nature of the semiconductor industry has had, and is expected to continue to have, a significant effect on our business, financial condition and results of operations.

Our ability to maintain customer relationships and expand to new sectors

We maintain a leading position in advanced packaging and testing solutions for DDICs. Given the relatively concentrated nature of the DDIC market, we derive a substantial portion of our revenue from a limited number of customers. As a result, our results of operations have been, and are expected to continue to be, affected by our ability to maintain, deepen and expand our relationships with our existing customers. Our customers’ demand for our services is influenced by a number of factors, including their market position, end-customer demand, product roadmaps, outsourcing strategies and the competitiveness of their own offerings in the downstream market.

To maintain and expand our business with major customers in the DDIC market and secure repeat orders, we must continue to satisfy their requirements in respect of service quality, technical specifications, technology capabilities, production capacity, price, and delivery schedules. As our customers operate in highly competitive end markets and are subject to evolving technology trends and product requirements, we must continuously enhance our process capabilities and service offerings in order to remain aligned with their needs.

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Meanwhile, we seek to broaden the scope of services we provide and to expand into other application areas, such as automotive-grade ICs and memory ICs, through our continuous R&D investment deepening our core technological capabilities and market expansion leveraging our reputation in the industry. Such expansion to new sectors would diversify our customer base and broaden our revenue base, which also affects our business performance.

Research and development capabilities

R&D is important to our long-term competitiveness and sustainable growth. The semiconductor packaging and testing industry is characterized by continuous technological development, evolving customer requirements and ongoing improvements in packaging and testing processes. As our customers continue to introduce new products and adopt new technologies, we must continuously enhance our research and development capabilities to support their evolving needs. Our ability to meet these needs depends on our research, development and implementation of new process technologies, service solutions and production techniques. We have invested, and expect to continue to invest, in R&D to strengthen our technological capabilities and service offerings. This can be reflected in a relatively stable expense ratio despite strong growth in revenue during the Track Record Period. In 2023, 2024 and 2025, our R&D expenses amounted to RMB78.9 million, RMB89.4 million and RMB117.7 million, representing 6.4%, 6.0% and 6.6% of our total revenue in the same year, respectively.

Our R&D efforts are focused on enhancing our DDIC-related packaging and testing capabilities, including process technologies, product reliability, yield performance, automation and production efficiency. These efforts affect our ability to meet evolving customer requirements, maintain and deepen customer relationships, attract new customers, broaden our service offerings and improve operational efficiency. The timing and effectiveness of our R&D efforts may also affect our results of operations. Successful development and implementation of new technologies or process improvements may strengthen our competitiveness and support revenue growth and margin improvement over time, although the benefits of such investments may depend on customer adoption, commercialization progress and production ramp-up.

BASIS OF PRESENTATION

Our financial information during the Track Record Period has been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by International Accounting Standards Board. Our financial information has been prepared on the historical cost basis, except for certain financial assets and liabilities which are stated at fair values. See Note 2 to “*Appendix I — Accountants’ Report*” for further details.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Note 3 to “*Appendix I — Accountants’ Report*” to this document sets forth certain material accounting policies, which are important for understanding our financial condition and results of operations.

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. During the Track Record Period, there was no material deviation between our management’s estimates or assumptions and actual results, and we did not make any material changes to these estimates or assumptions. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

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RESULTS OF OPERATIONS

	Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
Revenue	1,238,293	100.0	1,501,020	100.0	1,783,135	100.0
Cost of sales	(910,776)	(73.6)	(1,173,871)	(78.2)	(1,395,394)	(78.3)
Gross profit	327,517	26.4	327,149	21.8	387,741	21.7
Other income	32,512	2.6	26,784	1.8	32,488	1.8
Other gains and losses, net	14,753	1.2	16,326	1.1	15,415	0.9
Selling and marketing expenses	(8,410)	(0.7)	(11,465)	(0.8)	(12,348)	(0.7)
Administrative expenses	(74,281)	(6.0)	(75,692)	(5.0)	(82,948)	(4.7)
Research and development expenses	(78,857)	(6.4)	(89,407)	(6.0)	(117,688)	(6.6)
Impairment losses	(16,554)	(1.3)	(17,673)	(1.2)	(26,362)	(1.5)
Finance costs	(1,097)	(0.1)	(22,672)	(1.5)	(37,501)	(2.1)
Share of result of associates, net	—	—	—	—	218	0.0
Profit before income tax	195,583	15.7	153,350	10.2	159,015	8.8
Income tax credit/(expense)	402	0.0	6,414	0.4	(4,284)	(0.2)
Profit for the year	195,985	15.7	159,764	10.6	154,731	8.6

Non-IFRS Measure

To supplement our consolidated financial statements prepared in accordance with IFRS, we also use certain non-IFRS measures, including EBITDA, adjusted net profit (a non-IFRS measure) and adjusted EBITDA (a non-IFRS measure), as additional financial measures, which are not required by, or presented in accordance with, the IFRS. We believe these measures facilitate comparisons of operating performance from period to period by eliminating the potential impact of certain items that do not reflect our underlying operating performance. We also believe these measures provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as they assist our management in making financial and operational decisions. In addition, these non-IFRS measures may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define EBITDA as profit before income tax, adding back finance costs, depreciation and amortization, and adjusted EBITDA as EBITDA adjusted for equity settled share-based payments, which are non-cash in nature. We define adjusted net profit as profit for the year, adjusted for equity settled share-based payments, which are non-cash in nature.

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The following table reconciles our non-IFRS measure for the years presented with the nearest measures prepared in accordance with IFRS.

	Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
Profit before income tax . . .	195,583	15.7	153,350	10.2	159,015	8.8
Add: Finance costs	1,097	0.1	22,672	1.5	37,501	2.1
Add: Depreciation and amortization	275,073	22.2	357,161	23.8	415,392	23.3
EBITDA	471,753	38.0	533,183	35.5	611,908	34.2
Add: Equity settled share- based payments	32,810	2.6	34,190	2.3	37,071	2.1
Adjusted EBITDA	504,563	40.6	567,373	37.8	648,979	36.3
Profit for the year	195,985	15.7	159,764	10.6	154,731	8.6
Add: Equity settled share- based payments	32,810	2.6	34,190	2.3	37,071	2.1
Adjusted net profit	228,795	18.3	193,954	12.9	191,802	10.7

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we mainly generated revenue from our DDIC advanced packaging and testing services.

By Service Offering

	Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
DDIC advanced packaging and testing	1,168,454	94.4	1,356,592	90.4	1,579,071	88.6
Bumping	534,595	43.2	630,545	42.0	748,934	42.0
CP	314,527	25.4	357,931	23.8	390,704	21.9
COG	148,611	12.0	182,796	12.2	185,259	10.4
COF	170,721	13.8	185,320	12.4	254,174	14.3
Others⁽¹⁾	69,839	5.6	144,428	9.6	204,064	11.4
Total	1,238,293	100.0	1,501,020	100.0	1,783,135	100.0

Note:

(1) Mainly includes sales of recovered gold.

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During the Track Record Period, bumping and CP were our principal revenue contributors, and revenue from all of our service offerings recorded growth. Leveraging our established capabilities in bumping and CP, we expect these service offerings to remain our key revenue drivers going forward.

*By Geographical Location**

	Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
Taiwan	709,309	57.3	800,288	53.3	963,298	54.0
Chinese mainland	504,841	40.8	683,521	45.5	806,262	45.2
Others	24,143	1.9	17,211	1.2	13,575	0.8
Total	<u>1,238,293</u>	<u>100.0</u>	<u>1,501,020</u>	<u>100.0</u>	<u>1,783,135</u>	<u>100.0</u>

Note:

* The geographical location of is determined based on our customers’ place of incorporation.

During the Track Record Period, a majority of our revenue was derived from customers incorporated in Taiwan and the Chinese mainland. We expect customers in these two markets to continue to account for a significant portion of our revenue going forward.

Sales Volume and Average Selling Price

	Year Ended December 31,					
	2023		2024		2025	
	Sales volume ⁽¹⁾	Average selling price ⁽²⁾	Sales volume	Average selling price	Sales volume	Average selling price
	Piece/ Thousand Die	RMB	Piece/ Thousand Die	RMB	Piece/ Thousand Die	RMB
Bumping	475,966.9	1,123.2	530,534.7	1,188.5	511,312.7	1,464.7
CP	451,222.6	697.1	522,331.9	685.3	536,610.6	728.1
COG	1,034,925.5	143.6	1,381,479.1	132.3	1,482,927.6	124.9
COF	326,391.6	523.1	357,513.3	518.4	504,013.8	504.3

Notes:

- (1) Sales volume is measured in pieces of 12-inch wafer for bumping and CP, and in thousand dies for COG and COF. For comparison purposes, the number of 8-inch wafers for bumping and CP has been converted into equivalent 12-inch wafer volume by dividing by 2.25.
- (2) Average selling price represents revenue generated from the relevant service category divided by the corresponding sales volume, and is presented in RMB/piece for bumping and CP, and RMB/thousand dies for COG and COF. For CP, sales volume is presented in piece in accordance with our commercial billing practice, while production capacity is measured in hours due to variations in testing time by chip types.

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Cost of Sales

	Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
Cost of raw materials	438,938	48.2	594,418	50.6	758,203	54.4
Depreciation and amortization	244,610	26.8	319,519	27.2	363,278	26.0
Labor cost	114,767	12.6	132,400	11.3	142,518	10.2
Utilities cost	59,975	6.6	73,338	6.3	83,862	6.0
Others ⁽¹⁾	52,486	5.8	54,196	4.6	47,533	3.4
Total	910,776	100.0	1,173,871	100.0	1,395,394	100.0

Note:

(1) Mainly includes shipping costs and insurance.

Gross Profit and Gross Margin

	Year Ended December 31,					
	2023		2024		2025	
	Gross profit RMB	Gross profit margin %	Gross profit RMB	Gross profit margin %	Gross profit RMB	Gross profit margin %
	<i>(in thousands, except for percentages)</i>					
DDIC advanced packaging and testing	317,436	27.2	302,996	22.3	336,872	21.3
Bumping	125,922	23.6	133,462	21.2	134,334	17.9
CP	106,662	33.9	92,657	25.9	96,189	24.6
COG	29,392	19.8	33,434	18.3	37,219	20.1
COF	55,460	32.5	43,443	23.4	69,130	27.2
Others ⁽¹⁾	10,081	14.4	24,153	16.7	50,869	24.9
Total/Overall	327,517	26.4	327,149	21.8	387,741	21.7

Note:

(1) Mainly includes sales of recovered gold.

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Other Income

	Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
Interest income	8,600	26.4	7,084	26.5	7,418	22.8
Government grants	23,436	72.1	19,366	72.3	24,768	76.3
Sundry income	476	1.5	334	1.2	302	0.9
Total	<u>32,512</u>	<u>100.0</u>	<u>26,784</u>	<u>100.0</u>	<u>32,488</u>	<u>100.0</u>
<i>as % of total revenue</i>		2.6		1.8		1.8

Other Gains and Losses, Net

	Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
Gains on disposal of property, plant and equipment, net	2,620	17.8	6,345	38.9	2,229	14.5
Gains on disposal of financial assets at FVTPL, net	2,994	20.3	1,515	9.3	4,457	28.9
Change in fair value of financial assets at FVTPL	4,243	28.8	1,237	7.6	8,413	54.6
Net foreign exchange gain/ (loss)	4,118	27.9	6,588	40.4	(1,332)	(8.6)
Others	778	5.3	641	3.9	1,648	10.7
Total	<u>14,753</u>	<u>100.0</u>	<u>16,326</u>	<u>100.0</u>	<u>15,415</u>	<u>100.0</u>
<i>as % of total revenue</i>		1.2		1.1		0.9

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Selling and Marketing Expenses

	Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
Employee compensation . . .	4,234	50.3	4,114	35.9	4,817	39.0
Share-based payment	2,382	28.3	2,723	23.7	2,250	18.2
Travel and accommodation expenses	1,585	18.9	4,404	38.4	5,075	41.1
Others	209	2.5	224	2.0	206	1.7
Total	<u>8,410</u>	<u>100.0</u>	<u>11,465</u>	<u>100.0</u>	<u>12,348</u>	<u>100.0</u>
<i>as % of total revenue</i>		<i>0.7</i>		<i>0.8</i>		<i>0.7</i>

Administrative Expenses

	Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
Employee compensation . . .	22,796	30.7	22,401	29.6	26,851	32.4
Share-based payment	16,066	21.6	15,441	20.4	18,226	22.0
Depreciation and amortization	7,940	10.7	12,623	16.7	14,467	17.4
Travel and accommodation expenses	8,723	11.8	8,383	11.1	8,099	9.8
Professional service fees . .	6,337	8.5	6,696	8.8	4,249	5.1
Taxes and surcharges	4,447	6.0	4,867	6.4	5,554	6.7
Others	7,972	10.7	5,281	7.0	5,502	6.6
Total	<u>74,281</u>	<u>100.0</u>	<u>75,692</u>	<u>100.0</u>	<u>82,948</u>	<u>100.0</u>
<i>as % of total revenue</i>		<i>6.0</i>		<i>5.0</i>		<i>4.7</i>

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Research and Development Expenses

	Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
Staff cost	31,353	39.8	34,840	39.0	38,999	33.1
Depreciation and amortization	22,324	28.3	24,819	27.7	37,444	31.8
Raw material cost	12,130	15.4	15,737	17.6	24,029	20.4
Equity settled Share-based payment	9,779	12.4	11,323	12.7	13,720	11.7
Others	3,271	4.1	2,688	3.0	3,496	3.0
Total	<u>78,857</u>	<u>100.0</u>	<u>89,407</u>	<u>100.0</u>	<u>117,688</u>	<u>100.0</u>
<i>as % of total revenue</i>		6.4		6.0		6.6

Impairment Losses

Our impairment losses, net of reversal, represent net impairment losses recognized on inventories, trade and bills receivables and other receivables. In 2023, 2024 and 2025, our impairment losses amounted to RMB16.6 million, RMB17.7 million and RMB26.4 million, respectively.

Finance Costs

	Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
Interest expenses on borrowings	901	82.1	22,541	99.4	37,397	99.7
Interest expenses on lease liabilities	196	17.9	131	0.6	104	0.3
Total	<u>1,097</u>	<u>100.0</u>	<u>22,672</u>	<u>100.0</u>	<u>37,501</u>	<u>100.0</u>
<i>as % of total revenue</i>		0.1		1.5		2.1

Income Tax (Credit)/Expense

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Company are domiciled and operate. During the Track Record Period, our PRC subsidiaries, Union Semiconductor (Hefei) Co., Ltd. and Union Semiconductor Co., Ltd. were accredited as “High and New Technology Enterprise” under the relevant tax rules and regulations and thus was entitled to a preferential corporate income tax rate of 15% during the Track Record Period. Furthermore, the Company is qualified as an IC Enterprise and is therefore entitled to a preferential income tax policy of “two-year exemptions and three-year reductions” so its income tax was exempted in 2023 and 2024, and the income tax rate of 12.5% was applied in 2025. As of the Latest Practicable Date and during the Track Record Period, we have fulfilled all our tax obligations and did not have any unresolved tax disputes.

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YEAR-ON-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Revenue

	Year Ended December 31,				% of Change
	2024		2025		
	RMB	%	RMB	%	
	<i>(in thousands, except for percentages)</i>				
DDIC advanced packaging and testing					
Bumping	1,356,592	90.4	1,579,071	88.6	16.4
CP	630,545	42.0	748,934	42.0	18.8
COG	357,931	23.8	390,704	21.9	9.2
COF	182,796	12.2	185,259	10.4	1.3
COF ⁽¹⁾	185,320	12.4	254,174	14.3	37.2
Others⁽¹⁾	144,428	9.6	204,064	11.4	41.3
Total	1,501,020	100.0	1,783,135	100.0	18.8

Note:

(1) Mainly includes sales of recovered gold.

Sales Volume and Average Selling Price

	Year Ended December 31,			
	2024		2025	
	Sales volume	Average selling price	Sales volume	Average selling price
	Piece/ Thousand Die	RMB	Piece/ Thousand Die	RMB
Bumping	530,534.7	1,188.5	511,312.7	1,464.7
CP	522,331.9	685.3	536,610.6	728.1
COG	1,381,479.1	132.3	1,482,927.6	124.9
COF	357,513.3	518.4	504,013.8	504.3

DDIC advanced packaging and testing

Bumping

Revenue from bumping increased by 18.8% from RMB630.5 million in 2024 to RMB748.9 million in 2025, primarily due to an increase in average selling price from RMB1,188.5 per piece in 2024 to RMB1,464.7 per piece in 2025, mainly driven by a shift in service mix toward bumping for higher-end ICs, which involves more stringent requirements for bump precision and reliability and therefore commands higher unit processing value, as well as the continued increase in gold prices. It was partially offset by a decrease in sales volume from 530.5 thousand pieces in 2024 to 511.3 thousand pieces in 2025, mainly attributable to reduced customer orders for gold bumping due to cost pressures.

CP

Revenue from CP increased by 9.2% from RMB357.9 million in 2024 to RMB390.7 million in 2025, primarily due to (i) an increase in sales volume from 522.3 thousand pieces in 2024 to 536.6 thousand pieces in 2025, as we continued to grow our business and increase our market share, and (ii) an increase in average selling price from RMB685.3 per piece in

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2024 to RMB728.1 per piece in 2025, mainly due to a shift in the service mix for higher-end ICs, which typically require higher probe precision and frequency and involve greater wafer testing complexity.

COG

Revenue from COG increased by 1.3% from RMB182.8 million in 2024 to RMB185.3 million in 2025, primarily due to an increase in sales volume from 1,381.5 million dies in 2024 to 1,482.9 million dies in 2025, driven by sustained demand for DDIC COG, which was supported by stable demand from the consumer electronics sector, in particular smart phones as well as electronic shelf labels, partially offset by a decrease in average selling price from RMB132.3 per thousand dies in 2024 to RMB124.9 per thousand dies in 2025, due to pricing pressure from market competition.

COF

Revenue from COF increased by 37.2% from RMB185.3 million in 2024 to RMB254.2 million in 2025, primarily due to an increase in sales volume from 357.5 million dies in 2024 to 504.0 million dies in 2025, which resulted from continued recovery in consumer electronics, particularly for end products using large-size display panels and smart wearables, supported by the expansion of government subsidy schemes for consumer electronics and home appliances, partially offset by a slight decrease in average selling price from RMB518.4 per thousand dies in 2024 to RMB504.3 per thousand dies in 2025.

Others

Revenue from sales of other products increased by 41.3% from RMB144.4 million in 2024 to RMB204.1 million in 2025, primarily due to increased sales of recycled gold recovered during the production process, driven by higher overall production volumes.

Cost of sales

Cost of sales increased by 18.9% from RMB1,173.9 million in 2024 to RMB1,395.4 million in 2025, primarily due to an increase of RMB163.8 million in cost of raw materials, (ii) an increase of RMB43.8 million depreciation and amortization and (iii) an increase of RMB10.1 million in labor cost, generally in line with our revenue growth and capacity expansion.

Gross profit and gross margin

	Year Ended December 31,			
	2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
DDIC advanced packaging and testing	302,996	22.3	336,872	21.3
Bumping	133,462	21.2	134,334	17.9
CP	92,657	25.9	96,189	24.6
COG	33,434	18.3	37,219	20.1
COF	43,443	23.4	69,130	27.2
Others	24,153	16.7	50,869	24.9
Total/Overall	327,149	21.8	387,741	21.7

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DDIC advanced packaging and testing

Bumping

Gross profit from bumping increased from RMB133.5 million in 2024 to RMB134.3 million in 2025, primarily due to an 18.8% increase in revenue, despite a decrease in gross profit margin from 21.2% in 2024 to 17.9% in 2025, which was primarily attributable to higher gold prices, resulting in reduced customer orders and a lower utilization rate.

CP

Gross profit from CP increased from RMB92.7 million in 2024 to RMB96.2 million in 2025, primarily due to a 9.2% increase in revenue, despite a decrease in gross profit margin from 25.9% in 2024 to 24.6% in 2025, which was mainly due to lower capacity utilization during the ramp-up phase following our capacity expansion.

COG

Gross profit from COG increased from RMB33.4 million in 2024 to RMB37.2 million in 2025, primarily due to (i) a 1.3% increase in revenue and (ii) an increase in gross profit margin from 18.3% in 2024 to 20.1% in 2025, mainly due to lower raw material costs as a result of our cost optimization measures.

COF

Gross profit from COF increased from RMB43.4 million in 2024 to RMB69.1 million in 2025 due to (i) a 37.2% increase in revenue and (ii) an increase in gross profit margin from 23.4% in 2024 to 27.2% in 2025, mainly attributable to a shift in the service mix toward higher-end CP projects, which generated higher gross profit.

Others

Gross profit from sales of other products increased from RMB24.2 million in 2024 to RMB50.9 million in 2025, mainly attributable to (i) increased sales of recycled gold and (ii) higher gold prices, which also increased the gross profit margin.

Other Income

Other income and gains increased by 21.3% from RMB26.8 million in 2024 to RMB32.5 million in 2025, primarily due to an increase in government grants related to our capacity expansion projects.

Other Gains or Losses, Net

Other gains, net decreased by 5.5% from RMB16.3 million in 2024 to RMB15.4 million in 2025, primarily due to (i) a change in net foreign exchange position from a gain of RMB6.6 million in 2024 to a loss of RMB1.3 million in 2025 and (ii) a decrease in net gains on disposal of property, plant and equipment from RMB6.3 million in 2024 to RMB2.2 million in 2025, partially offset by an increase in the fair value gains on financial assets measured at FVTPL from RMB1.2 million in 2024 to RMB8.4 million in 2025.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 7.0% from RMB11.5 million in 2024 to RMB12.3 million in 2025, primarily due to (i) an increase in employee compensation from RMB4.1 million in 2024 to RMB4.8 million in 2025, as a result of an increase in average staff costs and (ii) an increase in travel and accommodation expenses from RMB4.4 million in 2024 to RMB5.1 million in 2025, generally in line with our business growth and increased marketing activities,

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partially offset by a decrease in share-based payment from RMB2.7 million in 2024 to RMB2.3 million in 2025. Our selling and marketing expenses as a percentage of our total revenue remained stable between 2024 and 2025.

Administrative Expenses

Our administrative expenses increased by 9.5% from RMB75.7 million in 2024 to RMB82.9 million in 2025, primarily due to (i) an increase in employee compensation from RMB22.4 million in 2024 to RMB26.9 million in 2025, mainly due to an increase in average staff costs and the expansion of our administrative and management personnel count to support our operations and (ii) an increase in share-based payment from RMB15.4 million in 2024 to RMB18.2 million in 2025, partially offset by a decrease in professional service fees from RMB6.7 million in 2024 to RMB4.2 million in 2025. Our administrative expenses as a percentage of our total revenue decreased slightly from 5.0% in 2024 to 4.7% in 2025.

Research and Development Expenses

Our research and development expenses increased by 31.7% from RMB89.4 million in 2024 to RMB117.7 million in 2025, primarily due to (i) an increase in depreciation and amortization from RMB24.8 million in 2024 to RMB37.4 million in 2025, mainly associated with newly acquired equipment supporting our ongoing technology development and production process improvement initiatives, as well as an increased allocation of depreciation of shared equipment to R&D based on work orders and higher R&D material consumption, and (ii) an increase in direct material costs from RMB15.7 million in 2024 to RMB24.0 million in 2025, mainly due to higher consumption of testing wafers and other R&D materials in line with the increased scale of our R&D projects. Our research and development expenses as a percentage of our total revenue increased from 6.0% in 2024 to 6.6% in 2025.

Impairment Losses

Our impairment losses increased by 49.2% from RMB17.7 million in 2024 to RMB26.4 million in 2025, primarily due to higher provisions for inventories, which were mainly attributable to the ramp-up of our newly expanded capacity. During this ramp-up period, relatively lower utilization rates led to higher unit production costs, thereby reducing the net realizable value of certain inventories and resulting in increased impairment provisions.

Finance Costs

Finance costs increased by 65.2% from RMB22.7 million in 2024 to RMB37.5 million in 2025, primarily due to an increase in interest expenses on borrowings used to fund our capacity expansion and capital expenditure.

Income Tax (Credit)/Expense

We recorded income tax expense of RMB4.3 million in 2025, primarily due to an increase in deductible temporary differences under our share-based compensation plans, driven by the increase in our share price during the year and a decrease in taxable temporary differences following the amortization of interest adjustments on the convertible bonds, partially offset by a deferred tax credit of RMB9.7 million.

Profit for the Year

As a result of the foregoing, profit for the year decreased by 3.2% from RMB159.8 million in 2024 to RMB154.7 million in 2025.

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Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

	Year Ended December 31,				% of change
	2023		2024		
	RMB	%	RMB	%	
	<i>(in thousands, except for percentages)</i>				
DDIC advanced packaging and testing	1,168,454	94.4	1,356,592	90.4	16.1
Bumping	534,595	43.2	630,545	42.0	17.9
CP	314,527	25.4	357,931	23.8	13.8
COG	148,611	12.0	182,796	12.2	23.0
COF	170,721	13.8	185,320	12.4	8.6
Others⁽¹⁾	69,839	5.6	144,428	9.6	106.8
Total	1,238,293	100.0	1,501,020	100.0	21.2

Note:

(1) Mainly includes sales of recovered gold.

Sales Volume and Average Selling Price

	Year Ended December 31,			
	2023		2024	
	Sales volume	Average selling price	Sales volume	Average selling price
	Piece/ Thousand Die	RMB	Piece/ Thousand Die	RMB
Bumping	475,966.9	1,123.2	530,534.7	1,188.5
CP	451,222.6	697.1	522,331.9	685.3
COG	1,034,925.5	143.6	1,381,479.1	132.3
COF	326,391.6	523.1	357,513.3	518.4

DDIC advanced packaging and testing services

Bumping

Revenue from bumping increased by 17.9% from RMB534.6 million in 2023 to RMB630.5 million in 2024, primarily due to (i) an increase in sales volume from 476.0 thousand pieces in 2023 to 530.5 thousand pieces units in 2024, driven by a recovery in downstream demand in consumer electronics along with our increased production capacity, and (ii) an increase in average selling price from RMB1,123.2 per piece in 2023 to RMB1,188.5 per piece in 2024, driven by a shift in service mix toward higher-end ICs, which entails more stringent requirements for bump precision and reliability and therefore higher unit processing value, as well as the increase in gold prices.

CP

Revenue from CP increased by 13.8% from RMB314.5 million in 2023 to RMB357.9 million in 2024, primarily due to an increase in sales volume from 451.2 thousand pieces in 2023 to 522.3 thousand pieces in 2024, driven by growing downstream demand in consumer

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electronics and increased wafer output for advanced process nodes, partially offset by a decrease in average selling price from RMB697.1 per piece in 2023 to RMB685.3 per piece in 2024, due to our strategic pricing adjustment to gain more market share.

COG

Revenue from COG increased by 23.0% from RMB148.6 million in 2023 to RMB182.8 million in 2024, primarily due to an increase in sales volume from 1,034.9 million dies in 2023 to 1,381.5 million dies in 2024, attributable to rebounding demand for smartphones and small- to medium-sized panels, partially offset by a decrease in average selling price from RMB143.6 per thousand dies in 2023 to RMB132.3 per thousand dies in 2024, due to pricing pressure from market competition.

COF

Revenue from COF increased by 8.6% from RMB170.7 million in 2023 to RMB185.3 million in 2024, primarily due to an increase in sales volume from 326.4 million dies in 2023 to 357.5 million dies in 2024, driven by recovery in consumer electronics, particularly for end products using large-size display panels, partially offset by a slight decrease in average selling price from RMB523.1 per thousand dies in 2023 to RMB518.4 per thousand dies in 2024.

Others

Revenue from sales of other products increased by 106.8% from RMB69.8 million in 2023 to RMB144.4 million in 2024, primarily due to increased sales of recycled gold recovered during the production process.

Cost of sales

Cost of sales increased by 28.9% from RMB910.8 million in 2023 to RMB1,173.9 million in 2024 primarily due to (i) an increase of RMB155.5 million in cost of raw materials, (ii) an increase of RMB74.9 million in depreciation and amortization and (iii) an increase of RMB17.6 million in labor cost, generally in line with our revenue growth and capacity expansion.

Gross profit and gross margin

	Year Ended December 31,			
	2023		2024	
	Gross profit RMB	Gross profit margin %	Gross profit RMB	Gross profit margin %
	<i>(in thousands, except for percentages)</i>			
DDIC advanced packaging and testing services	317,436	27.2	302,996	22.3
Bumping	125,922	23.6	133,462	21.2
CP	106,662	33.9	92,657	25.9
COG	29,392	19.8	33,434	18.3
COF	55,460	32.5	43,443	23.4
Others	10,081	14.4	24,153	16.7
Total/Overall	327,517	26.4	327,149	21.8

Gross profit decreased from RMB327.5 million in 2023 to RMB327.1 million in 2024. Gross profit margin decreased from 26.4% in 2023 to 21.8% in 2024.

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DDIC advanced packaging and testing

Bumping

Gross profit from bumping increased by 6.0% from RMB125.9 million in 2023 to RMB133.5 million in 2024, primarily due to an 17.9% increase in revenue, despite a decrease in gross profit margin from 23.6% in 2023 to 21.2% in 2024, primarily attributable to the increase in gold prices.

CP

Gross profit from CP decreased by 13.1% from RMB106.7 million in 2023 to RMB92.7 million in 2024, primarily due to a decrease in gross profit margin from 33.9% in 2023 to 25.9% in 2024, which was attributable to lower utilization during the ramp-up phase of our expanded capacity, which, together with increased depreciation, led to higher unit production costs, despite a 13.8% increase in revenue.

COG

Gross profit from COG increased by 13.6% from RMB 29.4 million in 2023 to RMB33.4 million in 2024, primarily due to a 23.0% increase in revenue, despite a decrease in gross profit margin from 19.8% in 2023 to 18.3% in 2024, which was mainly attributable to pricing pressure arising from intense market competition, which led to margin compression.

COF

Gross profit from COF decreased by 21.8% from RMB55.5 million in 2023 to RMB43.4 million in 2024, primarily due to a decrease in gross profit margin from 32.5% in 2023 to 23.4% in 2024, attributable to lower utilization during the ramp-up phase of our expanded capacity, which, together with increased depreciation, led to higher unit production costs, despite an 8.6% increase in revenue.

Others

Gross profit from sales of other products increased from RMB10.1 million in 2023 to RMB24.2 million in 2024, mainly attributable to higher gold prices and increased sales. Gross profit margin from sales of other products increased from 14.4% in 2023 to 16.7% in 2024.

Other Income

Other income and gains decreased by 17.5% from RMB32.5 million in 2023 to RMB26.8 million in 2024, primarily due to decreases in interest income and government grants.

Other Gains or Losses, Net

Other gains, net increased by 10.1% from RMB14.8 million in 2023 to RMB16.3 million in 2024, primarily due to (i) an increase in net gains on disposal of property, plant and equipment from RMB2.6 million in 2023 to RMB6.3 million in 2024 and (ii) an increase in net foreign exchange gain from RMB4.1 million in 2023 to RMB6.6 million in 2024, partially offset by a decrease in the fair value gains on financial assets measured at FVTPL from RMB4.2 million in 2023 to RMB1.2 million in 2024.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 36.9% from RMB8.4 million in 2023 to RMB11.5 million in 2024, primarily due to (i) an increase in travel and accommodation expenses from RMB1.6 million in 2023 to RMB4.4 million in 2024, generally due to our business growth and increased marketing activities and (ii) an increase in share-based payment expenses from

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RMB2.4 million in 2023 to RMB2.7 million in 2024, mainly due to additional grants under our share incentive plan. Our selling and marketing expenses as a percentage of our total revenue remained stable between 2023 and 2024.

Administrative Expenses

Our administrative expenses increased by 1.9% from RMB74.3 million in 2023 to RMB75.7 million in 2024, primarily due to an increase in depreciation and amortization from RMB7.9 million in 2023 to RMB12.6 million in 2024, mainly attributable to the addition of our office equipment. Our administrative expenses as a percentage of our total revenue decreased from 6.0% in 2023 to 5.0% in 2024 primarily due to greater economies of scale.

Research and Development Expenses

Our research and development expenses increased by 13.3% from RMB78.9 million in 2023 to RMB89.4 million in 2024, primarily due to (i) an increase in direct material costs from RMB12.1 million in 2023 to RMB15.7 million in 2024, in line with our business growth, (ii) an increase in labor costs from RMB31.4 million in 2023 to RMB34.8 million in 2024, mainly attributable to the expansion of the R&D workforce. Our research and development expenses as a percentage of our total revenue decreased from 6.4% in 2023 to 6.0% in 2024, primarily due to greater economies of scale.

Impairment Losses

Our impairment losses, net of reversal, increased by 6.6% from a loss of RMB16.6 million in 2023 to a loss of RMB17.7 million in 2024, primarily due to higher provisions for inventories attributable to our capacity expansion. This increase was partially offset by lower provisions for trade and bills receivables.

Finance Costs

Finance costs increased from RMB1.1 million in 2023 to RMB22.7 million in 2024, primarily due to an RMB21.6 million increase in interest expenses on borrowings incurred to support our capacity expansion projects.

Income Tax (Credit)/Expense

Income tax credit increased from RMB0.4 million in 2023 to RMB6.4 million in 2024, primarily due to the reversal of certain temporary differences for which deferred tax had been recognized in 2023.

Profit for the Year

As a result of the foregoing, profit for the year decreased from RMB196.0 million in 2023 to RMB159.8 million in 2024.

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DISCUSSION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

The following table sets forth the breakdown of our property, plant, and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>(in RMB thousands)</i>		
Buildings and structures	272,951	268,896	377,105
Machinery and equipment	2,112,260	2,400,828	2,320,874
Motor vehicles	1,503	1,208	1,529
Office equipment	8,398	16,678	15,715
Construction-in-progress	180,685	79,841	86,826
Total	<u>2,575,797</u>	<u>2,767,451</u>	<u>2,802,049</u>

Our property, plant, and equipment increased from RMB2,575.8 million as of December 31, 2023 to RMB2,767.5 million as of December 31, 2024, primarily due to an increase in machinery and equipment, primarily driven by the expansion of our production capacity to meet customer’s demand, partially offset by a decrease in construction-in-progress from RMB180.7 million as of December 31, 2023 to RMB79.8 million as of December 31, 2024, as certain projects were completed and transferred to fixed assets.

Our property, plant, and equipment increased slightly from RMB2,767.5 million as of December 31, 2024 to RMB2,802.0 million as of December 31, 2025, primarily due to (i) an increase in buildings and structures from RMB268.9 million as of December 31, 2024 to RMB377.1 million as of December 31, 2025 and (ii) an increase in construction-in-progress from RMB79.8 million as of December 31, 2024 to RMB86.8 million as of December 31, 2025, partially offset by a decrease in machinery and equipment from RMB2,400.8 million as of December 31, 2024 to RMB2,320.9 million as of December 31, 2025, reflecting depreciation on existing machinery and equipment.

Inventories

The table below sets forth the breakdown of our inventories as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>(in RMB thousands)</i>		
Raw materials	151,696	179,774	188,415
Work in progress	7,911	8,718	12,179
Finished goods	85,589	111,566	117,409
Less: Provision for inventories	(8,198)	(11,715)	(14,218)
Total	<u>236,998</u>	<u>288,343</u>	<u>303,785</u>

Our inventories increased from RMB237.0 million as of December 31, 2023 to RMB288.3 million as of December 31, 2024, primarily due to (i) an increase in raw materials from RMB151.7 million as of December 31, 2023 to RMB179.8 million as of December 31, 2024, driven by higher production needs, (ii) an increase in finished goods from RMB85.6 million as of December 31, 2023 to RMB111.6 million as of December 31, 2024, mainly due to build-up of inventory in anticipation of future sales and (iii) an increase in work in progress from RMB7.9 million as of

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December 31, 2023 to RMB8.7 million as of December 31, 2024, reflecting higher production activity, partially offset by an increase in the provision from RMB8.2 million as of December 31, 2023 to RMB11.7 million as of December 31, 2024.

Our inventories increased from RMB288.3 million as of December 31, 2024 to RMB303.8 million as of December 31, 2025, primarily due to (i) an increase in raw materials from RMB179.8 million as of December 31, 2024 to RMB188.4 million as of December 31, 2025, driven by higher gold prices and increased purchases of gold-related raw materials to support our production needs, (ii) an increase in finished goods from RMB111.6 million as of December 31, 2024 to RMB117.4 million as of December 31, 2025, driven by the rise in gold prices and increased COF production volume and (iii) an increase in work in progress from RMB8.7 million as of December 31, 2024 to RMB12.2 million as of December 31, 2025, driven by increased COF production volume, partially offset by an increase in provision from RMB11.7 million as of December 31, 2024 to RMB14.2 million as of December 31, 2025.

The table below sets forth the turnover days of our inventories for the year indicated.

	Year ended December 31,		
	2023	2024	2025
Inventories turnover days*	89	82	77

Note:

* Inventories turnover days for each year equals the average of the beginning and ending balances of inventories for that period divided by cost of sales for that year and multiplied by 365 days.

Our inventories turnover days decreased from 89 days in 2023 to 82 days in 2024, and further decreased to 77 days in 2025, primarily due to faster inventory turnover driven by more active shipments to customers.

Subsequent Utilization

As of March 31, 2026, 59.0% of our total inventories as of December 31, 2025, or RMB187.5 million, were utilized or sold.

Aging analysis

The following table sets forth an aging analysis for our inventories as of the dates indicated.

	Year ended December 31,		
	2023	2024	2025
	<i>(in RMB thousands)</i>		
Within six months	209,880	248,083	274,365
Over six months but within one year	20,377	37,955	24,399
Over one year	14,939	14,020	19,239
Total	245,196	300,058	318,003

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Trade and Bills Receivables

The table below sets forth the breakdown of trade and bills receivables as of the dates indicated. We usually grant credit periods based on our customers’ credit risk characteristics, which is consistent with industry practice.

	As of December 31,		
	2023	2024	2025
	<i>(in RMB thousands)</i>		
Trade receivables	243,417	289,234	377,771
Less: ECL allowance of trade receivables	(12,171)	(14,462)	(18,889)
Bills receivable	—	489	93
Total	231,246	275,261	358,975

Our trade and bills receivables increased from RMB231.2 million as of December 31, 2023 to RMB275.3 million as of December 31, 2024, and further increased to RMB359.0 million as of December 31, 2025, in line with our revenue growth.

The table below sets forth an aging analysis of our trade receivables, net of ECL allowance, as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>(in RMB thousands)</i>		
Within one year	231,246	274,772	358,882
Total	231,246	274,772	358,882

The table below sets forth the turnover days of our trade and bills receivables for the year indicated.

	Year ended December 31,		
	2023	2024	2025
Trade and bills receivables turnover days*	50	62	65

Note:

* Trade and bills receivables turnover days for each year equals the average of the beginning and ending balances of trade and bills receivables for that year divided by revenue for that year and multiplied by 365 days.

Our trade and bills receivables turnover days increased from 50 days in 2023 to 62 days in 2024, and further increased to 65 days in 2025, primarily due to an increase in sales to certain customers with relatively longer credit terms and extended settlement cycles amid our business growth.

Subsequent Settlement

As of March 31, 2026, 95.9% of our total trade receivables as of December 31, 2025, or RMB362.5 million, were settled.

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Trade and Bills Payables

Our trade and bills payables primarily represent outstanding amounts owed to third parties, including payables for raw materials and equipment. Our suppliers usually grant us a credit period ranging from 0 to 90 days from invoice date.

The table below sets forth the breakdown of our trade and bills payables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>(in RMB thousands)</i>		
Trade payables	141,330	131,897	119,743
Bills payables	3,996	6,126	5,652
Total	145,326	138,023	125,395

During the Track Record Period, our trade and bills payables decreased from RMB145.3 million as of December 31, 2023 to RMB138.0 million as of December 31, 2024, and further decreased to RMB125.4 million as of December 31, 2025, as result of a decrease in payables for equipment. This was mainly attributable to the timing of our equipment procurement and payment arrangements, as a greater proportion of equipment purchases was made on an advance payment basis, resulting in lower outstanding balances of equipment-related payables at the relevant period ends.

The table below sets forth the aging analysis of the trade and bills payables.

	As of December 31,		
	2023	2024	2025
	<i>(in RMB thousands)</i>		
Within one year	141,019	128,236	122,230
One to two years	3,916	7,538	1,573
Over two years	391	2,249	1,592
Total	145,326	138,023	125,395

The table below sets forth the turnover days of our trade and bills payables for the year indicated.

	Year ended December 31,		
	2023	2024	2025
Trade and bills payables turnover days*	46	44	34

Note:

* Trade and bills payables turnover days for each year equals the average of the beginning and ending balances of trade and bills payables for that year divided by cost of sales for that year and multiplied by 365 days.

During the Track Record Period, our trade and bills payables turnover days remained stable from 2023 to 2024. Our trade and bills payables turnover days decreased to 34 days in 2025, primarily due to (i) substantially increased purchases of raw materials, particularly gold resin which is typically settled on a spot basis, and such increase was as a result of the increase of gold prices and production volumes, and (ii) lower payables for property, plant and equipment, driven by the

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timing of equipment procurement and payment arrangements, as a higher proportion of equipment purchases was settled through advance payments and reduced scale of additional equipment procurement during the period.

Subsequent Settlement

As of March 31, 2026, 55.5% of our total trade and bills payables as of December 31, 2025, or RMB69.6 million, were settled.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through a combination of cash generated from operations and borrowings. As of December 31, 2025, we had bank balances deposits and cash of RMB246.2 million. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash generated from operations and net [REDACTED] from the [REDACTED]. As of December 31, 2025, we had borrowings of RMB1,015.5 million. As of December 31, 2025, we had lease liabilities of RMB1.8 million.

Taking into account the net [REDACTED] from the [REDACTED] and cash generated from operations, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this document.

Cash Flows

The table below sets forth our cash flows for the years indicated.

	Year ended December 31,		
	2023	2024	2025
	<i>(in RMB thousands)</i>		
Net cash generated from operating activities	351,460	500,864	692,459
Net cash used in investing activities	(550,083)	(1,248,770)	(642,136)
Net cash generated from/(used in) financing activities	178,996	785,208	(75,796)
Net (decrease)/increase in cash and cash equivalents	<u>(19,627)</u>	<u>37,302</u>	<u>(25,473)</u>
Cash and cash equivalents as of the beginning of year	<u>128,774</u>	<u>109,639</u>	<u>152,038</u>
Cash and cash equivalents as of the end of the year	<u><u>109,639</u></u>	<u><u>152,038</u></u>	<u><u>129,706</u></u>

Operating Activities

In 2025, we had net cash generated from operating activities of RMB692.5 million, primarily comprising proceeds from sales of goods of RMB1,785.6 million, partially offset by (i) cash paid for materials and services of RMB925.1 million, (ii) cash paid for salaries of RMB208.9 million and (iii) income tax and other taxes paid of RMB16.4 million.

In 2024, we had net cash generated from operating activities of RMB500.9 million, primarily comprising proceeds from sales of goods of RMB1,536.6 million, partially offset by (i) cash paid for materials and services of RMB895.7 million, (ii) cash paid for salaries of RMB198.6 million and (iii) cash paid related to other operating activities of RMB13.7 million.

In 2023, we had net cash generated from operating activities of RMB351.5 million, primarily comprising proceeds from sales of goods of RMB1,119.7 million, partially offset by (i) cash paid for materials and services of RMB642.7 million and (ii) cash paid for salaries of RMB164.4 million.

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Investing Activities

In 2025, we had net cash used in investing activities of RMB642.1 million, primarily comprising (i) purchase of wealth management products and structured deposits of RMB2,207.3 million and (ii) purchase of property, plant and equipment, intangible assets and other non-current assets of RMB459.8 million, partially offset by proceeds from wealth management products and structured deposits of RMB2,297.3 million.

In 2024, we had net cash used in investing activities of RMB1,248.8 million, primarily comprising (i) purchase of wealth management products and structured deposits of RMB1,649.0 million and (ii) purchase of property, plant and equipment, intangible assets and other non-current assets of RMB583.5 million, partially offset by proceeds from wealth management products and structured deposits of RMB989.0 million.

In 2023, we had net cash used in investing activities of RMB550.1 million, primarily comprising (i) purchase of property, plant and equipment, intangible assets and other non-current assets of RMB1,188.2 million, mainly involving purchases of equipment and construction of production facilities and (ii) purchase of wealth management products and structured deposits of RMB998.0 million, partially offset by proceeds from wealth management products and structured deposits of RMB1,698.0 million.

Financing Activities

In 2025, we had net cash used in financing activities of RMB75.8 million, primarily comprising (i) dividends paid to owners of the Company of RMB78.5 million and (ii) repayment of borrowings of RMB73.1 million, partially offset by proceeds from restricted share incentive plan and employee stock ownership plan of RMB66.0 million.

In 2024, we had net cash generated from financing activities of RMB785.2 million, primarily comprising (i) proceeds from issuance of convertible bonds of RMB1,148.7 million and (ii) proceeds from borrowings of RMB395.5 million, partially offset by repayment of borrowings of RMB581.6 million.

In 2023, we had net cash generated from financing activities of RMB179.0 million, primarily comprising proceeds from borrowings of RMB185.4 million, partially offset by payments for other financing activities of RMB5.5 million.

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Net Current Assets/Liabilities

The table below sets forth our current assets and liabilities as of the dates indicated.

	As of December 31,			As of
	2023	2024	2025	March 31, 2026
	<i>(in RMB thousands)</i>			<i>(unaudited)</i>
Current assets				
Inventories	236,998	288,343	303,785	382,505
Trade and bills receivables	231,246	275,261	358,975	339,445
Deposits, prepayments and other receivables	43,520	76,846	78,816	118,054
Financial assets at FVTPL	20,192	681,606	534,505	375,921
Other financial assets at amortized cost . .	—	—	60,004	60,002
Restricted bank deposits	503	7,629	10,713	10,976
Bank balances, deposits and cash				
Time deposits with original maturity over three months and due within one year	10,449	128,669	116,451	138,782
Cash and cash equivalents	109,639	152,038	129,706	270,785
Total current assets	652,547	1,610,392	1,592,955	1,696,470
Current liabilities				
Trade and bills payable	145,326	138,023	125,395	173,630
Other payables and accruals	28,699	20,842	73,758	74,142
Contract liabilities	2,906	1,719	6,023	34,860
Borrowings	185,593	—	84,577	173,002
Lease liabilities	2,362	1,841	1,206	1,283
Derivative financial instruments	—	—	2,653	4,282
Income tax payable	—	—	3,214	3,214
Total current liabilities	364,886	162,425	296,826	464,413
Net current assets	287,661	1,447,967	1,296,129	1,232,057

Comparison between March 31, 2026 and December 31, 2025

Our net current assets decreased from RMB1,296.1 million as of December 31, 2025 to RMB1,232.1 million as of March 31, 2026, primarily due to (i) an increase in borrowings from RMB84.6 million to RMB173.0 million and (ii) an increase in trade and bills payables from RMB125.4 million to RMB173.6 million, partially offset by (i) an increase in cash and cash equivalents from RMB129.7 million to RMB270.8 million and (ii) an increase in inventories from RMB303.8 million to RMB382.5 million.

Comparison between December 31, 2025 and December 31, 2024

Our net current assets decreased from RMB1,448.0 million as of December 31, 2024 to RMB1,296.1 million as of December 31, 2025, primarily due to (i) a decrease in financial assets at FVTPL from RMB681.6 million to RMB534.5 million and (ii) an increase in borrowings from nil to RMB84.6 million, partially offset by (i) an increase in trade and bills receivables from RMB275.3 million to RMB359.0 million and (ii) an increase in other financial assets at amortized cost from nil to RMB60.0 million.

Comparison between December 31, 2024 and December 31, 2023

Our net current assets increased from RMB287.7 million as of December 31, 2023 to RMB1,448.0 million as of December 31, 2024, primarily due to (i) an increase in financial assets at FVTPL from RMB20.2 million to RMB681.6 million and (ii) an increase in deposits, prepayments

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and other receivables from RMB43.5 million to RMB76.8 million, partially offset by (i) a decrease in borrowings from RMB185.6 million to nil and (ii) a decrease in other payables and accruals from RMB28.7 million to RMB20.8 million.

INDEBTEDNESS

The table below sets forth our indebtedness as of the dates indicated.

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>(in RMB thousands)</i>			<i>(unaudited)</i>
Current				
Borrowings	185,593	—	84,577	173,002
Lease liabilities	2,362	1,841	1,206	1,283
Non-current				
Borrowings	—	1,113,988	930,956	461,518
Lease liabilities	1,269	976	592	538
Total	<u>189,224</u>	<u>1,116,805</u>	<u>1,017,331</u>	<u>636,341</u>

Borrowings

As of December 31, 2023, 2024 and 2025, we had borrowings of RMB185.6 million, RMB1,114.0 million and RMB1,015.5 million, respectively. As of March 31, 2026, we had borrowings of RMB634.5 million. As of March 31, 2026, our total banking facilities amounted to RMB340.0 million, of which RMB109.6 million had been utilized. The table below sets forth the categories of our borrowings as of the dates indicated.

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>(in RMB thousands)</i>			<i>(unaudited)</i>
Current				
Credit borrowings	185,593	—	67,008	117,421
Pledged borrowings	—	—	17,569	55,581
Non-current				
Convertible bonds	—	1,113,988	930,956	461,518
Total	<u>185,593</u>	<u>1,113,988</u>	<u>1,015,533</u>	<u>634,520</u>

Lease liabilities

Our lease liabilities, including current and non-current portions, were primarily in relation to staff dormitories.

The balance of our lease liabilities, including both current and non-current portions, decreased from RMB3.6 million as of December 31, 2023 to RMB2.8 million as of December 31, 2024 and further decreased to RMB1.8 million as of December 31, 2025, reflecting scheduled repayments and the ongoing amortization of existing lease liabilities, as no material new leases were entered into during the Track Record Period. Our lease liabilities remained stable as of December 31, 2025 and March 31, 2026.

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Contingent liabilities

As of December 31, 2025, we did not have any contingent liabilities.

Save as disclosed above, we did not have any bank and other loan, or any loan capital issued and outstanding or agreed to be issued, bank overdraft, borrowing or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as of the Latest Practicable Date for our indebtedness statement. We did not have any material covenants and undertakings on outstanding debts, guarantees, pledge of key assets or other contingent obligations, or breaches during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that there has not been any material changes in our indebtedness since December 31, 2025 up to the date of this document.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

The table below sets forth our capital expenditure for the years indicated.

	Year ended December 31,		
	2023	2024	2025
	<i>(in RMB thousands)</i>		
Purchase of property, plant and equipment, intangible assets and other non-current assets	1,188,191	583,538	459,815
Total	1,188,191	583,538	459,815

During the Track Record Period, our capital expenditure was primarily for purchase of property, plant and equipment and purchase of other intangible assets.

Capital Commitments

The table below sets forth our capital commitments for the years indicated.

	Year ended December 31,		
	2023	2024	2025
	<i>(in RMB thousands)</i>		
Contracted but not provided for:			
— Acquisition of property, plant and equipment	245,923	181,243	281,137
— Equity investments	—	—	25,000
Total	245,923	181,243	306,137

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KEY FINANCIAL RATIOS

The table below sets forth our key financial ratio for the years or as of the dates indicated.

	<u>For the year ended/As of December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Gross margin ⁽¹⁾	26.4%	21.8%	21.7%
Net profit margin ⁽²⁾	15.8%	10.6%	8.7%
Return on assets ⁽³⁾	5.8%	3.9%	3.3%
Return on equity ⁽⁴⁾	6.5%	5.0%	4.6%
Current ratio ⁽⁵⁾	1.8	9.9	5.4
Quick ratio ⁽⁶⁾	1.1	8.1	4.3
Gearing ratio ⁽⁷⁾	5.9%	34.8%	28.6%
OCF/net profit ratio ⁽⁸⁾	179.3%	313.5%	447.5%

Notes:

- (1) Gross margin is calculated as gross profit for the year divided by revenue for the corresponding year and multiplied by 100%.
- (2) Net profit margin is calculated as net profit for the year divided by revenue for the corresponding year and multiplied by 100%.
- (3) Return on assets is calculated as net profit for the year divided by the average total assets and multiplied by 100%. Average total assets is the sum of the balance of total assets at the beginning and at the end of the year, divided by two.
- (4) Return on equity is calculated as net profit for the year divided by the average total equity and multiplied by 100%. Average total equity is the sum of the balance of total equity at the beginning and at the end of the year, divided by two.
- (5) Current ratio is calculated as total current assets as at the end of the year divided by total current liabilities as at the end of the corresponding year.
- (6) Quick ratio is calculated as total current assets less inventories as at the end of the year and divided by total current liabilities as at the end of the corresponding year.
- (7) Gearing ratio is calculated as the total interest bearing liabilities as at the end of the year divided by total equity as at the end of the corresponding year and multiplied by 100%.
- (8) OCF/Net profit ratio is calculated as net cash generated from operating activities for the year divided by net profit for the corresponding year and multiplied by 100%.

DISCLOSURE ABOUT FINANCIAL RISKS

We are exposed to a variety of financial risks including currency risk, credit risk and liquidity risk. For details of our risk exposure and sensitivity analysis, see note 39 to “Appendix I — Accountants’ Report” for further details.

Credit Risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to us. Our exposure to credit risk, which is primarily attributable to trade and bills receivables and other receivables, mainly arises from granting credit to customers in the ordinary course of our operations and from our investing activities.

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Interest Rate Risk

We are exposed to fair value interest rate risk that primarily arises from long-term bonds issued at fixed rates. We determine the proportion of borrowings and bonds issued at variable rates and fixed rates based on the market environment. We have been monitoring the level of interest rates, and management did not consider it necessary to use interest rate swaps to hedge the exposure to interest rate risk.

Foreign Currency Risk

Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity’s functional currency. We are exposed to foreign exchange risk primarily through business activities which give rise to receivables, payables and bank deposits that are denominated in a foreign currency that is not the entity’s functional currency. We manage and monitor our exposure to currency risk to ensure appropriate measures are implemented in a timely and effective manner.

Liquidity Risk

Liquidity risk relates to the risk that we will not be able to meet our obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. We are exposed to liquidity risk in respect of settlement of trade and other payables, lease liabilities and bank borrowing and also in respect of our cash flow management. To manage our liquidity risk, we maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Capital Management

The primary objectives of our capital management are to ensure our ability to continue as a going concern and to provide an adequate return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders’ value in the long term.

We actively and regularly review our capital structure and make adjustments in light of changes in economic conditions. As part of this review, the management considers cost of capital and the risks associated with the issued share capital. We may issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period, we did not enter into any off-balance sheet arrangements.

DIVIDEND POLICY

In 2023, 2024 and 2025, our Company declared dividends of nil, RMB82.4 million and RMB78.5 million, all of which had been paid in full. See Note 11 to the Accountants’ Report included in Appendix I to this document for details.

Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to the dividend policy under our constitutional documents, applicable PRC Law and approval by the meeting of our Shareholders. Our Company may distribute dividends in cash, stocks or a combination of cash and stocks, and give priority to profit distribution in cash, where eligible. Pursuant to the dividend policy under our Articles of Association, the aggregate amount of cash dividends distributed by the Company over any consecutive three-year period shall be no less than 30% of our Company’s average annual net profit realized over such three-year period. We do not have a fixed dividend distribution ratio.

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DISTRIBUTABLE RESERVE

As of December 31, 2025, we had distributable reserves of RMB540.5 million.

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

RELATED-PARTY TRANSACTIONS

Related party transactions are set out in note 37 to “*Appendix I — Accountants’ Report.*” Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on an arm’s length basis. For related party loans, advances, guarantees and/or pledges of securities including the terms and the plans for these arrangements after the [REDACTED], if any, see also note 37 to “*Appendix I — Accountants’ Report*” for further details.

UNAUDITED [REDACTED] FINANCIAL INFORMATION

Please refer to “*Appendix II — [REDACTED] Financial Information*” for details.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] commission and fees incurred in connection with the [REDACTED] and the [REDACTED]. During the Track Record Period, we did not incur any [REDACTED] expenses. Our [REDACTED] expenses are estimated to be approximately HK\$[REDACTED] (including [REDACTED] commission), accounting for [REDACTED]% of the gross [REDACTED] of the [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the low-point of the [REDACTED] range stated in this document, and no exercise of the [REDACTED]). Among our [REDACTED] expenses, approximately HK\$[REDACTED] is directly attributable to the issuance of H Shares and will be charged to equity upon completion of the [REDACTED], and approximately HK\$[REDACTED] has been or will be charged to our consolidated statements of profit or loss and other comprehensive income. The [REDACTED] expenses we expect to incur would consist of approximately HK\$[REDACTED] [REDACTED] related expenses and fees (including [REDACTED] commissions, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy), approximately HK\$[REDACTED] non-[REDACTED]-related expenses and fees of the Sole Sponsor, legal advisors and reporting accountant and approximately HK\$[REDACTED] for other non-[REDACTED]-related fees and expenses. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and as of the date of this document, all outstanding convertible bonds of the Company have been fully converted into shares or redeemed in accordance with their respective terms. The Directors confirm that the aforesaid conversion and redemption did not have any material adverse effect on the financial position or results of operations of the Group.

For the three months ended March 31, 2026, we recorded a net loss, primarily due to (i) significant fluctuations in gold prices, the time lag in passing increased costs on to customers and lower capacity utilization as a result of insufficient order volume, which in turn increased unit depreciation and labor costs and led to a decline in gross profit and (ii) increased R&D expenses, share-based compensation expenses and foreign exchange losses as compared with the corresponding period in 2025, which further contributed to the decline in profitability. Since then, gold price fluctuations moderated and our utilization rates also improved. As a result, we do not expect the foregoing to have a material and adverse effect on our business operation and financial condition.

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Saved as disclosed above, 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 up to the Latest Practicable Date, and there has been no event since December 31, 2025 that would materially affect the information as set out in “*Appendix I — Accountants’ Report*” to this document.

RELATIONSHIP WITH SINGLE LARGEST GROUP OF SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, the Company was held as to approximately (i) 0.14% directly by Mr. Cheng, (ii) 2.38% directly by Ms. Yang, (iii) 17.57% by Yangzhou Xinruilian, (iv) 3.81% by Converge Achievement, (v) 1.26% by Potential International, and (vi) 1.12% by Hefei Xincheng. Yangzhou Xinruilian was held as to 14% by Ms. Yang as its general partner and 80% by Hefei Bairuifa as a limited partner. Hefei Bairuifa was held as to 0.7% by Ms. Yang as its general partner and 99% by Bai Rui Fa Investment as a limited partner. Bai Rui Fa Investment was controlled by Bai Rui Fa Holding, which was in turn wholly owned by Mega Rich. Mega Rich was wholly owned by Mr. Cheng. Each of Converge Achievement, Potential International and Hefei Xincheng was also controlled by Mr. Cheng. Mr. Cheng and Ms. Yang are spouses. Accordingly, as of the Latest Practicable Date, Mr. Cheng and Ms. Yang, collectively, controlled approximately 26.28% of the total issued share capital of the Company. For a simplified corporate structure chart of the Group before the [REDACTED], see “History and Development” in this document.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan), Mr. Cheng and Ms. Yang, collectively, will control approximately [REDACTED]% of the total issued share capital of the Company. Upon the [REDACTED], Mr. Cheng, Ms. Yang, Yangzhou Xinruilian, Hefei Bairuifa, Bai Rui Fa Investment, Bai Rui Fa Holding, Mega Rich, Converge Achievement, Potential International and Hefei Xincheng will together constitute the Single Largest Group of Shareholders.

INTEREST IN COMPETING BUSINESS

Each member of the Single Largest Group of Shareholders confirms that, as of the Latest Practicable Date, he/she/it did not have any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group, which would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

Each of Mr. Cheng, Ms. Yang and Yangzhou Xinruilian has provided a non-competition undertaking in favor of the Company, pursuant to which each of Ms. Cheng, Ms. Yang and Yangzhou Xinruilian has undertaken that, among other things:

- (i) each of Mr. Cheng, Ms. Yang and Yangzhou Xinruilian and other enterprises directly or indirectly controlled by any of them shall not, whether within or outside Chinese mainland, directly or indirectly and in any form, engage in or participate in any business or activity that competes with the business of the Group, hold any interest in any company, enterprise or other economic organization whose business competes with the business of the Group, or provide any assistance in respect of funding, business, technology, management, trade secrets or other matters to any company, enterprise, other economic organization or individual whose business competes or may compete with the business of the Group;
- (ii) each of Mr. Cheng, Ms. Yang and Yangzhou Xinruilian shall not utilize he/she/its dominant position in the Company to engage in any business activities that are detrimental to the interests of the Company or other Shareholders;
- (iii) in the event of any breach of the above undertakings by Mr. Cheng, Ms. Yang or Yangzhou Xinruilian, he/she/it shall publicly disclose the specific reasons for non-performance of the above undertakings at the general meeting of the Company and in the designated publications of the CSRC, apologize to the Shareholders and the investing public, and take effective remedial measures within the stipulated time limit. In addition, to the extent that any such breach causes economic loss to the Company or other Shareholders, he/she/it shall be liable to compensate the Company and other Shareholders for all losses suffered as a result thereof; and

RELATIONSHIP WITH SINGLE LARGEST GROUP OF SHAREHOLDERS

- (iv) the above undertakings shall be effective until Mr. Cheng, Ms. Yang or Yangzhou Xinruilian ceases to be a controlling shareholder or actual controller of the Company (as defined under the PRC Company Law), or the Company ceases to be listed on the STAR Market.

INDEPENDENCE FROM THE SINGLE LARGEST GROUP OF SHAREHOLDERS

Having considered the following factors, the Directors are satisfied that the Company is capable of carrying on business independently from the Single Largest Group of Shareholders and their close associates after the [REDACTED].

Management Independence

The Group’s business is managed and conducted by the Board and senior management of the Company. Upon [REDACTED], the Board will consist of nine Directors comprising two executive Directors, three non-executive Directors and four independent non-executive Directors. For more information, see “Directors and Senior Management.”

Except for Mr. Cheng, an executive Director, chairman of the Board and general manager of the Company, none of the Directors or members of the senior management of the Company is a member of the Single Largest Group of Shareholders or holds any directorship or executive position in the Single Largest Group of Shareholders or their respective close associates.

The Directors consider that the Board and senior management of the Company are capable of functioning independently of the Single Largest Group of Shareholders for the following reasons:

- (i) the Group’s daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which the Company is engaged, and will therefore be able to make business decisions that are in the best interest of the Group;
- (ii) each Director is aware of her/his fiduciary duties as a Director which require, among other things, that he/she must act for the benefit and in the interest of the Company and its Shareholders as a whole, and not allow any conflict between her/his duties as a Director and her/his personal interests;
- (iii) the decision-making mechanism of the Board as specified in the Articles of Association has set out relevant provisions to avoid conflicts of interests, including requiring a Director to abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates have a material interest;
- (iv) the Group has four independent non-executive Directors who individually and collectively possess the requisite knowledge and experience. The Directors believe that the independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of the Board and protect the interest of the Company and its Shareholders as a whole;
- (v) as an A-share listed company, the Company has formulated and adopted a comprehensive internal control and management system in compliance with the relevant requirements of the rules of the Shanghai Stock Exchange. The Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of her/his close associates have a material interest and shall not be counted in the quorum present at the particular Board meeting; and
- (vi) the Company has adopted a series of corporate governance measures to manage conflicts of interest, if any, between the Group and the Single Largest Group of Shareholders which would support the Group’s independent management. See “— Corporate Governance Measures” in this section for further information.

RELATIONSHIP WITH SINGLE LARGEST GROUP OF SHAREHOLDERS

Based on the above, the Directors are satisfied that the Board and senior management of the Company as a whole are capable of performing their managerial roles in the Company independently and managing the Group’s business independently from the Single Largest Group of Shareholders after the [REDACTED].

Operational Independence

The Group has full rights to make business decisions and to carry out its business independently from the Single Largest Group of Shareholders. The Group has complete production, research and development, management, purchasing and sales business systems, capable of conducting business independently in the market. On the basis of the following reasons, the Directors consider that the Company will continue to be operationally independent from the Single Largest Group of Shareholders and their respective close associates after the [REDACTED]:

- (i) the Group has sufficient capital, facilities, equipment and employees to operate its business independently from the Single Largest Group of Shareholders;
- (ii) the Group has independent access to its customers and suppliers;
- (iii) the Group has its own administrative and corporate governance infrastructure, including its own accounting, legal and human resources departments; and
- (iv) none of the Single Largest Group of Shareholders or their respective close associates have any interests in any business which competes or is likely to compete with the business of the Group.

Based on the above, the Directors believe that the Group is able to operate independently from the Single Largest Group of Shareholders.

Financial Independence

The Group has independent internal control and accounting systems. The Group also has an independent finance department and specialized personnels responsible for discharging the financial management, accounting, reporting, funding and treasury function of the Group. The Group is capable of obtaining financing from third parties, if necessary, without reliance on the Single Largest Group of Shareholders and their respective close associates. The Group has bank accounts independent of the Single Largest Group of Shareholders, and the Single Largest Group of Shareholders is not in position to interfere with the Group’s disposal of funds.

As of the Latest Practicable Date, the Company did not have any outstanding loans granted or guaranteed by any member of the Single Largest Group of Shareholders.

Based on the above, the Directors are of the view that the Group is capable of carrying on its business independently from, and do not place undue reliance on, the Single Largest Group of Shareholders and their respective close associates after the [REDACTED].

CORPORATE GOVERNANCE MEASURES

The Company and Directors recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of the minority Shareholders.

The Company has adopted, among others, the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between the Group and the Single Largest Group of Shareholders:

- (i) where a Shareholders’ meeting is to be held for considering proposed transactions in which the Single Largest Group of Shareholders or any of their respective close associates have a material interest, the Single Largest Group of Shareholders and their respective close associates will not vote on the relevant resolutions;

RELATIONSHIP WITH SINGLE LARGEST GROUP OF SHAREHOLDERS

- (ii) the Company has established internal control mechanisms to identify connected transactions and related party transactions. Upon the [REDACTED], if the Company enters into connected transactions or related party transactions with the Single Largest Group of Shareholders or any of their close associates, the Company will comply with the applicable laws and regulations, including Listing Rules;
- (iii) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and the Single Largest Group of Shareholders and provide impartial and professional advice to protect the interests of minority Shareholders;
- (iv) the Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by applicable laws and regulations, including Listing Rules;
- (v) where the Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at the Company’s expense;
- (vi) the Company has appointed Somerley Capital Limited as the Compliance Advisor to provide advice and guidance to the Company in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (vii) the Company has established the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee with written terms of reference in compliance with the Listing Rules.

Based on the above, the Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between the Group and the Single Largest Group of Shareholders, and to protect minority Shareholders’ interests after the [REDACTED].

SHARE CAPITAL

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the total issued share capital of the Company was RMB990,938,171, comprising 990,938,171 A Shares of nominal value RMB1.00 each, all of which are listed on the STAR Market.

UPON COMPLETION OF THE [REDACTED]

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan), the issued share capital of the Company will be as follows:

	<u>Number of Shares</u>	<u>Approximately % of issued share capital</u>
A Shares in issue	990,938,171	[REDACTED]%
H Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]%</u>
Total	<u>[REDACTED]</u>	<u>100.00%</u>

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is exercised in full and no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan), the issued share capital of the Company will be as follows:

	<u>Number of Shares</u>	<u>Approximately % of issued share capital</u>
A Shares in issue	990,938,171	[REDACTED]%
H Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]%</u>
Total	<u>[REDACTED]</u>	<u>100.00%</u>

THE SHARES

Upon the completion of the [REDACTED], the Shares will consist of A Shares and H Shares. The A Shares and H Shares are all ordinary Shares in the share capital of the Company. Apart from certain qualified domestic institutional investors in the Chinese mainland, the qualified investors in the Chinese mainland under the Shanghai-Hong Kong Stock Connect (if the H Shares are eligible securities for that purpose) and other persons who are entitled to hold the H Shares pursuant to relevant PRC law or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons in the Chinese mainland.

Shanghai-Hong Kong Stock Connect has established a stock connect mechanism between the Chinese mainland and Hong Kong. The A Shares can be traded by investors in the Chinese mainland, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As the A Shares are eligible securities under the Northbound Trading Link, they can also be traded by Hong Kong and other overseas investors pursuant to the rules and limits of the Shanghai-Hong Kong Stock Connect. If the H Shares are eligible securities under the Southbound Trading Link, they can also be traded by investors in the Chinese mainland in accordance with the rules and limits of the Shanghai-Hong Kong Stock Connect.

The A Shares and H Shares are generally neither interchangeable nor fungible, and the market prices of the A Shares and H Shares may be different after the [REDACTED]. The Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies (H股公司境內未上市股份申請「全流通」業務指引) announced by the CSRC are not applicable to companies

SHARE CAPITAL

dual listed in the PRC and on the Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may convert A Shares held by them into H Shares for [REDACTED] and [REDACTED] on the Stock Exchange.

RANKING

The A Shares and H Shares are regarded as one class of Shares under the Articles of Association and shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made after the date of this document.

APPROVAL FROM SHAREHOLDERS REGARDING THE [REDACTED]

The Company obtained its Shareholders’ approval to issue H Shares and seek the [REDACTED] of H Shares on the Stock Exchange at the extraordinary general meeting of the Company held on May 18, 2026. Pursuant to such approval, among other things, (i) the proposed number of H Shares to be issued 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]); and (ii) 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 issued initially under the [REDACTED].

The issue of H Shares and [REDACTED] of H Shares on the Stock Exchange shall be completed within 24 months from the date when the Shareholders’ meeting was held on May 18, 2026.

As of the Latest Practicable Date, there is no other approved [REDACTED] plan for the Shares except the [REDACTED].

GENERAL MEETINGS

For details of circumstance under which general meetings of the Company are required, see “Summary of the Articles of Association — Shareholders and Shareholders’ General Meeting” in Appendix III to this document.

SHARE SCHEMES

For details of the 2025 Stock Ownership Plan and 2023 Restricted Share Incentive Plan, see “Statutory and General Information — Share Incentive Plans” in Appendix IV to this document.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan), the following persons will have an interest or short position in the Shares and/or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting Shares of the Company.

Name of Shareholder	Nature of interest	Number and description of Shares or underlying Shares held	Shareholding as of the Latest Practicable Date		Shareholding upon completion of the [REDACTED] ⁽¹⁾	
			in A Shares	in total issued share capital	in A Shares	in total issued share capital
Mr. Cheng ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	Beneficial owner Interest in controlled corporations Interest of spouse	263,485,483 A Shares	26.59%	26.59%	26.59%	[REDACTED]%
Ms. Yang ⁽²⁾⁽³⁾	Beneficial owner Interest in controlled corporations Interest of spouse	263,485,483 A Shares	26.59%	26.59%	26.59%	[REDACTED]%
Yangzhou Xinruilian ⁽³⁾	Beneficial owner	174,103,622 A Shares	17.57%	17.57%	17.57%	[REDACTED]%
Hefei Bairuifa ⁽³⁾	Interest in controlled corporation	174,103,622 A Shares	17.57%	17.57%	17.57%	[REDACTED]%
Bai Rui Fa Investment ⁽³⁾	Interest in controlled corporation	174,103,622 A Shares	17.57%	17.57%	17.57%	[REDACTED]%
Bai Rui Fa Holding ⁽³⁾	Interest in controlled corporation	174,103,622 A Shares	17.57%	17.57%	17.57%	[REDACTED]%
Mega Rich ⁽³⁾	Interest in controlled corporation	174,103,622 A Shares	17.57%	17.57%	17.57%	[REDACTED]%

Notes:

- (1) The calculation is based on the total number of [REDACTED] Shares in issue immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan).
- (2) Mr. Cheng and Ms. Yang are spouses. By virtue of the SFO, each of Mr. Cheng and Ms. Yang is deemed to be interested in the Shares and underlying Shares held by each other.
- (3) As of the Latest Practicable Date, Yangzhou Xinruilian was held as to 14% by Ms. Yang as its general partner and 80% by Hefei Bairuifa as a limited partner. Hefei Bairuifa was held as to 0.7% by Ms. Yang as its general partner and 99% by Bai Rui Fa Investment as a limited partner. Bai Rui Fa Investment was held as to 70% by Bai Rui Fa Holding, which was in turn wholly owned by Mega Rich. Mega Rich was wholly owned by Mr. Cheng. By virtue of the SFO, each of Hefei Bairuifa, Bai Rui Fa Investment, Bai Rui Fa Holding, Mega Rich, Mr. Cheng and Ms. Yang is deemed to be interested in the Shares held by Yangzhou Xinruilian.

SUBSTANTIAL SHAREHOLDERS

- (4) As of the Latest Practicable Date, (i) Converge Achievement was held as to 70% by Mr. Cheng; (ii) Potential International was held as to approximately 53.20% by Mr. Cheng; and (iii) Hefei Xincheng was held as to approximately 37.91% by Mr. Cheng as its general partner. By virtue of the SFO, Ms. Cheng is deemed to be interested in the Shares held by each of Converge Achievement, Potential International and Hefei Xincheng. For details of interests of each of Converge Achievement, Potential International and Hefei Xincheng in the Company, see “History and Development — Corporate Structure” in this document.

- (5) As of the Latest Practicable Date, Mr. Cheng was interested in (i) 1,400,000 A Shares directly held by him; (ii) 1,400,000 restricted shares granted to him under the 2023 Restricted Share Incentive Plan entitling him to receive 1,400,000 A Shares subject to vesting; and (iii) 1,674,260 locked A Shares held by the 2025 Stock Ownership Plan granted to him under the 2025 Stock Ownership Plan.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

The Board consists of nine Directors, comprising two executive Directors, three non-executive Directors and four independent non-executive Directors. The 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 the information about the Directors:

Name	Age	Position	Time of joining the Group	Date of appointment as a Director	Roles and responsibilities
Mr. Cheng	63	Executive Director, chairman of the Board and general manager	August 2011	June 5, 2016	Overall strategic planning, business development and management of the Group
Mr. Lin Wen-hao (林文浩)	55	Executive Director, deputy general manager and director of R&D center	September 2016	April 29, 2026	Operation management, strategic investment and R&D management of the Group
Mr. Shen Chien-wei (沈建緯)	67	Non-executive Director	August 2011	June 5, 2016	Providing advice on the operation and management of the Group
Mr. Hong Weigang (洪偉剛)	34	Non-executive Director	May 2024	May 15, 2024	Providing advice on the operation and management of the Group
Mr. Zhu Jingyi (朱景懿)	35	Non-executive Director	May 2024	May 15, 2024	Providing advice on the operation and management of the Group
Mr. Yang Hui (楊輝)	62	Independent non-executive Director	March 2021	March 26, 2021	Supervising and providing independent opinion and judgment to the Board
Dr. Lin Zhiting (蘭智挺)	44	Independent non-executive Director	June 2021	June 30, 2021	Supervising and providing independent opinion and judgment to the Board
Dr. Luo Kun (羅昆)	44	Independent non-executive Director	May 2024	May 15, 2024	Supervising and providing independent opinion and judgment to the Board
Ms. Lee Wing Sze Rosa (李詠思)	51	Independent non-executive Director	May 2026	May 18, 2026	Supervising and providing independent opinion and judgment to the Board

None of the Directors and senior management of the Company is related to the other Directors or senior management of the Company. Save as disclosed in this section, (i) none of the Directors held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this document; (ii) to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Cheng, aged 63, is an executive Director, the chairman of the Board and general manager of the Company. Mr. Cheng has been successively serving as a director, the chairman of the board of directors, an executive director and the general manager of Jiangsu Union since August 2011. He has been serving as a Director and the chairman of the Board since June 2016 and the general manager of the Company since September 2020. Mr. Cheng was re-designated as an executive Director on May 18, 2026 with effect from the [REDACTED]. He is primarily responsible for overall strategic planning, business development and management of the Group.

Outside the Group, Mr. Cheng has also been serving as a director of Ruicheng Building Engineering (Anhui) Co., Ltd. (瑞成建築工程(安徽)有限公司, “**Ruicheng Building**”) since July 1994, where he served as the chairman of the board of directors from July 1994 to April 2019. Mr. Cheng is primarily responsible for overall management and expansion of architecture business of Ruicheng Building.

Mr. Cheng obtained a bachelor’s degree in Chinese music from Chinese Culture University (中國文化大學) in Taiwan in June 1986 and a master’s degree in business administration degree from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 2006.

Mr. Lin Wen-hao (林文浩), aged 55, is an executive Director, a deputy general manager and the director of R&D center of the Company. Mr. Lin joined the Group in September 2016. He served as the director of manufacturing department of the Company from September 2016 to March 2021, and has been serving as the director of R&D center of the Company since September 2016 and the deputy general manager of the Company since March 2021. Mr. Lin was appointed as an employee representative Director in April 2026. He was re-designated as an executive Director on May 18, 2026 with effect from the [REDACTED]. Mr. Lin is primarily responsible for operation management, strategic investment and R&D management of the Group.

Prior to joining the Group, Mr. Lin served in various positions, including as a project manager of InfoVision Optoelectronics (Kunshan) Co., Ltd. (昆山龍騰光電股份有限公司, a company listed on the Shanghai Stock Exchange with stock code 688055) from 2006 to 2013. Previously, Mr. Lin obtained deep insight into the realm of integrated circuit from his early working experience.

Mr. Lin graduated from Minghsin Institute of Technology (明新技術學院) (currently known as Minghsin University of Science and Technology (明新科技大學)) in Taiwan, majoring in chemical engineering, in June 1999, and previously studied biomedical engineering at Yuanpei University of Medical Technology (元培醫事科技大學) in Taiwan.

Non-Executive Directors

Mr. Shen Chien-wei (沈建緯), aged 67, is a non-executive Director. Mr. Shen served as a director of Jiangsu Union from August 2011 to August 2020. He was appointed as a Director in June 2016 and was re-designated as a non-executive Director on May 18, 2026 with effect from the [REDACTED]. Mr. Shen is primarily responsible for providing advice on the operation and management of the Group.

Outside the Group, Mr. Shen has been serving as a director and the general manager of Ruicheng Building since July 2007 and the chairman of the board since April 2019. From July 2007 to April 2019, Mr. Shen was the deputy chairman of the board of Ruicheng Building. He is primarily responsible for overall operations and construction management.

Mr. Shen completed a high school education.

Mr. Hong Weigang (洪偉剛), aged 34, is a non-executive Director. He has been a Director since May 2024 and was re-designated as a non-executive Director on May 18, 2026 with effect from the [REDACTED]. Mr. Hong is primarily responsible for providing advice on the operation and management of the Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Hong has been working at Hefei Industrial Investment Capital Venture Capital Management Co., Ltd. (合肥產投資本創業投資管理有限公司) since March 2020, with his current position as its general manager. Previously, Mr. Hong served as an investment assistant of the investment management department of Hefei Industrial Investment Holding (Group) Co., Ltd. (合肥市產業投資控股(集團)有限公司) from July 2016 to March 2020 and a staff member of the investment development department of Hefei Industrial Investment Holding Co., Ltd. (合肥市工業投資控股有限公司) from July 2013 to March 2015. Mr. Hong has also been serving as a director of Zhejiang Jingu Company Limited (浙江金固股份有限公司, a company listed on the Shenzhen Stock Exchange with stock code 002488) since May 2022.

Mr. Hong obtained a bachelor’s degree in business administration from Anhui University (安徽大學) in the PRC in June 2013.

Mr. Zhu Jingyi (朱景懿), aged 35, is a non-executive Director. He has been a Director since May 2024 and was re-designated as a non-executive Director on May 18, 2026 with effect from the [REDACTED]. Mr. Zhu is primarily responsible for providing advice on the operation and management of the Group.

Mr. Zhu has been working at Anhui Zhidao Investment Co., Ltd. (安徽志道投資有限公司) since March 2023, with his current position as an assistant general manager. Previously, he successively served as a business assistant and a business supervisor of Zhengqi International Commercial Factoring Co., Ltd. (正奇國際商業保理有限公司) from May 2016 to March 2023.

Mr. Zhu obtained a bachelor’s degree in marketing from Fuzhou University (福州大學) in the PRC in June 2014 and a master’s degree in international management from Royal Holloway and Bedford New College, University of London in the United Kingdom in November 2015.

Independent Non-Executive Directors

Mr. Yang Hui (楊輝), aged 62, is an independent non-executive Director. He has been an independent Director since March 2021 and was re-designated as an independent non-executive Director on May 18, 2026 with effect from the [REDACTED]. Mr. Yang is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Mr. Yang served as an associate professor of University of Science and Technology of China (中國科學技術大學) from December 1999 to May 2024. Previously, he was an associate professor at law of Hefei University of Economics and Technology (合肥經濟技術學院).

Mr. Yang has been serving as an independent director of Hefei Meyer Optoelectronic Technology Inc. (合肥美亞光電技術股份有限公司, a company listed on the Shenzhen Stock Exchange with stock code 002690) since April 2023 and an independent director of Anhui Jiuhuashan Tourism Development Co., Ltd. (安徽九華山旅遊發展股份有限公司, a company listed on the Shanghai Stock Exchange with stock code 603199) since March 2022.

Mr. Yang obtained a bachelor’s degree in laws from Anhui University (安徽大學) in the PRC in July 1987 and a master’s degree in laws from Peking University (北京大學) in the PRC in July 1996.

Dr. Lin Zhiting (蘭智挺), aged 44, is an independent non-executive Director. He has been an independent Director since June 2021 and was re-designated as an independent non-executive Director on May 18, 2026 with effect from the [REDACTED]. Dr. Lin is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Dr. Lin has been working at Anhui University (安徽大學) since November 2011, successively serving as a lecturer, an associate professor, a professor and doctoral supervisor. From April 2009 to November 2011, Dr. Lin conducted postdoctoral research at University of Science and Technology of China (中國科學技術大學). Dr. Lin has also been serving as an independent director of Nexchip Semiconductor Corporation (合肥晶集成電路股份有限公司, a company listed on the Shanghai Stock Exchange with stock code 688249) since March 2024.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Lin obtained a bachelor’s degree in electronic information engineering and a doctoral degree in communication and information systems from University of Science and Technology of China (中國科學技術大學) in the PRC in July 2004 and April 2009, respectively.

Dr. Luo Kun (羅昆) (with former name as Luo Fei (羅飛)), aged 44, is an independent non-executive Director. He has been an independent Director since May 2024 and was re-designated as an independent non-executive Director on May 18, 2026 with effect from the [REDACTED]. Dr. Luo is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Dr. Luo has been teaching at the School of Economics and Management of Anhui Normal University (安徽師範大學) since July 2017, with his current position as a professor. Prior to that, he worked at Anhui Jianzhu University (安徽建築大學) from July 2009 to July 2017. Dr. Luo has also been serving as an independent director of Anhui Guqi Down & Feather Textile Incorporated (安徽古麒絨材股份有限公司, a company listed on the Shenzhen Stock Exchange with stock code 001390) since February 2024 and an independent director of Wuhu Token Sciences Co., Ltd. (蕪湖長信科技股份有限公司, a company listed on the Shenzhen Stock Exchange with stock code 300088) since September 2023.

Dr. Luo obtained a bachelor’s degree in accounting from Chongqing Technology and Business University (重慶工商大學) in the PRC in June 2004, a master’s degree in comparative education from Sichuan Normal University (四川師範大學) in the PRC in June 2009 and a doctoral degree in industrial economics from East China Normal University (華東師範大學) in the PRC in May 2017.

Ms. Lee Wing Sze Rosa (李詠思), aged 51, is an independent non-executive Director. She was appointed as an independent Director in May 2026 and was re-designated as an independent non-executive Director on May 18, 2026 with effect from the [REDACTED]. Ms. Lee is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Ms. Lee has been serving as the chief investment officer and the head of corporate finance of Miricor Enterprises Holdings Limited (卓珈控股集團有限公司, a company listed on the Stock Exchange with stock code 1827) since March 2026. Previously, she served as the vice president and company secretary of China Yurun Food Group Limited (中國雨潤食品集團有限公司, a company listed on the Stock Exchange with stock code 1068) from April 2005 to September 2025, the chief financial officer, company secretary and qualified accountant of ZZNode Holdings Company Limited (直真節點控股有限公司, currently known as Chuanglian Holdings Limited (創聯控股有限公司), a company listed on the Stock Exchange with stock code 2371) from January 2004 to May 2005, and the chief financial officer, company secretary and qualified accountant of Superdata Software Holdings Limited (速達軟件控股有限公司, a company previously listed on the Stock Exchange with stock code 8263 and delisted in May 2006) from June 2002 to January 2004. Prior to that, Ms. Lee served as a manager of PricewaterhouseCoopers until March 2002.

Ms. Lee obtained a bachelor’s degree in accounting from The Chinese University of Hong Kong (香港中文大學) in Hong Kong in December 1996. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants of the United Kingdom.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The Group’s senior management team is responsible for the day-to-day management and operation of its business. The following table sets forth the information about the senior management:

Name	Age	Position	Time of joining the Group	Time of appointment as a member of senior management	Roles and responsibilities
Mr. Cheng	63	Executive Director, chairman of the Board and general manager	August 2011	August 2011	Overall strategic planning, business development and management of the Group
Mr. Lin Wen-hao (林文浩)	55	Executive Director, deputy general manager and director of R&D center	September 2016	March 2021	Operation management, strategic investment and R&D management of the Group
Ms. Chung Yu-hsuan (鍾玉玄)	63	Deputy general manager and deputy director of R&D center	October 2013	March 2021	Production operation management and R&D management of the Group
Mr. Ma Hsing-tien (馬行天)	60	Deputy general manager	August 2020	March 2021	Business marketing management of the Group
Mr. Huang Cheng-fang (黃振芳)	61	Deputy general manager	February 2021	May 2023	Production operation management of the Group
Mr. Xi Xie (奚鐸)	34	Board secretary and joint company secretary	February 2023	April 2023	Information disclosure, investor relations, investment management, legal affairs and compliance affairs of the Group
Ms. Yan Liu (閻柳)	40	Finance director	August 2021	December 2022	Finance and accounting management of the Group

Mr. Cheng is an executive Director, the chairman of the Board and general manager of the Company. For details of his biography, see “— Directors — Executive Directors” above.

Mr. Lin Wen-hao (林文浩) is an executive Director, a deputy general manager and the director of R&D center of the Company. For details of his biography, see “— Directors — Executive Directors” above.

Ms. Chung Yu-hsuan (鍾玉玄), aged 63, is a deputy general manager and the deputy director of R&D center of the Company. Ms. Chung served as the director of the manufacturing department of Jiangsu Union from October 2013 to April 2015 and from March 2017 to April 2019, respectively. From April 2019 to March 2021, she served as the director of the manufacturing department of the Company. She has been serving as the deputy director of R&D center since April 2019 and a deputy general manager of the Company since March 2021. Ms. Chung is primarily responsible for production operation management and R&D management of the Group.

Prior to joining the Group, Ms. Chung worked at Chipbond Technology Corporation (頡邦科技股份有限公司, a company listed on the Taiwan Stock Exchange with stock code 6147) from September 2006 to November 2007 and from April 2010 to August 2011, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chung obtained a bachelor’s degree in enterprise management from Chin-Min Institute of Technology and Business (親民工商專科學校) in Taiwan in March 2001.

Mr. Ma Hsing-tien (馬行天), aged 60, is a deputy general manager of the Company. Mr. Ma joined the Group in August 2020 and has been serving as a deputy general manager of the Company since then. Mr. Ma is primarily responsible for business marketing management of the Group.

Prior to joining the Group, Mr. Ma worked at Ever Team International Corporation (九佳科技股份有限公司) from December 2017 to August 2020. Prior to that, Mr. Ma worked at United Microelectronics Corporation (聯華電子股份有限公司, a company listed on the New York Stock Exchange with ticker symbol UMC and the Taiwan Stock Exchange with stock code 2303) for more than 15 years, serving various roles from December 1989 to October 1991, from December 1999 to May 2012 and from November 2014 to September 2017, respectively. From July 2012 to May 2013, Mr. Ma worked at Faraday Technology Corporation (智原科技股份有限公司, a company listed on the Taiwan Stock Exchange with stock code 3035). From October 1991 to September 1997, Mr. Ma worked at Macronix International Co., Ltd. (旺宏電子股份有限公司, a company listed on the Taiwan Stock Exchange with stock code 2337).

Mr. Ma obtained a bachelor’s degree in physics from Chung Yuan Christian University (中原大學) in Taiwan in June 1989.

Mr. Huang Cheng-fang (黃振芳), aged 61, is a deputy general manager of the Company. Mr. Huang joined the Group in February 2021 as the director of the manufacturing department until May 2023 and has been serving as a deputy general manager of the Company since then. Mr. Huang is primarily responsible for production operation management of the Group.

Prior to joining the Group, Mr. Huang worked at ChipMOS Technologies Inc. (南茂科技股份有限公司, a company listed on NASDAQ with ticker symbol IMOS, and the Taiwan Stock Exchange with stock code 8150) from August 1997 to February 2021, with his last position as its vice president. Previously, he worked at Mosel Vitelic Inc. (台灣茂矽電子股份有限公司, a company listed on the Taiwan Stock Exchange with stock code 2342) from June 1992 to July 1997 and Taiwan Wafertech Co., Ltd. (台灣華智股份有限公司) from September 1989 to February 1992.

Mr. Huang obtained an EMBA degree from National Tsing Hua University (國立清華大學) in Taiwan in July 2010.

Mr. Xi Xie (奚颯), aged 34, is the Board secretary and a joint company secretary of the Company. Mr. Xi joined the Group in February 2023 as an assistant to the general manager until April 2023 and has been the Board secretary since then. Mr. Xi is primarily responsible for information disclosure, investor relations, investment management, legal affairs and compliance affairs of the Group.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining the Group, Mr. Xi served at the investment banking department of Haitong Securities Co., Ltd. (海通證券股份有限公司) from June 2020 to February 2023, including as a senior vice president, and a manager of First Capital Securities Underwriting and Sponsoring Co., Ltd. (第一創業證券承銷保薦有限責任公司) from June 2019 to March 2020. Previously, he worked at Topsperity Securities Co., Ltd. (德邦證券股份有限公司) from June 2017 to April 2019 and served as a lawyer of Shanghai Hiways Law Offices (上海市海華永泰律師事務所) from July 2013 to June 2017.

Mr. Xi obtained a bachelor’s degree in laws from East China University of Political Science and Law (華東政法大學) in the PRC in July 2013 and an FMBA degree from Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2022. Mr. Xi obtained the PRC Legal Professional Qualification Certificate (中華人民共和國法律職業資格證書) issued by the Ministry of Justice of the PRC (中華人民共和國司法部) in August 2013.

Ms. Yan Liu (閆柳), aged 40, is the finance director of the Company. Ms. Yan joined the Group in August 2021 as a finance manager until December 2022 and has been serving as the financial director of the Company since then. Ms. Yan is primarily responsible for finance and accounting management of the Group.

Prior to joining the Group, Ms. Yan successively served as an auditor and audit manager of Baker Tilly China Certified Public Accountants (天職國際會計師事務所(特殊普通合夥)) from May 2010 to August 2021 and an auditor of Anhui Jiangnan Certified Public Accountants (安徽江南會計師事務所) from July 2008 to May 2010.

Ms. Yan obtained a bachelor’s degree in financial management from Anhui University of Technology (安徽工業大學) in the PRC in July 2008. She has been a member of the Chinese Institute of Certified Public Accountants since April 2010. She was also qualified as an intermediate accountant by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) in September 2019.

JOINT COMPANY SECRETARIES

Mr. Xi Xie (奚颺) has been appointed as a joint company secretary of the Company. See “—Senior Management” above for his biography.

Ms. Kwok Yan Ting Jennis (郭恩廷) has been appointed as a joint company secretary of the Company. She has over 12 years of experience in corporate governance, company secretarial practice and regulatory compliance. She is currently Senior Manager, Entity Solutions of Computershare Hong Kong Investor Services Limited.

Ms. Kwok holds a degree of Bachelor of Business Administration from Hong Kong Shue Yan University. She is a fellow member of both The Hong Kong Chartered Governance Institute (the “HKCGI”) and The Chartered Governance Institute in the United Kingdom and she is also a holder of the practitioner’s endorsement of HKCGI. In addition, Ms. Kwok is a Certified Environmental, Social and Governance Analyst (CESGA[®]) accredited by The European Federation of Financial Analysts Societies (EFFAS) and a Certified ESG Planner (CEP[®]) awarded by the International Chamber of Sustainable Development (ICSD). She also holds the Sustainability and Climate Risk (SCR[®]) Certificate issued by the Global Association of Risk Professionals (GARP[®]).

OTHER INFORMATION

Rule 3.09D of the Listing Rules

Each of the Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in April 2026, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

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) he or she had no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there were no other factors that may affect his or her independence at the time of his/her appointments.

Rule 8.10(2) of the Listing Rules

Each of the Directors (other than the independent non-executive Directors) confirms that as of the Latest Practicable Date, he was not interested in any business, apart from the Group’s business, which competes or is likely to compete, either directly or indirectly, with the Group’s business under Rule 8.10(2) of the Listing Rules.

FURTHER INFORMATION ABOUT MR. CHENG, MS. YAN LIU AND MR. XI XIE

On May 11, 2026, the Anhui Regulatory Bureau of the CSRC issued a caution letter (the “**Caution Letter**”), and on May 14, 2026, the Shanghai Stock Exchange issued a circulated criticism (the “**Circulated Criticism**”), to the Company, Mr. Cheng (in his capacity as the chairman of the Board and general manager of the Company), Ms. Yan Liu (in her capacity as the finance director of the Company) and Mr. Xi Xie (in his capacity as the Board secretary). For details of the Caution Letter and the Circulated Criticism, see “History and Development — Listing on the STAR Market and Reasons for the H Share [REDACTED].”

The Directors are of the view that the incidents set out in the Caution Letter and the Circulated Criticism do not impugn the suitability of Mr. Cheng, Ms. Yan Liu and Mr. Xi Xie to serve as a Director and/or member of senior management of the Company for the follow reasons:

- (i) as advised by the PRC Legal Advisor, the Caution Letter and the Circulated Criticism do not constitute administrative penalty or public censure against Mr. Cheng, Ms. Yan Liu and Mr. Xi Xie. The Caution Letter and the Circulated Criticism do not disqualify Mr. Cheng, Ms. Yan Liu and Mr. Xi Xie from acting as a director and/or member of senior management of a PRC-incorporated company or a company listed on the STAR Market;
- (ii) each of Mr. Cheng, Ms. Yan Liu and Mr. Xi Xie is not involved in any fraudulent behaviour or dishonest conduct in connection with the incidents set out in the Caution Letter and the Circulated Criticism;
- (iii) to the best of knowledge of the Directors after making all reasonable inquiries, apart from the incidents set out in the Caution Letter and the Circulated Criticism, none of Mr. Cheng, Ms. Yan Liu and Mr. Xi Xie has any other material non-compliance records, nor has any of them been subject to any other investigation or proceedings by the CSRC (including its local branches), the Shanghai Stock Exchange or any other regulatory authorities; and
- (iv) Mr. Cheng, Ms. Yan Liu and Mr. Xi Xie have promptly participated in the relevant training sessions to enhance their understanding of applicable PRC regulatory requirements and corporate governance practices in respect of related party transactions. The Company will continue to provide regular training to the Directors and senior management to ensure they stay abreast of the latest regulatory developments, including corporate governance requirements, directors’ responsibilities, continuous obligations of listed companies under the relevant PRC laws and the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

Audit Committee

The Board has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group and provide advice and comments to the Board. The Audit Committee comprises Dr. Luo Kun, Ms. Lee Wing Sze Rosa (being the independent non-executive Director with appropriate accounting or related financial management expertise) and Mr. Yang Hui, with Dr. Luo Kun as the chairperson.

Nomination Committee

The Board has established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession. The Nomination Committee comprises Dr. Lin Zhiting, Ms. Lee Wing Sze Rosa and Mr. Hong Weigang, with Dr. Lin Zhiting as the chairperson.

Remuneration and Appraisal Committee

The Board has established the Remuneration and Appraisal Committee with written terms of reference in compliance with Rules 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration and Appraisal Committee are to make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management. The Remuneration and Appraisal Committee comprises Mr. Yang Hui, Dr. Luo Kun and Mr. Shen Chien-wei, with Mr. Yang Hui as the chairperson.

Strategy Committee

The Board has established the Strategy Committee with written terms of reference. The primary duties of the Strategy Committee are to make recommendations to the Board on the Group's long-term development strategies and major investment decisions. The Strategy Committee comprises Mr. Cheng, Mr. Lin Wen-hao and Dr. Lin Zhiting, with Mr. Cheng as the chairperson.

Corporate Governance Code

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, the Company intends to comply with the code provisions in Part 2 of the Corporate Governance Code after the [REDACTED] save for the below.

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this provision because Mr. Cheng, performs both the roles of chairman and chief executive in the Company. The Board believes that, in view of his experience, personal profile and understanding of the Group's business operations as detailed in his biography above, Mr. Cheng is the Director best suited to identify strategic opportunities and focus of the Board. Vesting the roles of both chairman and chief executive to Mr. Cheng can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board.

The Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and independent non-executive Directors. The Board will

DIRECTORS AND SENIOR MANAGEMENT

reassess the division of the roles of chairman and chief executive from time to time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of the Group as a whole.

Board Diversity

The Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. The 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 its competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. In reviewing and assessing suitable candidates to serve as a Director, 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.

The Board currently consists of one female and eight male Directors ranging from 34 to 67 years old with a balanced mix of knowledge and skills, including, but not limited to, overall management and strategic development, accounting and corporate governance in addition to relevant industry experience. They obtained degrees in various majors including business administration, chemical engineering, laws, communication and information systems, and accounting. Taking into account the Group’s existing business model and specific needs, as well as the diverse background of the Directors, the composition of the Board satisfies the board diversity policy.

The Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. The Nomination Committee will monitor and evaluate the implementation of the board diversity policy from time to time to ensure its ongoing effectiveness, and will propose any necessary amendments as required, recommending such amendments to the Board for consideration and approval. The Nomination Committee will also include a summary of the board diversity policy in the annual reports.

REMUNERATION

The Directors and senior management of the Company receive their remuneration in the form of basic annual payments and performance-related annual payments, including fees, salaries, share-based compensation and other benefits in kind.

For the years ended December 31, 2023, 2024 and 2025, the total remuneration paid to the Directors amounted to RMB7.6 million, RMB8.2 million, RMB6.4 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, the Company estimates the total remuneration payable to, and benefits in kind receivable by, the Directors by the Group for the year ended December 31, 2026 to be approximately RMB11.0 million.

The five highest paid individuals of the Group for the years ended December 31, 2023, 2024 and 2025 included one, one and one Director, respectively. During the same year, the aggregate amount of remuneration of the five highest paid individuals was RMB18.3 million, RMB19.1 million and RMB17.8 million, respectively.

During the Track Record Period, no remuneration was paid to, or received by, the Directors or the five highest paid individuals as an inducement to join or upon joining the 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 the Group or of any other office in connection with the management of the affairs of any member of the Group.

Save as disclosed above, no other payments have been made or are payable by the Group to the Directors in respect of the Track Record Period.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

The Company has appointed Somerley Capital Limited as the Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide the Company 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 Advisor will, amongst other things, advise the Company in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;
- (iii) where the Group proposes 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 the Group deviate from any forecast, estimate, or other information in this document; and
- (iv) where the Stock Exchange makes an inquiry of the Company under Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Advisor shall commence on the [REDACTED] and is expected to end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [REDACTED].

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

For a detailed description of our future plans, see “Business — Our Growth Strategies.”

USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per H Share (being the low-point of the range of the [REDACTED] stated in this Document), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED] commissions and other estimated expense paid and payable by us in connection with the [REDACTED] (assuming that the [REDACTED] is not exercised). In line with our strategies, we intend to use our [REDACTED] for the purposes and in the amounts set forth below.

- Approximately [REDACTED]%, or approximately HK\$[REDACTED], is expected to be used to expand our automotive-grade IC packaging and testing capacity to increase our market share in response to robust demand from the smart vehicle intelligent cabin and in-vehicle display markets, including:
 - o Approximately [REDACTED]%, or approximately HK\$[REDACTED], is expected to be used to procure production equipment, including equipment for bumping, CP, COG and COF processes, to support our expanded automotive-grade ICs production lines.
 - o Approximately [REDACTED]%, or approximately HK\$[REDACTED], is expected to be used to procure ancillary equipment and tools, including packaging tools, reliability testing equipment and other testing equipment and related hardware, to ensure our production lines meet the stringent reliability and quality requirements for in-vehicle applications.
 - o Approximately [REDACTED]%, or approximately HK\$[REDACTED], is expected to be used for personnel expenditures, including the recruitment and remuneration of R&D personnel, process engineers and equipment engineers to support technology development and process optimization of our automotive-grade production lines; and
 - o Approximately [REDACTED]%, or approximately HK\$[REDACTED], is expected to be used for materials and components, mainly including bumping materials and substrates required for our automotive-grade ICs packaging and testing.

We believe investments will enable us to scale our automotive-grade IC packaging and testing capabilities in line with the accelerating electrification and digitalization in vehicles, strengthen our position as a preferred supply chain partner for leading automotive OEMs and suppliers and capture a greater share of the fast-growing in-vehicle IC market.

- Approximately [REDACTED]%, or approximately HK\$[REDACTED], is expected to enhance our R&D capabilities through our process technologies and proprietary R&D platform: HITS. The HITS platform is our advanced packaging technology platform for high-end mobile devices and AI-driven applications. It is designed to leverage an organic interposer-based architecture to enable wafer-level planar integration of multiple chips, including logic SoCs, DRAM, LPDDR and connectivity components such as Wi-Fi within a single package. This provides higher performance, smaller form factor and strengthened thermal efficiency. The [REDACTED] will be applied as follows:
 - o Approximately [REDACTED]%, or approximately HK\$[REDACTED], is expected to be used for R&D projects under the HITS platform, including the procurement of production equipment and packaging materials. These projects will cover integration development, process development and stacking development, with a goal to build up our capabilities in next-generation advanced packaging.

FUTURE PLANS AND USE OF [REDACTED]

- o Approximately [REDACTED]%, or approximately HK\$[REDACTED], is expected to be used to invest in R&D infrastructure in packaging process under the HITS platform. Specifically, we plan to procure (a) tools for photomask design, substrate design and packaging simulation; and (b) intelligent software systems, such as ERP, MES and other data analytics software.
- o Approximately [REDACTED]%, or approximately HK\$[REDACTED], is expected to be used to maintain and expand our R&D team. We plan to recruit R&D managers, R&D engineers, process engineers and equipment engineers who will be responsible for the planning, implementation and optimization of our R&D projects under the HITS platform.

These investments are intended to reinforce our leadership in advanced packaging and testing, accelerate time-to-market for next-generation products and further strengthen the technical barriers that differentiate our offerings from those of our competitors.

- Approximately [REDACTED]%, or approximately HK\$[REDACTED], is expected to be used for potential investments and acquisitions. In addition to the organic growth of our core packaging and testing business, we intend to selectively pursue strategic collaborations, investments and acquisition opportunities within the semiconductor assembly and testing industry to enhance our overall competitiveness in high-end advanced packaging and testing services.

Our strategic investments and acquisitions will focus on memory IC, high-performance computing chips or other IC packaging and testing companies in the AI and consumer electronics sectors, in response to the structural opportunities arising from AI infrastructure buildout and the surging demand for advanced memory ICs. See “Business — Our Growth Strategies”.

We will target companies capable of generating synergies with our existing business and technology, enriching our product portfolio and leveraging our customer relationships and management strengths. The valuation of potential targets is expected to range from approximately RMB500 million to RMB5,000 million, with annual revenue of approximately RMB200 million to RMB1,200 million, subject to market conditions. In assessing potential targets, we will primarily consider: (i) whether the target possesses advanced technologies or intellectual property consistent with our strategy; (ii) the experience and stability of its management and research and development team; and (iii) the sustainability of its business model and its competitive position within its target sector. As of the Latest Practicable Date, we have not identified any specific acquisition targets nor entered into any definitive or binding agreements in respect of any potential acquisition.

- Approximately [REDACTED]%, or approximately HK\$[REDACTED], is expected to be used for working capital and general corporate purposes.

In the event that the [REDACTED] is set at the maximum [REDACTED] or the median [REDACTED] of the indicative [REDACTED] range, the net [REDACTED] of the [REDACTED] will increase by approximately HK\$[REDACTED] or HK\$[REDACTED], respectively (assuming that the [REDACTED] is not exercised). We intend to apply the additional net [REDACTED] to the above uses on a pro rata basis.

The additional net [REDACTED] that we would receive if the [REDACTED] was exercised in full would be (i) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the maximum Offer Price), (ii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the mid-point of the [REDACTED] range) and (iii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the minimum [REDACTED]). To the extent that the net [REDACTED] from the [REDACTED] (including the net [REDACTED] from the exercise of the [REDACTED]) are more than expected, we may adjust our allocation of the net [REDACTED] for the above purposes on a pro rata basis.

FUTURE PLANS AND USE OF [REDACTED]

In the event that certain parts of our development plans are hindered due to factors such as changes in government policies or force majeure events, our directors will carefully evaluate the situation and may reallocate the net [REDACTED] from the [REDACTED]. Should there be any significant changes to the intended use of [REDACTED], we will make appropriate disclosures in accordance with the Hong Kong Listing Rules.

To the extent that the net [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 in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdiction). In such event, we will comply with the appropriate disclosure requirements under the Hong Kong Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

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HOW TO APPLY FOR [REDACTED]

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

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

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

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 set out on pages I-[●] to I-[●], received from the Company’s reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[Letterhead of GTHK]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF UNION SEMICONDUCTOR (HEFEI) CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Union Semiconductor (Hefei) Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-[●] to I-[●], which comprises the consolidated statements of financial position of the Group as at 31 December 2023, 2024 and 2025, the statements of financial position of the Company as at 31 December 2023, 2024 and 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the “**Document**”) in connection with the initial [REDACTED] of H 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 presentation and preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

APPENDIX I**ACCOUNTANTS’ REPORT**

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” as 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’ judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s financial position as at 31 December 2023, 2024 and 2025, of the Company’s financial position as at 31 December 2023, 2024 and 2025 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

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-4 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 Track Record Period.

[●]
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

[Date]

[●]
Practising Certificate No.: [●]

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 consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the “**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Years ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Revenue	6	1,238,293	1,501,020	1,783,135
Cost of sales		(910,776)	(1,173,871)	(1,395,394)
Gross profit		327,517	327,149	387,741
Other income	7(a)	32,512	26,784	32,488
Other gains and losses, net	7(b)	14,753	16,326	15,415
Selling and marketing expenses		(8,410)	(11,465)	(12,348)
Administrative expenses		(74,281)	(75,692)	(82,948)
Research and development expenses	9	(78,857)	(89,407)	(117,688)
Impairment losses	9	(16,554)	(17,673)	(26,362)
Finance costs	8	(1,097)	(22,672)	(37,501)
Share of results of associates, net		—	—	218
Profit before income tax	9	195,583	153,350	159,015
Income tax credit/(expense)	10	402	6,414	(4,284)
Profit for the year		195,985	159,764	154,731
Profit for the year attributable to:				
— Owners of the Company		195,985	159,764	154,731
Other comprehensive expense, net of tax:				
<i>Item that will be reclassified subsequently to profit or loss:</i>				
Fair value changes on financial assets at fair value through other comprehensive income (“FVTOCI”), net of tax		(470)	—	—
Total comprehensive income for the year		195,515	159,764	154,731
Total comprehensive income for the year attributable to:				
— Owners of the Company		195,515	159,764	154,731
Earnings per share attributable to owners of the Company				
	12			
Basic (in RMB)		0.24	0.19	0.19
Diluted (in RMB)		0.23	0.19	0.18

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Non-current assets				
Property, plant and equipment	14	2,575,797	2,767,451	2,802,049
Right-of-use assets	15	18,328	32,044	30,374
Intangible assets	16	11,401	17,811	22,793
Interests in associates	17	—	—	275,702
Deposits, prepayments and other receivables	23	160,002	79,043	21,451
Financial assets at fair value through profit or loss (“FVTPL”)	21	50,000	50,364	113,072
Deferred tax assets	31	3,730	3,581	16,206
Time deposits	24	124,493	30,537	—
		2,943,751	2,980,831	3,281,647
Current assets				
Inventories	19	236,998	288,343	303,785
Trade and bills receivables	20	231,246	275,261	358,975
Deposits, prepayments and other receivables	23	43,520	76,846	78,816
Financial assets at FVTPL	21	20,192	681,606	534,505
Other financial assets at amortized cost	22	—	—	60,004
Restricted bank deposits	24	503	7,629	10,713
Bank balances, deposits and cash				
— Time deposits with original maturity over three months and due within one year	24	10,449	128,669	116,451
— Cash and cash equivalents	24	109,639	152,038	129,706
		652,547	1,610,392	1,592,955
Current liabilities				
Trade and bills payables	25	145,326	138,023	125,395
Other payables and accruals	26	28,699	20,842	73,758
Contract liabilities	27	2,906	1,719	6,023
Borrowings	28	185,593	—	84,577
Lease liabilities	30	2,362	1,841	1,206
Derivative financial instruments		—	—	2,653
Income tax payable		—	—	3,214
		364,886	162,425	296,826
Net current assets		287,661	1,447,967	1,296,129
Total assets less current liabilities		3,231,412	4,428,798	4,577,776

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	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Non-current liabilities				
Borrowings	28	—	1,113,988	930,956
Deferred income	29	98,112	112,763	97,233
Lease liabilities	30	1,269	976	592
		99,381	1,227,727	1,028,781
Net assets		3,132,031	3,201,071	3,548,995
EQUITY				
Share capital	32	834,853	837,976	868,943
Less: treasury shares	32	—	(99,978)	(51,451)
Reserves	33	2,297,178	2,463,073	2,731,503
Total equity		3,132,031	3,201,071	3,548,995

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Non-current assets				
Property, plant and equipment	14	1,691,895	1,722,315	1,739,679
Right-of-use assets	15	11,418	25,532	24,952
Intangible assets	16	6,897	13,764	15,224
Interests in subsidiaries	18	592,439	898,768	988,100
Interests in associates	17	—	—	247,184
Deposits, prepayments and other receivables	23	51,940	225,689	217,860
Financial assets at FVTPL	21	50,000	50,364	63,072
Deferred tax assets	31	3,730	3,581	16,206
Time deposits	24	124,493	30,537	—
		2,532,812	2,970,550	3,312,277
Current assets				
Inventories	19	157,886	190,282	211,661
Trade and bills receivables	20	316,347	208,020	268,582
Deposits, prepayments and other receivables	23	623,579	514,714	498,700
Financial assets at FVTPL	21	20,192	681,606	534,505
Other financial assets at amortized cost	22	—	—	60,004
Restricted bank deposits	24	—	3,000	3,060
Bank balances, deposits and cash				
— Time deposits with original maturity over three months and due within one year	24	10,449	128,669	42,298
— Cash and cash equivalents	24	94,308	87,254	79,993
		1,222,761	1,813,545	1,698,803
Current liabilities				
Trade and bills payables	25	77,283	114,564	76,811
Other payables and accruals	26	18,648	13,069	65,096
Contract liabilities	27	1,307	1,386	3,234
Borrowings	28	169,977	—	84,577
Lease liabilities		1,482	857	940
Derivative financial instruments		—	—	2,538
Income tax payable		—	—	3,214
		268,697	129,876	236,410
Net current assets		954,064	1,683,669	1,462,393
Total assets less current liabilities		3,486,876	4,654,219	4,774,670

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ACCOUNTANTS’ REPORT

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Non-current liabilities				
Borrowings	28	—	1,113,988	930,956
Deferred income	29	95,803	98,592	81,869
Lease liabilities		543	716	592
		96,346	1,213,296	1,013,417
Net assets		3,390,530	3,440,923	3,761,253
EQUITY				
Share capital	32	834,853	837,976	868,943
Less: treasury shares	32	—	(99,978)	(51,451)
Reserves	33	2,555,677	2,702,925	2,943,761
Total equity		3,390,530	3,440,923	3,761,253

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital	Treasury shares	Capital reserve	Equity component of convertible bonds	Other comprehensive income reserve	Statutory reserve	Retained earnings/ (accumulated losses)	Total equity
	RMB’000 (Note 32)	RMB’000 (Note 32)	RMB’000 (Note 33)	RMB’000 (Note 28)	RMB’000 (Note 33)	RMB’000 (Note 33)	RMB’000	RMB’000
Balance at 1 January 2023	834,853	—	2,102,827	—	470	30,209	(64,653)	2,903,706
Profit for the year	—	—	—	—	—	—	195,985	195,985
Other comprehensive expense for the year	—	—	—	—	(470)	—	—	(470)
Total comprehensive (expense)/income for the year	—	—	—	—	(470)	—	195,985	195,515
Transactions with owners:								
Equity settled share-based payments (note 9)	—	—	32,810	—	—	—	—	32,810
Appropriation to statutory reserves	—	—	—	—	—	21,047	(21,047)	—
Total transactions with owners	—	—	32,810	—	—	21,047	(21,047)	32,810
Balance at 31 December 2023 and 1 January 2024	834,853	—	2,135,637	—	—	51,256	110,285	3,132,031
Profit for the year	—	—	—	—	—	—	159,764	159,764
Total comprehensive income for the year	—	—	—	—	—	—	159,764	159,764
Transactions with owners:								
Dividends declared (note 11)	—	—	—	—	—	—	(82,440)	(82,440)
Issuance of convertible bonds (note 28(d))	—	—	—	36,955	—	—	—	36,955
Vesting of restricted shares under restricted share incentive plan (note 32(a))	3,123	—	17,426	—	—	—	—	20,549
Repurchase of ordinary shares (note 32(b))	—	(99,978)	—	—	—	—	—	(99,978)
Equity settled share-based payments (note 9)	—	—	34,190	—	—	—	—	34,190
Appropriation to statutory reserves	—	—	—	—	—	14,112	(14,112)	—
Total transactions with owners	3,123	(99,978)	51,616	36,955	—	14,112	(96,552)	(90,724)
Balance at 31 December 2024 and 1 January 2025	837,976	(99,978)	2,187,253	36,955	—	65,368	173,497	3,201,071

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	Attributable to owners of the Company							Total equity
	Share capital	Treasury shares	Capital reserve	Equity component of convertible bonds	Other comprehensive income reserve	Statutory reserve	Retained earnings/ (accumulated losses)	
	RMB’000 (Note 32)	RMB’000 (Note 32)	RMB’000 (Note 33)	RMB’000 (Note 28)	RMB’000 (Note 33)	RMB’000 (Note 33)	RMB’000	
Balance at 1 January 2025	837,976	(99,978)	2,187,253	36,955	—	65,368	173,497	3,201,071
Profit for the year	—	—	—	—	—	—	154,731	154,731
Total comprehensive income for the year	—	—	—	—	—	—	154,731	154,731
Transactions with owners:								
Dividends declared (note 11)	—	—	—	—	—	—	(78,478)	(78,478)
Shares issued upon the conversion of convertible bonds (note 28(d) and 32(a))	28,733	—	195,483	(7,035)	—	—	—	217,181
Vesting of restricted shares under restricted share incentive plan (note 32(a))	2,234	—	12,265	—	—	—	—	14,499
Treasury shares for employee stock ownership plan transferred (note 32(b))	—	48,527	(48,527)	—	—	—	—	—
Equity settled share-based payments (note 9 and 31)	—	—	39,991	—	—	—	—	39,991
Appropriation to statutory reserves	—	—	—	—	—	12,565	(12,565)	—
Total transactions with owners	30,967	48,527	199,212	(7,035)	—	12,565	(91,043)	193,193
Balance at 31 December 2025	868,943	(51,451)	2,386,465	29,920	—	77,933	237,185	3,548,995

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cash flows from operating activities			
Proceeds from sales of goods and services	1,119,661	1,536,611	1,785,587
Refund of other tax and surcharges	61,081	65,425	76,270
Cash received related to other operating activities	9,905	34,470	12,419
Interest income from bank balances	2,102	2,555	2,796
Cash paid for material and services	(642,686)	(895,679)	(925,092)
Cash paid for salaries	(164,377)	(198,570)	(208,946)
Income tax and other taxes paid	(4,602)	(5,144)	(16,413)
Cash paid for office operations, travel and business hospitality	(7,576)	(10,048)	(10,588)
Cash paid for research and development expense	(6,592)	(5,786)	(8,055)
Cash paid for intermediary service fees	(7,671)	(9,303)	(6,376)
Cash paid related to other operating activities	(7,785)	(13,667)	(9,143)
Net cash generated from operating activities	351,460	500,864	692,459
Cash flows from investing activities			
Proceeds from investment income	12,214	3,678	27,179
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets	5,894	12,760	4,966
Proceeds from wealth management products and structured deposits	1,698,000	989,000	2,297,349
Purchase of property, plant and equipment, intangible assets and other non-current assets	(1,188,191)	(583,538)	(459,815)
Purchase of wealth management products and structured deposits	(998,000)	(1,649,000)	(2,207,349)
(Placement of)/decrease in time deposits, net	(30,000)	(20,370)	36,630
Investment in financial assets at fair value	(50,000)	(1,300)	(63,950)
Investments in associates	—	—	(275,484)
Payments for other investing activities	—	—	(1,662)
Net cash used in investing activities	(550,083)	(1,248,770)	(642,136)

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ACCOUNTANTS’ REPORT

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cash flows from financing activities			
Proceeds from issuance of convertible bonds	—	1,148,700	—
Proceeds from restricted share incentive plan and employee stock ownership plan	—	20,549	65,950
Proceeds from borrowings	185,422	395,530	17,967
Repayment of borrowings	—	(581,570)	(73,126)
Interest paid	(926)	(7,738)	(3,479)
Dividend paid to owners of the Company	—	(82,440)	(78,478)
Repurchase of ordinary shares	—	(99,978)	—
Payments for other financing activities	(5,500)	(7,845)	(4,630)
<i>Net cash generated from/(used in) financing activities</i>	<u>178,996</u>	<u>785,208</u>	<u>(75,796)</u>
Net (decrease)/increase in cash and cash equivalents	(19,627)	37,302	(25,473)
Cash and cash equivalents at the beginning of the year	128,774	109,639	152,038
Effect of foreign exchange rate changes	492	5,097	3,141
Cash and cash equivalents at the end of the year	<u>109,639</u>	<u>152,038</u>	<u>129,706</u>

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ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was established in the People’s Republic of China (the “PRC”) on 18 December 2015 as a limited liability company under the laws of the PRC and was converted into a joint stock company with limited liability on 30 March 2021. The Company’s domestic shares (the “A shares”) were listed on the Shanghai Stock Exchange (stock code: 688403) on 18 August 2022. The addresses of the registered office and the principal place of business of the Company are disclosed in the section headed “Corporate Information” of the Document.

During the years ended 31 December 2023, 2024 and 2025 (the “Track Record Period”), the Company and its subsidiaries (collectively, the “Group”) are principally engaged in sales of services involving display driver integrated circuit (“DDIC”) advanced packaging and testing.

In the opinion of the directors of the Company, the Company is controlled by the Single Largest Group of Shareholders (as defined in the section headed “Definitions” of the Document).

As at the date of this Historical Financial Information, the Company’s principal subsidiary is as follows:

Name of subsidiary	Place of establishment/ incorporation and place of business	Particulars of issued and paid up capital/ registered capital	Attributable equity interest held as at 31 December			Principal activities	Notes
			2023	2024	2025		
<i>Directly held by the Company</i>							
Jiangsu Union Semiconductor Co., Ltd. [#] (江蘇匯成光電有限公司) (“Jiangsu Union”)	The PRC	RMB861,640,200	100%	100%	100%	Sales of DDIC advanced packaging and testing services	(c)

Notes:

- (a) The consolidated financial statements of the Group for the years ended 31 December 2023 and 2024 were prepared in accordance with the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Pan-China Certified Public Accountants LLP, 天健會計師事務所(特殊普通合夥), certified public accountants registered in the PRC.
- (b) The consolidated financial statements of the Group for the year ended 31 December 2025 were prepared in accordance with the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Grant Thornton Zhitong Certified Public Accountants LLP, 致同會計師事務所(特殊普通合夥), certified public accountants registered in the PRC.
- (c) The statutory financial statements of this entity for the years ended 31 December 2023 and 2024 were prepared in accordance with the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Pan-China Certified Public Accountants LLP, 天健會計師事務所(特殊普通合夥), certified public accountants registered in the PRC.

The statutory financial statements of this entity for the year ended 31 December 2025 were prepared in accordance with the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Grant Thornton Zhitong Certified Public Accountants LLP, 致同會計師事務所(特殊普通合夥), certified public accountants registered in the PRC.

- [#] The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

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2. BASIS OF PRESENTATION AND PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards which collective term includes all applicable individual IFRS Accounting Standards and Interpretations are issued by the International Accounting Standards Board (“IASB”).

All IFRS Accounting Standards, amendments, interpretations and annual improvements which are effective for the accounting period beginning from 1 January 2025 are consistently adopted by the Group in the preparation of the Historical Financial Information.

The Historical Financial Information also comply with the applicable requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The material accounting policies that have been used in the preparation of this Historical Financial Information are summarized in Note 3. These policies have been consistently applied to all the periods presented in the Historical Financial Information, unless otherwise stated.

The Historical Financial Information has been prepared on the historical cost basis, except for the certain financial assets and liabilities which are stated at their fair values.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. Although these estimates are based on the management’s best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

3.1 Basis of consolidation

The Historical Financial Information incorporates the financial information of the Company and its subsidiaries and the Group’s interests in associates for the Track Record Period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of subsidiaries in the Historical Financial Information from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealized gains and losses on transactions between group companies are eliminated in preparing the Historical Financial Information. Where unrealized losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group’s perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary’s net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

In the Company’s statements of financial position, subsidiaries are carried at cost less any impairment loss (see Note 3.19). Cost also includes direct attributable costs of investment.

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The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at each reporting date. All dividends whether received out of the investee’s pre or post-acquisition profits are recognized in the Company’s profit or loss.

3.2 Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In the Historical Financial Information, an investment in associates is initially recognized at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss in the determination of the Group’s share of the associate’s profit or loss in the period in which the investment is acquired.

Under the equity method, the Group’s interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group’s share of the associate’s net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss includes the Group’s share of the post-acquisition, post-tax results of the associates for the Track Record Period and including any impairment loss on the investment in associates recognized for the Track Record Period.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group’s interest in the associate. Where unrealized losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group’s perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate’s accounting policies to those of the Group when the associate’s financial statements are used by the Group in applying the equity method.

When the Group’s share of losses in associates equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group’s interest in the associates is the carrying amount of the investment under the equity method together with the Group’s other long-term interests that in substance form part of the Group’s net investment in the associates.

After the application of equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group’s investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate.

In the Company’s statements of financial position, interests in associates are accounted for using the equity method.

3.3 Foreign currency translation

Items included in the consolidated financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The Historical Financial Information are presented in RMB, which is the same as the Company’s functional currency.

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In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation of monetary assets and liabilities at each reporting date are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date). When a fair value gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is also recognized in profit or loss. When a fair value gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is also recognized in other comprehensive income.

In the Historical Financial Information, all individual financial statements of foreign operations, originally presented in a currency different from the Group’s presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at each reporting date. Income and expenses have been converted into the RMB at the exchange rates ruling at the transaction dates, or at the average rates over the Track Record Period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognized in other comprehensive income and accumulated separately in the “Other comprehensive income reserve” in equity.

3.4 Property, plant and equipment

Property, plant and equipment (other than construction in progress (“CIP”) as described below) are initially stated at acquisition cost or manufacturing costs (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group’s management). They are subsequently stated at costs less accumulated depreciation and accumulated impairment losses (see Note 3.19), if any.

Depreciation is recognized so as to write off the cost of assets (other than CIP) less their residual values over their estimated useful lives, using the straight-line basis over their estimated useful lives as follows:

Buildings and structures	20 to 30 years
Machinery and equipment	2 to 10 years
Office equipment	3 to 5 years
Motor vehicle	5 years

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

CIP represents property, plant and equipment under construction and is stated at cost less any impairment losses (see Note 3.19). Costs includes cost of construction and other direct costs (such as costs of materials, direct labor and borrowing costs).

No provision for depreciation has been provided for CIP until such time relevant assets are available for use, at which time they will be transferred to appropriate category of property, plant and equipment.

3.5 Prepaid lease payments

Prepaid lease payments (which meet the definition of right-of-use assets) represent the upfront payment for long-term land lease in which the payment can be reliably measured. It is stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 3.19). Depreciation is calculated on a straight-line basis over the term of the lease/right-of-use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

3.6 Intangible assets and research and development activities

Intangible assets

Acquired intangible assets are recognized initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses.

Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Amortization commences when the intangible assets are available for use. The following useful lives are applied:

Software and others 3–5 years

The assets’ amortization methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets, with finite useful lives, are tested for impairment as described below in Note 3.19.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they incur. Costs that are directly attributable to development activities are recognized as intangible assets provided they meet all of the following recognition requirements:

- (i) demonstration of technical feasibility of the prospective product for internal use or sale;
- (ii) there is intention to complete the intangible asset and use or sell it;
- (iii) the Group’s ability to use or sell the intangible asset is demonstrated;
- (iv) the intangible asset will generate probable economic benefits through internal use or sale;
- (v) sufficient technical, financial and other resources are available for completion; and
- (vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognized as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

3.7 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

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Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 “Revenue from Contracts with Customers” (“IFRS 15”), all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets are classified into the following categories:

- amortized cost;
- FVTPL; or
- FVTOCI.

The classification is determined by both:

- the entity’s business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within “Finance costs” or other financial items, net except for expected credit loss (“ECL”) of trade and other receivables which is presented in “Impairment losses” as a separate line item in profit or loss.

Subsequent measurement of financial assets

Debt investments

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Interest income from these financial assets is included in “Finance costs” in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group’s trade receivables, other receivables and deposits, restricted bank deposits, time deposits, cash and cash equivalents and constant return wealth management products fall into this category of financial assets.

Financial assets at FVTOCI — recycling

If the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale, subsequent changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

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Financial assets at FVTPL

Financial assets that are held within a different business model other than “hold to collect” or “hold to collect and sell” are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under IFRS 9 “Financial Instruments” (“IFRS 9”) apply.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income and accumulated in “Other comprehensive income reserve” in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer’s perspective.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established. Dividends are included in the “Other gains and losses, net” in profit or loss.

Financial liabilities

Classification and measurement of financial liabilities

The Group’s financial liabilities include trade and bills payables, other payables and accruals, borrowings, liability component of convertible bonds, lease liabilities and derivative financial instruments.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss are included in “Finance costs”.

Accounting policies of lease liabilities are set out in Note 3.13.

Trade and bills payables and other payables and accruals

Trade and bills payables and other payables and accruals are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless as at each reporting date, the Group has a right to defer settlement of the liability for at least twelve months after each reporting date.

Covenants that the Group is required to comply with, on or before the end of each reporting date, are considered in classifying loan arrangement with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting date do not affect the classification.

Convertible bonds

Details of accounting policy of convertible bonds are set out in Note 3.10.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

3.8 Impairment of financial assets

IFRS 9’s impairment requirements use forward-looking information to recognize ECL — the “ECL model”. Instruments within the scope included loans and other debt-type financial assets measured at amortized cost and trade and bills receivables.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“**Stage 1**”) and
- financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“**Stage 2**”).

“Stage 3” would cover financial assets that have objective evidence of impairment at each reporting date.

“12-month ECL” are recognized for the Stage 1 category while “lifetime ECL” are recognized for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial assets.

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognizes a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due, and adjusted for forward-looking factors specific to the debtors and the economic environment.

Other financial assets measured at amortized cost and bills receivable at FVTOCI

The Group measures the loss allowance for other receivables and bills receivables at FVTOCI equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at each reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in regulatory, business, financial, economic conditions or technological environment that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at each reporting date. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortized cost and bills receivable at FVTOCI are set out in Note 39.2.

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward-looking basis whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an assets that was previously written off are recognized in profit or loss of the period in which the reversal occurs.

3.9 Inventories

Inventories are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the weighted average basis.

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When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.10 Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the consolidated statements of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a prevailing 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 difference between the proceeds of the issuance of convertible bonds and the fair value assigned to the liability component is allocated to the conversion option that is recognised and included in equity, net of transaction costs. The carrying amount of the equity component is not remeasured in subsequent years and is recognised in equity as “equity component of convertible bonds”.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of convertible bonds.

When the convertible bonds are converted, the equity component of convertible bonds and the carrying amount of the liability component at the time of conversion are transferred to share capital and capital reserve as consideration for the shares issued.

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.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.12 Contract liabilities

A contract liability is recognized when the customer pays consideration before the Group recognizes the related revenue. A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

3.13 Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the consolidated statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments). The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these leases are recognized as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of twelve months or less.

On the consolidated statements of financial position, prepaid lease payments, leasehold properties and leased motor vehicles have been included in right-of-use assets under non-current assets.

Refundable rental deposits paid are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The Group as a lessor

As a lessor, the Group classifies its leases as operating leases. Rental income is recognized on a straight-line basis over the term of the lease.

3.14 Provisions

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.15 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued at each reporting date. Any transaction costs associated with the issuing of shares are deducted from capital reserve (net of any related income tax benefit) to the extent they are incremental costs directly attributable to such equity transaction.

3.16 Revenue recognition

Revenue arises mainly from the sales of goods and services involving DDIC advanced packaging and testing. This includes bumping, chip probing, chip-on-glass and chip-on-film.

To determine whether to recognize revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized at a point in time, when the Group satisfies performance obligations by transferring the promised goods or services to its customers.

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

Revenue from sales of goods and services

Revenue from sale of goods and services between the Group and its customers generally only includes a performance obligation for the transfer of goods or services, which is recognized when the performance obligation has been satisfied at a point in time.

Revenue for sale of goods and services in the Chinese mainland is recognised when the Group has delivered the products to the customers in accordance with the contract terms, and has received acceptance and other proof of receipt from the customers.

Revenue for export sale of goods and services is recognised when the Group has declared the goods and services for customs clearance in accordance with the contract terms, and has obtained a customs declaration or received acceptance and other proof of receipt from the customers.

Rental income

Accounting policies for rental income are set out in Note 3.13.

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3.17 Interest income

Interest income is recognized on a time proportion basis using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

3.18 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognized in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as “Deferred income” in the consolidated statements of financial position and are recognized in profit or loss on a straight-line basis over the expected lives of the related assets/deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Government grants relating to income is presented in gross under “Other income” in the consolidated statements of profit or loss and other comprehensive income.

3.19 Impairment of non-financial assets

Property, plant and equipment, right-of-use assets, intangible assets, interests in associates, deposits paid for acquisition of property, plant and equipment and lands, prepayments to suppliers and the Company’s interests in subsidiaries and associates are subject to impairment testing. All other assets are tested for impairment whenever there are indications that the asset’s carrying amount may not be recoverable.

An impairment loss is recognized as an expense immediately for the amount by which the asset’s carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Corporate assets are allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset’s recoverable amount and only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.20 Employee benefits

Retirement benefit

The Group contributes to defined contribution retirement plans which are available to eligible employees. Contributions to the plans by the Group are calculated as a percentage of employees’ basic salaries. The retirement benefit plan cost charged to profit or loss represents contributions payable by the Group to the funds. The Group’s contributions to the defined contribution retirement plans are expensed as incurred.

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Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group’s liability in respect of these funds is limited to the contributions payable at each reporting date.

Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

Short-term employee benefits

Salaries, discretionary bonuses, paid annual leave and the cost of non-monetary benefits are accrued and recognized as an expense in profit or loss in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the each reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognized until the time of leave.

Termination benefit

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes costs for any related restructuring.

Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets and performance conditions).

All share-based compensation is recognized as an expense in profit or loss over the vesting period if vesting conditions apply, or recognized as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the “Capital reserve” in equity. If vesting conditions apply, the expense is recognized over the vesting period based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently reviewed, if there is any indication that the number of equity instruments expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a review is recognized in the current period.

If the equity instruments granted are cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the cancelation or settlement is accounted for as an acceleration of vesting, and the amount that otherwise would have been recognized for services receive over the remainder of the vesting period is recognized immediately in profit or loss.

3.21 Borrowing costs

All borrowing costs are expensed in the period in which they are incurred.

3.22 Accounting for income tax

Income tax comprises current tax and deferred tax.

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Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at each reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at each reporting date between the carrying amounts of assets and liabilities in Historical Financial Information and their respective tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the requirements in IAS 12 “Income Taxes” to the lease liabilities and the related assets separately. The Group recognizes a deferred tax asset related to the lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realized, provided they are enacted or substantively enacted at each reporting date.

Changes in deferred tax assets or liabilities are recognized in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if:

- (a) the Group has the legally enforceable right to set off the recognized amounts; and
- (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or

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- (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize 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.

3.23 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision makers (the “CODM”) for their decisions about resources allocation to the Group’s business components and for their review of the performance of those components.

3.24 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancelation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the “Capital reserve”.

3.25 Related parties

For the purpose of the Historical Financial Information, 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 if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if 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 an associate or joint venture of a member of a group of which the other entity is a member).
 - (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).
 - (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.

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

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4. ADOPTION OF NEW AND AMENDED IFRS ACCOUNTING STANDARDS

All new and amended IFRS Accounting Standards, which are mandatory for the financial year beginning on 1 January 2025 are consistently applied to the Group throughout the Track Record Period.

A number of new and amended IFRS Accounting Standards have been issued but not yet effective for annual periods beginning after 1 January 2025, and have not been applied in preparing the Historical Financial Information:

IFRS 18	Presentation and Disclosure in Financial Statements ²
IFRS 19	Subsidiaries without Public Accountability: Disclosures and related amendments ²
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature — dependent Electricity ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards — Volume 11 ¹
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ²

1 Effective for annual periods beginning on or after 1 January 2026

2 Effective for annual periods beginning on or after 1 January 2027

3 Effective date not yet determined

The directors of the Company anticipate that all of the new and amended IFRS Accounting Standards will be adopted in the Group’s accounting policy for the first period beginning on or after the effective date of these new and amended IFRS Accounting Standards. These new and amended IFRS Accounting Standards are not expected to have a material impact on the Group’s results of operations and financial position.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of impairment of trade and bills receivables, and other receivables within the scope of ECL under IFRS 9

The Group makes allowances on items subjects to ECL (including trade and bills receivables, and other receivables) based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward-looking estimates at each reporting date as set out in Note 3.8.

As at 31 December 2023, 2024 and 2025, the aggregate carrying amounts of trade and bills receivables and other receivables amounted to RMB231,640,000, RMB275,741,000 and RMB359,647,000, net of loss allowance of RMB12,672,000, RMB14,908,000 and RMB19,258,000 respectively.

The provision of ECL is sensitive to changes in estimates. When the actual future cash flows are different from expected, such difference will impact the carrying amounts of trade and bills receivables, and other receivables and related credit losses in the periods in which such estimate has been changed.

Net realizable value of inventories

Net realizable value of inventories is based on estimated selling price less any estimated costs to be incurred to completion and disposal with reference to prevailing market information. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at each reporting date. During the Track Record Period, the provision for inventories, amounting to RMB10,157,000, RMB15,437,000 and RMB22,012,000 have been provided during the years ended 31 December 2023, 2024 and 2025, respectively.

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Impairment of non-financial assets

Items of property, plant and equipment, right-of-use assets, intangible assets, deposits paid for acquisition of property, plant and equipment, deposits for land acquisitions, prepayments to suppliers, interests in associates and the Company’s investments in subsidiaries and associates are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. This process requires management’s estimate of future cash flows generated by each CGU. For any instance where this evaluation process indicates impairment, the relevant asset’s carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statements of profit or loss and other comprehensive income. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use.

As at 31 December 2023, 2024 and 2025, the carrying amounts of property, plant and equipment, right-of-use assets, intangible assets, deposits paid for acquisition of property, plant and equipment, deposits for land acquisitions, prepayments to suppliers, interests in associates and the Company’s investments in subsidiaries and associates are disclosed in Note 14, Note 15, Note 16, Note 23, Note 23, Note 23, Note 17 and Note 18, respectively.

Estimation of fair value of other financial assets

As at 31 December 2023, 2024 and 2025, financial assets at FVTPL that are not traded in an active market including unlisted equity investments and other investments were carried at fair value of RMB70,192,000, RMB731,970,000 and RMB647,577,000 respectively. The fair values are determined by using valuation techniques, details of which are set out in Note 39.7. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Group bases its assumptions on observable data as far as possible but this is not always available. In that case the Group uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at each reporting date.

Useful lives of property, plant and equipment and intangible assets

The Group depreciates the property, plant and equipment and intangible assets over the estimated useful lives, using the straight-line method, commencing from the date the property, plant and equipment and intangible assets are available for use. The estimated useful life reflects the directors’ estimates of the periods that the Group intends to derive future economic benefits from the use of the Group’s property, plant and equipment and intangible assets. The Group assesses annually the useful lives of property, plant and equipment and intangible assets, and if the expectation differs from the original estimate, such a difference may impact the depreciation or amortization for the Track Record Period and the future period.

Estimation of fair value of restricted shares under restricted share incentive plan at the date of grant

The Company used the Black-Scholes Option Pricing Model to determine the fair value of the restricted shares under restricted share incentive plan as at the grant date, which is to be recorded in profit or loss over the vesting period. The model inputs are set out in Note 34(a). During the years ended 31 December 2023, 2024 and 2025, RMB22,260,000, RMB26,581,000 and RMB13,505,000 of employee compensation expenses, have been recognised in profit or loss respectively.

Deferred tax

Deferred tax are recognised on the temporary differences arising between the carrying amounts of assets or liabilities in the Group’s consolidated statements of financial position and their tax basis. Significant management estimation is required to determine the amount of the deferred tax, including the likely timing and level of future taxable profits, future tax planning strategies, and applicability and sustainability of preferential tax policies.

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6. REVENUE AND SEGMENT INFORMATION

The Group’s principal activities are disclosed in Note 1 to the Historical Financial Information. This operating segment has been identified on the basis of internal management reports reviewed by the CODM, being the directors of the Company. The CODM reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the directors of the Company regard that there is only one segment which is used to make strategic decisions.

An analysis of the Group’s revenue is as follows:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Disaggregation of revenue from contracts with customers			
DDIC advanced packaging and testing	1,168,454	1,356,592	1,579,071
Others (<i>note</i>)	69,839	144,428	204,064
	<u>1,238,293</u>	<u>1,501,020</u>	<u>1,783,135</u>

Note: Mainly includes sales of recovered gold.

Timing of revenue recognition

The Group derives revenue from the transfer of goods and services at a point in time and is analyzed as follows:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At a point in time	<u>1,238,293</u>	<u>1,501,020</u>	<u>1,783,135</u>

Segment assets and segment liabilities

No information on segment assets and segment liabilities were presented as substantially all of the Group’s assets and liabilities were attributable to the Group’s single operating segment. The CODM does not regard the Group’s interests in associates to be directly attributable to the Group’s operating segment.

Geographical information

The following table sets out information about the geographical location of the Group’s revenue from external customers. The geographical location of customers is based on the customers’ place of incorporation.

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from external customers			
Chinese mainland	504,841	683,521	806,262
Taiwan	709,309	800,288	963,298
Others	24,143	17,211	13,575
	<u>1,238,293</u>	<u>1,501,020</u>	<u>1,783,135</u>

All significant non-current assets of the Group are located in Chinese mainland. Accordingly, no geographical information of non-current assets is presented.

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Information about major customers

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

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer A	392,947	362,792	491,249
Customer B	242,330	321,791	309,908

7. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

(a) Other income

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Interest income	8,600	7,084	7,418
Government grants (<i>note</i>)	23,436	19,366	24,768
Sundry income	476	334	302
	32,512	26,784	32,488

Note: Government grants mainly relates to cash subsidies in respect of operating and development activities from government which are either unconditional grants or grants with conditions having been satisfied.

(b) Other gains and losses, net

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Gains on disposal of property, plant and equipment, net	2,620	6,345	2,229
Gains on disposal of financial assets at FVTPL, net	2,994	1,515	4,457
Change in fair value of financial assets at FVTPL	4,243	1,237	8,413
Net foreign exchange gain/(loss)	4,118	6,588	(1,332)
Others	778	641	1,648
	14,753	16,326	15,415

8. FINANCE COSTS

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Interest expenses on borrowings	901	22,541	37,397
Interest expenses on lease liabilities	196	131	104
	1,097	22,672	37,501

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9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Staff costs (including directors’ emoluments (note 13))			
Salaries, wages and other benefits	157,959	176,229	196,195
Contributions to defined contribution retirement plans (note)	10,608	12,822	14,115
Equity settled share-based payments	32,810	34,190	37,071
	201,377	223,241	247,381
Depreciation and amortization:			
Depreciation of property, plant and equipment	270,665	350,715	406,407
Depreciation of right-of-use assets (note 15)	2,694	3,227	2,793
Amortization of intangible assets (note 16)	1,714	3,219	6,192
Total depreciation and amortization	275,073	357,161	415,392
Research and development expenses:			
— Staff cost	31,353	34,840	38,999
— Raw material cost	12,130	15,737	24,029
— Depreciation and amortization	22,324	24,819	37,444
— Equity settled share-based payment	9,779	11,323	13,720
— Others	3,271	2,688	3,496
Total research and development expenses	78,857	89,407	117,688
Cost of inventories recognized as an expense	438,938	594,418	758,203
Provision for inventories	10,157	15,437	22,012
ECL allowances on trade and bills receivables	6,438	2,291	4,427
Reversal of ECL allowances on other receivables	(41)	(55)	(77)
Total provision, net	16,554	17,673	26,362
Auditor’s remuneration	1,200	1,200	1,200
Expense relating to short-term leases and leases of low-value assets	366	1,042	1,461

Note: During the Track Record Period, no forfeited contributions were utilized by the Group to reduce its contributions. The Group has no plan to utilize any amount from forfeited contributions to reduce its contributions for the future years either.

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10. INCOME TAX (CREDIT)/EXPENSE

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current — The PRC			
— (Credit)/charge for the year	(144)	29	13,988
— Under/(over) provision in respect of prior year	144	(29)	1
	<u>—</u>	<u>—</u>	<u>13,989</u>
Deferred income tax (<i>note 31</i>)	<u>(402)</u>	<u>(6,414)</u>	<u>(9,705)</u>
Income tax (credit)/expense	<u>(402)</u>	<u>(6,414)</u>	<u>4,284</u>

PRC corporate income tax

Pursuant to the PRC Enterprise Income Tax Law and the respective regulations, the subsidiaries of the Group which operates in Chinese mainland are subject to corporate income tax at a rate of 25% on the taxable income unless those are subject to tax exemption set out below.

The Company is qualified as a “High and New Technology Enterprise” and therefore is entitled to a preferential income tax rate of 15% for the years ended 31 December 2023, 2024 and 2025. In addition, the Company is qualified as an integrated circuit enterprise and therefore is entitled to a preferential income tax policy of “two-year exemptions and three-year reductions”, the income tax were exempted in 2023 and 2024, and the income tax rate of 12.5% was applied in 2025.

In addition, Jiangsu Union is qualified as a “High and New Technology Enterprise” in 2021 and 2024, and the income tax rate of 15% was applied for the years ended 31 December 2023, 2024 and 2025.

According to relevant laws and regulations in the PRC, qualified integrated circuit enterprises engaging in research and development activities are entitled to claim additional 120% of the eligible research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the years ended 31 December 2023, 2024 and 2025.

Hong Kong profits tax

According to the relevant tax rules in Hong Kong, pursuant to the Inland Revenue (Amendment) (No.3) Ordinance 2018, the two-tiered Profits tax rates regime will be applicable to Unionsemicon Technology (Hong Kong) Company Limited, a Company’s subsidiary incorporated in Hong Kong. Under the two-tiered Profits tax rates regime, the first HK\$2 million of profits of the qualifying entities are taxed at 8.25%, and profits above HK\$2 million are taxed at 16.5%.

During the Track Record Period, no Hong Kong profit tax has been provided as the Company’s subsidiary has no assessable profit for the years ended 31 December 2023, 2024 and 2025.

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The difference between the actual income tax (credit)/expense in the consolidated statements of profit or loss and other comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit before income tax	<u>195,583</u>	<u>153,350</u>	<u>159,015</u>
Tax at the PRC corporate income tax rate of 15%	29,337	23,003	23,852
Effect of preferential tax rate	(7,634)	(17,672)	(5,503)
Tax effect of expenses not deductible	1,831	1,457	1,201
Tax losses and deductible temporary differences not recognised	3,268	2,305	519
Utilisation of previously unrecognised tax losses/ deductible temporary differences	(15,555)	(1,900)	(999)
Additional deduction on research and development expenses and expenditures for equipment and appliances purchasing	(11,793)	(13,578)	(14,754)
Under/(over) provision in respect of prior year	144	(29)	1
Others	<u>—</u>	<u>—</u>	<u>(33)</u>
Income tax (credit)/expense	<u>(402)</u>	<u>(6,414)</u>	<u>4,284</u>

11. DIVIDENDS

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Final dividends in respect of the previous year, declared and paid during the following year (tax inclusive)	<u>—</u>	<u>82,440</u>	<u>78,478</u>

The final dividends of RMB1.00 per 10 shares (tax inclusive), totalling RMB82,440,000, for the year ended 31 December 2023 were proposed and approved in 2023 Annual General Meeting of the Company after 31 December 2023. Accordingly, it has not been recognised as a liability as at 31 December 2023.

The final dividends of RMB0.95 per 10 shares (tax inclusive), totalling RMB78,478,000, for the year ended 31 December 2024 were proposed and approved in 2024 Annual General Meeting of the Company after 31 December 2024. Accordingly, it has not been recognised as a liability as at 31 December 2024.

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12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share (“EPS”) attributable to owners of the Company is based on the following data:

	Years ended 31 December		
	2023	2024	2025
Earnings:			
Earnings for the purpose of basic and diluted EPS (profit attributable to owners of the Company) (RMB’000)	<u>195,985</u>	<u>159,764</u>	<u>154,731</u>
Number of shares:			
Weighted average number of ordinary shares for the purpose of basic EPS (thousand shares)	826,345	819,845	830,488
Adjustments for restricted shares (thousand shares)	<u>7,973</u>	<u>6,704</u>	<u>6,140</u>
Weighted average number of ordinary shares for the purpose of diluted EPS (thousand shares)	<u>834,318</u>	<u>826,549</u>	<u>836,628</u>
Basic EPS (RMB per share)	0.24	0.19	0.19
Diluted EPS (RMB per share)	<u>0.23</u>	<u>0.19</u>	<u>0.18</u>

The calculation of the basic EPS is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year, excluding ordinary shares held for restricted share incentive plan and employee stock ownership plan.

The diluted profit per share for the years ended 31 December 2024 and 2025 did not assume the conversion of the convertible bonds (see Note 28) as their inclusion would be anti-dilutive.

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13. DIRECTORS’ EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors’ remuneration

The emoluments paid or payable to each of the directors and supervisors were as follows:

<u>Name of director/supervisor</u>	<i>Notes</i>	<u>Fees</u>	<u>Salaries, bonus and allowances</u>	<u>Retirement benefit scheme contributions</u>	<u>Equity settled share- based payment</u>	<u>Total</u>
		<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Year ended 31 December 2023						
Directors:						
Mr. Cheng Jui-chun		—	1,434	8	5,987	7,429
Mr. Shen Chien-wei		—	—	—	—	—
Mr. Zhao Yabin	(i)	—	—	—	—	—
Mr. Wu Hailong	(i)	—	—	—	—	—
		<u>—</u>	<u>1,434</u>	<u>8</u>	<u>5,987</u>	<u>7,429</u>
Independent directors:						
Mr. Yang Hui		48	—	—	—	48
Ms. Cheng Min	(ii)	48	—	—	—	48
Dr. Lin Zhiting		48	—	—	—	48
		<u>144</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>144</u>
Supervisors:						
Mr. Guo Xiaopeng	(iii)	—	—	—	—	—
Mr. Chen Shu-fan	(iv)	—	—	—	—	—
Mr. Yang Huan	(iii)	—	—	—	—	—
Mr. Chao Chih-ching	(iv)	—	172	3	169	344
Ms. Cheng Hongyan		—	151	8	46	205
		<u>—</u>	<u>323</u>	<u>11</u>	<u>215</u>	<u>549</u>

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<u>Name of director/supervisor</u>	<i>Notes</i>	<u>Fees</u>	<u>Salaries, bonus and allowances</u>	<u>Retirement benefit scheme contributions</u>	<u>Equity settled share- based payment</u>	<u>Total</u>
		<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Year ended 31 December 2024						
Directors:						
Mr. Cheng Jui-chun		—	1,031	5	7,030	8,066
Mr. Shen Chien-wei		—	—	—	—	—
Mr. Zhao Yabin	(i)	—	—	—	—	—
Mr. Wu Hailong	(i)	—	—	—	—	—
Mr. Hong Weigang	(i)	—	—	—	—	—
Mr. Zhu Jingyi	(i)	—	—	—	—	—
		<u>—</u>	<u>1,031</u>	<u>5</u>	<u>7,030</u>	<u>8,066</u>
Independent directors:						
Mr. Yang Hui		55	—	—	—	55
Dr. Lin Zhiting		55	—	—	—	55
Ms. Cheng Min	(ii)	21	—	—	—	21
Dr. Luo Kun	(ii)	39	—	—	—	39
		<u>170</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>170</u>
Supervisors:						
Mr. Guo Xiaopeng	(iii)	—	—	—	—	—
Mr. Chen Shu-fan	(iv)	—	—	—	—	—
Ms. Cheng Hongyan		—	150	8	46	204
		<u>—</u>	<u>150</u>	<u>8</u>	<u>46</u>	<u>204</u>
Year ended 31 December 2025						
Directors:						
Mr. Cheng Jui-chun		—	1,025	—	5,231	6,256
Mr. Shen Chien-wei		—	—	—	—	—
Mr. Hong Weigang	(i)	—	—	—	—	—
Mr. Zhu Jingyi	(i)	—	—	—	—	—
		<u>—</u>	<u>1,025</u>	<u>—</u>	<u>5,231</u>	<u>6,256</u>
Independent directors:						
Mr. Yang Hui		58	—	—	—	58
Dr. Luo Kun	(ii)	58	—	—	—	58
Dr. Lin Zhiting		58	—	—	—	58
		<u>174</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>174</u>
Supervisors:						
Mr. Guo Xiaopeng	(iii)	—	—	—	—	—
Mr. Chen Shu-fan	(iv)	—	—	—	—	—
Ms. Cheng Hongyan		—	119	7	49	175
		<u>—</u>	<u>119</u>	<u>7</u>	<u>49</u>	<u>175</u>

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Notes:

- (i) Mr. Zhao Yabin and Mr. Wu Hailong resigned as directors of the Company on 15 May 2024; Mr. Hong Weigang and Mr. Zhu Jingyi were appointed as directors of the Company on 15 May 2024.
- (ii) Ms. Cheng Min resigned as an independent director of the Company and Dr. Luo Kun was appointed as an independent director of the Company on 15 May 2024.
- (iii) Mr. Yang Huan resigned as a supervisor of the Company and Mr. Guo Xiaopeng was appointed a supervisor of the Company on 20 November 2023.
- (iv) Mr. Chao Chih-ching resigned as a supervisor of the Company and Mr. Chen Shu-fan was appointed a supervisor of the Company on 11 May 2023.

The emoluments shown above represent emoluments received by the directors in the capacity as directors/employees of the companies comprising the Group during the Track Record Period.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the Track Record Period.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2023, 2024 and 2025 include 1, 1 and 1 director, respectively, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining 4, 4 and 4 individuals for the years ended 31 December 2023, 2024 and 2025 were as follows:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries, bonus and allowances	4,354	3,677	4,617
Retirement benefit scheme contributions	24	24	16
Equity settled share-based payment	6,481	7,338	6,937
	10,859	11,039	11,570

The above individuals’ emoluments are within the following band:

	Years ended 31 December		
	2023	2024	2025
	Number of individuals		
Emolument bands			
HK\$2,000,001 to HK\$2,500,000	1	2	1
HK\$2,500,001 to HK\$3,000,000	1	—	1
HK\$3,000,001 to HK\$3,500,000	—	1	1
HK\$3,500,001 to HK\$4,000,000	2	1	—
HK\$4,000,001 to HK\$4,500,000	—	—	1

No director or the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period. No director or the five highest paid individuals has waived or agreed to waive any emoluments during the Track Record Period.

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14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	CIP	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023						
Cost	368,499	2,152,544	1,667	16,173	77,972	2,616,855
Accumulated depreciation	(100,507)	(676,658)	(1,395)	(12,370)	—	(790,930)
Net carrying amount	<u>267,992</u>	<u>1,475,886</u>	<u>272</u>	<u>3,803</u>	<u>77,972</u>	<u>1,825,925</u>
Year ended 31 December 2023						
Opening net carrying amount	267,992	1,475,886	272	3,803	77,972	1,825,925
Additions	—	—	—	—	1,031,795	1,031,795
Transfer from CIP	19,078	899,526	1,417	6,694	(926,715)	—
Disposals/Written-off	—	(2,221)	(1)	(18)	(2,367)	(4,607)
Depreciation	(14,119)	(260,931)	(185)	(2,081)	—	(277,316)
Closing net carrying amount	<u>272,951</u>	<u>2,112,260</u>	<u>1,503</u>	<u>8,398</u>	<u>180,685</u>	<u>2,575,797</u>
At 31 December 2023 and 1 January 2024						
Cost	387,577	3,035,711	3,066	22,537	180,685	3,629,576
Accumulated depreciation	(114,626)	(923,451)	(1,563)	(14,139)	—	(1,053,779)
Net carrying amount	<u>272,951</u>	<u>2,112,260</u>	<u>1,503</u>	<u>8,398</u>	<u>180,685</u>	<u>2,575,797</u>
Year ended 31 December 2024						
Opening net carrying amount	272,951	2,112,260	1,503	8,398	180,685	2,575,797
Additions	—	—	—	—	559,387	559,387
Transfer from CIP	11,201	635,133	70	13,827	(660,231)	—
Disposals/Written-off	—	(5,605)	(8)	(1)	—	(5,614)
Depreciation	(15,256)	(340,960)	(357)	(5,546)	—	(362,119)
Closing net carrying amount	<u>268,896</u>	<u>2,400,828</u>	<u>1,208</u>	<u>16,678</u>	<u>79,841</u>	<u>2,767,451</u>
At 31 December 2024 and 1 January 2025						
Cost	398,778	3,652,616	2,962	36,360	79,841	4,170,557
Accumulated depreciation	(129,882)	(1,251,788)	(1,754)	(19,682)	—	(1,403,106)
Net carrying amount	<u>268,896</u>	<u>2,400,828</u>	<u>1,208</u>	<u>16,678</u>	<u>79,841</u>	<u>2,767,451</u>
Year ended 31 December 2025						
Opening net carrying amount	268,896	2,400,828	1,208	16,678	79,841	2,767,451
Additions	—	—	—	—	447,639	447,639
Transfer from CIP	124,459	308,943	643	6,609	(440,654)	—
Disposals/Written-off	—	(2,554)	—	(5)	—	(2,559)
Depreciation	(16,250)	(386,343)	(322)	(7,567)	—	(410,482)
Closing net carrying amount	<u>377,105</u>	<u>2,320,874</u>	<u>1,529</u>	<u>15,715</u>	<u>86,826</u>	<u>2,802,049</u>
As at 31 December 2025						
Cost	523,237	3,951,510	3,605	42,887	86,826	4,608,065
Accumulated depreciation	(146,132)	(1,630,636)	(2,076)	(27,172)	—	(1,806,016)
Net carrying amount	<u>377,105</u>	<u>2,320,874</u>	<u>1,529</u>	<u>15,715</u>	<u>86,826</u>	<u>2,802,049</u>

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The Company

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	CIP	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023						
Cost	172,545	1,571,897	895	8,229	55,707	1,809,273
Accumulated depreciation	(29,634)	(388,763)	(662)	(6,141)	—	(425,200)
Net carrying amount	<u>142,911</u>	<u>1,183,134</u>	<u>233</u>	<u>2,088</u>	<u>55,707</u>	<u>1,384,073</u>
Year ended 31 December 2023						
Opening net carrying amount	142,911	1,183,134	233	2,088	55,707	1,384,073
Additions	—	—	—	—	676,268	676,268
Transfer from CIP	9,703	667,481	1,417	3,502	(682,103)	—
Disposals/Written-off	—	(156,365)	—	(25)	(8,485)	(164,875)
Depreciation	(6,706)	(195,642)	(184)	(1,039)	—	(203,571)
Closing net carrying amount	<u>145,908</u>	<u>1,498,608</u>	<u>1,466</u>	<u>4,526</u>	<u>41,387</u>	<u>1,691,895</u>
At 31 December 2023 and 1 January 2024						
Cost	182,248	2,063,827	2,312	11,472	41,387	2,301,246
Accumulated depreciation	(36,340)	(565,219)	(846)	(6,946)	—	(609,351)
Net carrying amount	<u>145,908</u>	<u>1,498,608</u>	<u>1,466</u>	<u>4,526</u>	<u>41,387</u>	<u>1,691,895</u>
Year ended 31 December 2024						
Opening net carrying amount	145,908	1,498,608	1,466	4,526	41,387	1,691,895
Additions	—	—	—	—	322,985	322,985
Transfer from CIP	251	296,222	—	4,888	(301,361)	—
Disposals/Written-off	—	(41,799)	—	—	(9,315)	(51,114)
Depreciation	(7,128)	(231,298)	(348)	(2,677)	—	(241,451)
Closing net carrying amount	<u>139,031</u>	<u>1,521,733</u>	<u>1,118</u>	<u>6,737</u>	<u>53,696</u>	<u>1,722,315</u>
At 31 December 2024 and 1 January 2025						
Cost	182,499	2,304,614	2,312	16,360	53,696	2,559,481
Accumulated depreciation	(43,468)	(782,881)	(1,194)	(9,623)	—	(837,166)
Net carrying amount	<u>139,031</u>	<u>1,521,733</u>	<u>1,118</u>	<u>6,737</u>	<u>53,696</u>	<u>1,722,315</u>
Year ended 31 December 2025						
Opening net carrying amount	139,031	1,521,733	1,118	6,737	53,696	1,722,315
Additions	—	—	—	—	307,916	307,916
Transfer from CIP	124,459	168,204	458	2,863	(295,984)	—
Disposals/Written-off	—	(26,090)	—	—	(1,289)	(27,379)
Depreciation	(7,937)	(251,718)	(303)	(3,215)	—	(263,173)
Closing net carrying amount	<u>255,553</u>	<u>1,412,129</u>	<u>1,273</u>	<u>6,385</u>	<u>64,339</u>	<u>1,739,679</u>
As at 31 December 2025						
Cost	306,958	2,420,651	2,770	19,223	64,339	2,813,941
Accumulated depreciation	(51,405)	(1,008,522)	(1,497)	(12,838)	—	(1,074,262)
Net carrying amount	<u>255,553</u>	<u>1,412,129</u>	<u>1,273</u>	<u>6,385</u>	<u>64,339</u>	<u>1,739,679</u>

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15. RIGHT-OF-USE ASSETS

The Group

	<u>Prepaid lease payments</u>	<u>Leasehold properties</u>	<u>Motor vehicles</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023				
Cost	17,339	2,931	2,751	23,021
Accumulated depreciation	<u>(2,647)</u>	<u>(976)</u>	<u>(612)</u>	<u>(4,235)</u>
Net carrying amount	<u>14,692</u>	<u>1,955</u>	<u>2,139</u>	<u>18,786</u>
Year ended 31 December 2023				
Opening net carrying amount	14,692	1,955	2,139	18,786
Additions	—	2,602	—	2,602
Lease termination	—	(366)	—	(366)
Depreciation	<u>(347)</u>	<u>(1,455)</u>	<u>(892)</u>	<u>(2,694)</u>
Closing net carrying amount	<u>14,345</u>	<u>2,736</u>	<u>1,247</u>	<u>18,328</u>
At 31 December 2023 and 1 January 2024				
Cost	17,339	4,800	2,751	24,890
Accumulated depreciation	<u>(2,994)</u>	<u>(2,064)</u>	<u>(1,504)</u>	<u>(6,562)</u>
Net carrying amount	<u>14,345</u>	<u>2,736</u>	<u>1,247</u>	<u>18,328</u>
Year ended 31 December 2024				
Opening net carrying amount	14,345	2,736	1,247	18,328
Additions	15,033	2,480	—	17,513
Lease termination	—	(570)	—	(570)
Depreciation	<u>(647)</u>	<u>(1,688)</u>	<u>(892)</u>	<u>(3,227)</u>
Closing net carrying amount	<u>28,731</u>	<u>2,958</u>	<u>355</u>	<u>32,044</u>
At 31 December 2024 and 1 January 2025				
Cost	32,372	5,444	2,751	40,567
Accumulated depreciation	<u>(3,641)</u>	<u>(2,486)</u>	<u>(2,396)</u>	<u>(8,523)</u>
Net carrying amount	<u>28,731</u>	<u>2,958</u>	<u>355</u>	<u>32,044</u>
Year ended 31 December 2025				
Opening net carrying amount	28,731	2,958	355	32,044
Additions	—	1,157	—	1,157
Lease termination	—	(34)	—	(34)
Depreciation	<u>(647)</u>	<u>(1,791)</u>	<u>(355)</u>	<u>(2,793)</u>
Closing net carrying amount	<u>28,084</u>	<u>2,290</u>	<u>—</u>	<u>30,374</u>
As at 31 December 2025				
Cost	32,372	5,328	—	37,700
Accumulated depreciation	<u>(4,288)</u>	<u>(3,038)</u>	<u>—</u>	<u>(7,326)</u>
Net carrying amount	<u>28,084</u>	<u>2,290</u>	<u>—</u>	<u>30,374</u>

The Group has lease contracts for various items of land, properties and motor vehicles for its operations. Lease of properties and motor vehicles generally have lease terms between 2 to 3 years. Lump sum payments were made upfront to acquire the land use rights with lease periods of 50 years and no ongoing payments will be made under the terms of these land leases.

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The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Details of the lease maturity analysis of lease liabilities are set out in Notes 30 and 39.6.

The Company

	Prepaid lease payments	Leasehold properties	Motor vehicles	Total
	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023				
Cost	10,650	2,198	1,690	14,538
Accumulated depreciation	<u>(1,242)</u>	<u>(731)</u>	<u>(411)</u>	<u>(2,384)</u>
Net carrying amount	<u>9,408</u>	<u>1,467</u>	<u>1,279</u>	<u>12,154</u>
Year ended 31 December 2023				
Opening net carrying amount	9,408	1,467	1,279	12,154
Additions	—	1,031	—	1,031
Depreciation	<u>(213)</u>	<u>(1,006)</u>	<u>(548)</u>	<u>(1,767)</u>
Closing net carrying amount	<u>9,195</u>	<u>1,492</u>	<u>731</u>	<u>11,418</u>
At 31 December 2023 and 1 January 2024				
Cost	10,650	3,229	1,690	15,569
Accumulated depreciation	<u>(1,455)</u>	<u>(1,737)</u>	<u>(959)</u>	<u>(4,151)</u>
Net carrying amount	<u>9,195</u>	<u>1,492</u>	<u>731</u>	<u>11,418</u>
Year ended 31 December 2024				
Opening net carrying amount	9,195	1,492	731	11,418
Additions	15,033	1,699	—	16,732
Lease termination	—	(570)	—	(570)
Depreciation	<u>(514)</u>	<u>(986)</u>	<u>(548)</u>	<u>(2,048)</u>
Closing net carrying amount	<u>23,714</u>	<u>1,635</u>	<u>183</u>	<u>25,532</u>
At 31 December 2024 and 1 January 2025				
Cost	25,683	3,092	1,690	30,465
Accumulated depreciation	<u>(1,969)</u>	<u>(1,457)</u>	<u>(1,507)</u>	<u>(4,933)</u>
Net carrying amount	<u>23,714</u>	<u>1,635</u>	<u>183</u>	<u>25,532</u>
Year ended 31 December 2025				
Opening net carrying amount	23,714	1,635	183	25,532
Additions	—	1,157	—	1,157
Lease termination	—	(34)	—	(34)
Depreciation	<u>(514)</u>	<u>(1,006)</u>	<u>(183)</u>	<u>(1,703)</u>
Closing net carrying amount	<u>23,200</u>	<u>1,752</u>	<u>—</u>	<u>24,952</u>
As at 31 December 2025				
Cost	25,683	2,976	—	28,659
Accumulated depreciation	<u>(2,483)</u>	<u>(1,224)</u>	<u>—</u>	<u>(3,707)</u>
Net carrying amount	<u>23,200</u>	<u>1,752</u>	<u>—</u>	<u>24,952</u>

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ACCOUNTANTS’ REPORT

16. INTANGIBLE ASSETS

The Group

	Software and others
	RMB’000
At 1 January 2023	
Cost	13,883
Accumulated amortization	<u>(10,843)</u>
Net carrying amount	<u>3,040</u>
Year ended 31 December 2023	
Opening net carrying amount	3,040
Additions	10,075
Amortization	<u>(1,714)</u>
Closing net carrying amount	<u>11,401</u>
At 31 December 2023 and 1 January 2024	
Cost	23,958
Accumulated amortization	<u>(12,557)</u>
Net carrying amount	<u>11,401</u>
Year ended 31 December 2024	
Opening net carrying amount	11,401
Additions	9,629
Amortization	<u>(3,219)</u>
Closing net carrying amount	<u>17,811</u>
At 31 December 2024 and 1 January 2025	
Cost	33,587
Accumulated amortization	<u>(15,776)</u>
Net carrying amount	<u>17,811</u>
Year ended 31 December 2025	
Opening net carrying amount	17,811
Additions	11,174
Amortization	<u>(6,192)</u>
Closing net carrying amount	<u>22,793</u>
As at 31 December 2025	
Cost	44,761
Accumulated amortization	<u>(21,968)</u>
Net carrying amount	<u>22,793</u>

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ACCOUNTANTS’ REPORT

The Company

	Software and others
	RMB’000
At 1 January 2023	
Cost	7,830
Accumulated amortization	<u>(5,745)</u>
Net carrying amount	<u>2,085</u>
Year ended 31 December 2023	
Opening net carrying amount	2,085
Additions	5,661
Amortization	<u>(849)</u>
Closing net carrying amount	<u>6,897</u>
At 31 December 2023 and 1 January 2024	
Cost	13,491
Accumulated amortization	<u>(6,594)</u>
Net carrying amount	<u>6,897</u>
Year ended 31 December 2024	
Opening net carrying amount	6,897
Additions	8,691
Amortization	<u>(1,824)</u>
Closing net carrying amount	<u>13,764</u>
At 31 December 2024 and 1 January 2025	
Cost	22,182
Accumulated amortization	<u>(8,418)</u>
Net carrying amount	<u>13,764</u>
Year ended 31 December 2025	
Opening net carrying amount	13,764
Additions	5,574
Amortization	<u>(4,114)</u>
Closing net carrying amount	<u>15,224</u>
As at 31 December 2025	
Cost	27,756
Accumulated amortization	<u>(12,532)</u>
Net carrying amount	<u>15,224</u>

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ACCOUNTANTS’ REPORT

17. INTERESTS IN ASSOCIATES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the year	—	—	—
Addition	—	—	275,484
Share of results, net	—	—	218
At the end of the year	—	—	275,702

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Share of net assets	—	—	247,184

Details of the Group’s interests in associates, which are unlisted entities whose quoted market prices are not available and accounted for using the equity method in the Historical Financial Information as at 31 December 2023, 2024 and 2025, are as follows:

Name of associates	Place of Incorporation/ establishment and operations	Particulars of registered capital	Principal activities	Attributable equity interest held by the Group As at 31 December					
				2023		2024		2025	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
Hefei Xinfeng Technology Inc [#] 合肥鑫豐科技有限公司 (“Hefei Xinfeng Technology”) (note a)	The PRC	RMB393,081,000	Integrated circuit equipment manufacturing and sales	N/A	N/A	N/A	N/A	20.94%	3.96%
Hefei Jinghui Chuangxin Equity Investment Fund Partnership (Limited Partnership) [#] 合肥晶匯創芯股權投資基金合夥企業(有限合夥) (“Hefei Jinghui”) (note b)	The PRC	RMB350,500,000	Investment	N/A	N/A	N/A	N/A	14.27%	N/A
Suzhou Industrial Park Jinghui Juxin Venture Capital Partnership (Limited Partnership) [#] 蘇州工業園區晶匯聚鑫創業投資合夥企業(有限合夥) (“Suzhou Jinghui”) (note c)	The PRC	RMB301,000,000	Investment	N/A	N/A	N/A	N/A	33.22%	N/A

Notes:

- (a) The directors of the Company consider that the Group has significant influence over the operating and financial activities of Hefei Xinfeng Technology through its representation on the Board of Directors of Hefei Xinfeng Technology, and accounts for it as an associate.

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- (b) Pursuant to partnership agreement between the Group and certain independent third parties, the investment decision committee, which is the final decision-making body of Hefei Jinghui, consists of 5 members, of whom 1 is nominated by the Group and 4 are nominated by other partners. Both of the Group and the other partners have the rights to the net assets of Hefei Jinghui. Although the Group holds less than 20% of the equity interest of Hefei Jinghui, the Group can exercise significant influence over Hefei Jinghui by virtue of its contractual right to nominate member of the investment decision committee and has the power to participate in the key operating decisions of Hefei Jinghui. As such, the investment in Hefei Jinghui was recognised as an associate of the Group and accounted for using the equity method.
- (c) Pursuant to partnership agreement between the Group and certain independent third parties, the investment decision committee, which is the final decision-making body of Suzhou Jinghui, consists of 3 members, of whom 1 is nominated by the Group and 2 are nominated by another partner. Both of the Group and the other partner have the rights to the net assets of Suzhou Jinghui. Accordingly, the investment in Suzhou Jinghui was recognised as an associate of the Group and accounted for using the equity method.
- # The English translations of the names of the companies established in the PRC are for reference only. The official names of these companies are in Chinese.

In the opinion of the directors of the Company, there is no associate that is individually significant to the Group.

Aggregate financial information of associates that are not individually material:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Aggregate amounts of the Group’s share of profit for the year	—	—	218
Aggregate carrying amount of the Group’s interests in these associates	—	—	275,702

18. INTERESTS IN SUBSIDIARIES

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Unlisted shares, at cost	592,439	898,768	988,100

Details of the Company’s principal subsidiary are stated in Note 1.

During the year ended 31 December 2023, Jiangsu Union effected an increase in registered capital whereby the Company injected additional capital to Jiangsu Union amounting to RMB300,000,000. Upon the completion of the capital increase, the registered capital of Jiangsu Union changed from RMB261,640,000 to RMB561,640,000. As a result of such an increase in registered capital, the Company’s equity interests in Jiangsu Union remained unchanged at 100% and Jiangsu Union was still wholly owned by the Company.

During the year ended 31 December 2024, Jiangsu Union effected an increase in registered capital whereby the Company injected additional capital to Jiangsu Union amounting to RMB300,000,000. Upon the completion of the capital increase, the registered capital of Jiangsu Union changed from RMB561,640,000 to RMB861,640,000. As a result of such an increase in registered capital, the Company’s equity interests in Jiangsu Union remained unchanged at 100% and Jiangsu Union was still wholly owned by the Company.

Suzhou Industrial Park Xinpu Venture Capital Partnership (Limited Partnership)[#] (蘇州工業園區芯璞創業投資合夥企業(有限合夥)) (“**Suzhou Xinpu**”) was established on 16 July 2025, with a registered capital of RMB107,400,000, of which the Company’s subscribed capital amounted to RMB106,400,000 and paid-in capital amounted to RMB85,100,000. As at 31 December 2025, the Company had outstanding capital contribution commitments amounting to RMB21,300,000 in respect of Suzhou Xinpu.

The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

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19. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Raw materials	151,696	179,774	188,415
Work in progress	7,911	8,718	12,179
Finished goods	85,589	111,566	117,409
	<u>245,196</u>	<u>300,058</u>	<u>318,003</u>
Less: provision for inventories	(8,198)	(11,715)	(14,218)
	<u>236,998</u>	<u>288,343</u>	<u>303,785</u>

Movements in the provision for inventories of the Group:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the year	10,455	8,198	11,715
Provision	10,157	15,437	22,012
Reversed upon sales of inventories	(12,414)	(11,920)	(19,509)
	<u>8,198</u>	<u>11,715</u>	<u>14,218</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Raw materials	104,320	117,025	133,555
Work in progress	5,827	5,309	7,843
Finished goods	50,816	75,212	80,167
	<u>160,963</u>	<u>197,546</u>	<u>221,565</u>
Less: provision for inventories	(3,077)	(7,264)	(9,904)
	<u>157,886</u>	<u>190,282</u>	<u>211,661</u>

Movements in the provision for inventories of the Company:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the year	3,544	3,077	7,264
Provision	2,193	7,282	13,102
Reversed upon sales of inventories	(2,660)	(3,095)	(10,462)
	<u>3,077</u>	<u>7,264</u>	<u>9,904</u>

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ACCOUNTANTS’ REPORT

20. TRADE AND BILLS RECEIVABLES

The Group

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Trade receivables	<i>(a)</i>			
— Third parties		243,417	289,234	377,771
Less: ECL allowance of trade receivables		(12,171)	(14,462)	(18,889)
		231,246	274,772	358,882
Bills receivable	<i>(b)</i>			
— Measured at FVTOCI		—	489	93
		231,246	275,261	358,975

The Company

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Trade receivables	<i>(a)</i>			
— Third parties		193,168	218,968	282,718
— A subsidiary		132,837	—	—
		326,005	218,968	282,718
Less: ECL allowance of trade receivables		(9,658)	(10,948)	(14,136)
		316,347	208,020	268,582

The Group usually provides customer with a credit term ranged from 7 to 120 days. All bills receivables held by the Group are with a maturity period of less than one year. The directors of the Company consider that the fair values of trade and bills receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

(a) Trade receivables

The aging analysis of trade receivables based on the revenue recognition date at each reporting date, net of ECL allowance, are as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 1 year	231,246	274,772	358,882

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 1 year	316,347	208,020	268,582

The Group has applied the simplified approach to measure the provision for ECL prescribed by IFRS 9, which permits the use of lifetime ECL provision for all trade receivables.

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The Group performs ECL assessments collectively and individually. To measure the ECL of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the past due status.

The impairment analysis for the ECL of trade receivables is performed by considering the probability of default by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. In addition, credit-impaired trade receivables are assessed for ECL individually.

Set out below is the information about the credit risk exposure on the Group’s trade receivables:

The Group

	<u>As at 31 December 2023</u>		
	<u>Gross carrying Amount</u>	<u>ECL</u>	<u>ECL rate</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>%</u>
Collectively impaired			
Within 1 year	<u>243,417</u>	<u>(12,171)</u>	<u>5</u>

	<u>As at 31 December 2024</u>		
	<u>Gross carrying Amount</u>	<u>ECL</u>	<u>ECL rate</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>%</u>
Collectively impaired			
Within 1 year	<u>289,234</u>	<u>(14,462)</u>	<u>5</u>

	<u>As at 31 December 2025</u>		
	<u>Gross carrying Amount</u>	<u>ECL</u>	<u>ECL rate</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>%</u>
Collectively impaired			
Within 1 year	<u>377,771</u>	<u>(18,889)</u>	<u>5</u>

Set out below is the information about the credit risk exposure on the Company’s trade receivables:

The Company

	<u>As at 31 December 2023</u>		
	<u>Gross carrying Amount</u>	<u>ECL</u>	<u>ECL rate</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>%</u>
Collectively impaired			
Within 1 year	<u>326,005</u>	<u>(9,658)</u>	<u>3</u>

	<u>As at 31 December 2024</u>		
	<u>Gross carrying Amount</u>	<u>ECL</u>	<u>ECL rate</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>%</u>
Collectively impaired			
Within 1 year	<u>218,968</u>	<u>(10,948)</u>	<u>5</u>

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	As at 31 December 2025		
	Gross carrying Amount	ECL	ECL rate
	RMB’000	RMB’000	%
Collectively impaired			
Within 1 year	282,718	(14,136)	5

The movement in the ECL allowance of trade receivables is as follows:

The Group

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Balance at the beginning of the year	5,733	12,171	14,462
ECL allowance recognized	6,438	2,291	4,427
Balance at the end of the year	12,171	14,462	18,889

The Company

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Balance at the beginning of the year	4,183	9,658	10,948
ECL allowance recognized	5,475	1,290	3,188
Balance at the end of the year	9,658	10,948	14,136

(b) Bills receivable

The Group manages its bills receivable using the business model whose objective is achieved by both collecting contractual cash flows and selling of these assets. Accordingly, bills receivable are classified as financial assets at FVTOCI and are stated at fair value. The fair value is within Level 2 of the fair value hierarchy.

The Group endorsed certain bills receivable accepted by banks in the PRC to certain suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMBNil, RMB4,158,000 and RMB2,859,000 as at 31 December 2023, 2024 and 2025 respectively (the “**Derecognised Bills**”). In the opinion of the directors of the Company, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables.

During the Track Record Period, all the Group’s and the Company’s bills receivable are neither past due nor impaired. The Group and the Company expect that there is no significant credit risk associated with bills receivable since they are held with reputable banks in the PRC. The directors of the Company do not expect that there will be any significant credit losses from non-performance by these counterparties. Accordingly, no provision for loss allowance was made during the Track Record Period.

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21. FINANCIAL ASSETS AT FVTPL

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Non-current			
Unlisted equity investments	50,000	50,364	63,072
Other investments (<i>note (a)</i>)	—	—	50,000
	<u>50,000</u>	<u>50,364</u>	<u>113,072</u>
Current			
Wealth management products (<i>note (b)</i>)	20,192	376,014	464,267
Structured deposits (<i>note (b)</i>)	—	305,592	70,238
	<u>20,192</u>	<u>681,606</u>	<u>534,505</u>
Total	<u>70,192</u>	<u>731,970</u>	<u>647,577</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Non-current			
Unlisted equity investments	50,000	50,364	63,072
Current			
Wealth management products (<i>note (b)</i>)	20,192	376,014	464,267
Structured deposits (<i>note (b)</i>)	—	305,592	70,238
	<u>20,192</u>	<u>681,606</u>	<u>534,505</u>
Total	<u>70,192</u>	<u>731,970</u>	<u>597,577</u>

The fair value of the Group’s and the Company’s unlisted investments, wealth management products and structured deposits have been measured as described in Note 39.7.

Notes:

- (a) During the year ended 31 December 2025, the Group entered into debt conversion agreements (the “**Debt Conversion Agreements**”) with Hefei WinRock Electric Limited[#] 合肥萬諾康電子有限公司 (“**WinRock**”) and an independent third party (together, the “**Investees**”), respectively, pursuant to which the Group agreed to pay cash consideration of RMB25,000,000 to each of the Investees (together, the “**Convertible Debts**”).

According to the Debt Conversion Agreements, the Convertible Debts will be treated as capital contributions from the Group and will be converted into equity interests in the Investees, respectively, upon the satisfaction of certain performance conditions (the “**Conversion**”). In the event that the Conversion cannot be executed, the Investees shall return the Convertible Debts to the Group, together with interests calculated at the annual interest rate of 6% (simple interest).

[#] The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

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- (b) As at 31 December 2023, 2024 and 2025, the Company invested in certain wealth management products and structured deposits offered by the financial institutions. The wealth management products and structured deposits will be matured within one year on their inception. The interest is payable at the maturity of these wealth management products and structured deposits, ranged from 1.80% to 4.00%, 0.10% to 4.50% and 0.75% to 6.32%, per annum respectively. The returns on all of these wealth management products and structured deposits were not guaranteed, hence their contractual cash flows did not qualify for solely payments of principal and interest. Therefore, they were measured at FVTPL. The objective of the Company’s business model was collecting contractual cash flows and selling these financial assets.

22. OTHER FINANCIAL ASSETS AT AMORTIZED COST

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Constant return wealth management products	—	—	60,004

Other financial assets at amortized cost is subject to the impairment assessment according to IFRS 9, the identified impairment loss was immaterial as at 31 December 2025. Details are disclosed in Note 39.2.

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Non-current			
Deposits paid for acquisition of property, plant and equipment	150,053	73,255	12,303
Prepayments to suppliers	6,949	5,788	8,648
Deposits for land acquisitions (<i>note (a)</i>)	3,000	—	—
Others	—	—	500
	160,002	79,043	21,451
Current			
Deposits and other receivables	895	926	1,041
Less: ECL allowance of other receivables	(501)	(446)	(369)
	394	480	672
Prepayments to suppliers	1,143	6,062	3,753
Value-added tax recoverable	40,420	70,170	73,773
Others	1,563	134	618
	43,126	76,366	78,144
	43,520	76,846	78,816
	203,522	155,889	100,267

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The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Non-current			
Deposits paid for acquisition of property, plant and equipment	43,852	20,873	10,660
Prepayments to suppliers	5,088	4,816	6,700
Deposits for land acquisitions (<i>note (a)</i>)	3,000	—	—
Amounts due from a subsidiary (<i>note (b)</i>)	—	200,000	200,000
Others	—	—	500
	51,940	225,689	217,860
Current			
Deposits and other receivables	855	849	940
Amounts due from a subsidiary (<i>note (b)</i>)	617,753	496,319	487,036
	618,608	497,168	487,976
Less: ECL allowance of other receivables	(461)	(403)	(320)
	618,147	496,765	487,656
Prepayments to suppliers	836	3,684	109
Value-added tax recoverable	3,033	14,131	10,317
Others	1,563	134	618
	5,432	17,949	11,044
	623,579	514,714	498,700
	675,519	740,403	716,560

Notes:

- (a) Deposits for land acquisitions arise from the acquisitions of lands in the PRC. These deposits would be converted into right-of-use assets when the rights to use have been obtained. The carrying amounts of the Group’s deposits for land acquisitions are denominated in RMB.
- (b) The amounts due from a subsidiary are unsecured and non-interest bearing. The non-current portion of amounts due from a subsidiary are repayable in August 2027, and the current portion of amounts due from a subsidiary are repayable on demand.

The directors of the Company considered that the fair values of deposits, prepayments and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

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The movement in the ECL allowance of other receivables is as follows:

The Group

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Balance at the beginning of the year	542	501	446
ECL allowance reversed	(41)	(55)	(77)
Balance at the end of the year	501	446	369

The Company

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Balance at the beginning of the year	497	461	403
ECL allowance reversed	(36)	(58)	(83)
Balance at the end of the year	461	403	320

24. BANK BALANCES, DEPOSITS AND CASH

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Non-current			
Time deposits	124,493	30,537	—
Current			
Cash at banks and on hand	109,639	152,038	129,706
Time deposits with original maturity over three months and due within one year	10,449	128,669	116,451
Restricted bank deposits	503	7,629	10,713
	120,591	288,336	256,870
	245,084	318,873	256,870
Representing:			
Cash and cash equivalents	109,639	152,038	129,706

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The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Non-current			
Time deposits	124,493	30,537	—
Current			
Cash at banks and on hand	94,308	87,254	79,993
Time deposits with original maturity over three months and due within one year	10,449	128,669	42,298
Restricted bank deposits	—	3,000	3,060
	<u>104,757</u>	<u>218,923</u>	<u>125,351</u>
	<u>229,250</u>	<u>249,460</u>	<u>125,351</u>
Representing:			
Cash and cash equivalents	<u>94,308</u>	<u>87,254</u>	<u>79,993</u>

The Group’s and the Company’s restricted bank deposits consist primarily of restricted bank balances placed at banks as guarantee for bills payables and borrowings. All restricted bank balances are placed in major financial institutions in segregated accounts. Details are disclosed in Note 35 to the Historical Financial Information.

25. TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade payables			
— Third parties	141,330	131,897	119,743
Bills payables	3,996	6,126	5,652
	<u>145,326</u>	<u>138,023</u>	<u>125,395</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade payables			
— Third parties	73,287	112,064	76,811
Bills payables	3,996	2,500	—
	<u>77,283</u>	<u>114,564</u>	<u>76,811</u>

All amounts are short term and hence the carrying amounts of the Group’s trade and bills payables are considered to be a reasonable approximation of fair value.

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The Group was granted certain credit terms by major suppliers, which ranged from 30 to 60 days. An ageing analysis of the trade and bills payables as at each reporting date, based on the time of purchasing materials, goods or receiving services, is as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 1 year	141,019	128,236	122,230
Between 1 year and 2 years	3,916	7,538	1,573
Over 2 years	391	2,249	1,592
	145,326	138,023	125,395

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 1 year	74,572	110,222	74,436
Between 1 year and 2 years	2,320	3,146	1,265
Over 2 years	391	1,196	1,110
	77,283	114,564	76,811

26. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Payables in relation to employee stock ownership plan	—	—	51,451
Accrued staff salaries and benefits	26,069	18,520	19,207
Value-added tax and other tax payables	1,983	1,783	2,179
Other accrued charges and payables (<i>note</i>)	647	539	921
	28,699	20,842	73,758

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Payables in relation to employee stock ownership plan	—	—	51,451
Accrued staff salaries and benefits	16,874	11,512	11,597
Value-added tax and other tax payables	1,180	1,136	1,256
Other accrued charges and payables (<i>note</i>)	594	421	792
	18,648	13,069	65,096

Note: All amounts are short term and hence the carrying amounts of the Group’s other payables and accruals are considered to be a reasonable approximation of fair value.

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27. CONTRACT LIABILITIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Receipts in advance from customers for sales of goods and services	<u>2,906</u>	<u>1,719</u>	<u>6,023</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Receipts in advance from customers for sales of goods and services	<u>1,307</u>	<u>1,386</u>	<u>3,234</u>

The Group receives payments from customers based on billing schedule as established in contracts. The decrease in contract liabilities as at 31 December 2024 was mainly due to decrease in billings in advance of DDIC advanced packaging and testing services and the increase in contract liabilities as at 31 December 2025 was mainly due to increase in billings in advance of DDIC advanced packaging and testing services.

All contract liabilities included in the carrying amount as at 31 December 2023 and 2024 were transferred to operating revenue in following year.

All contract liabilities included in the carrying amount as at 31 December 2025 are expected to be transferred to operating revenue in following year.

28. BORROWINGS

The Group

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Non-current				
Convertible bonds	<i>(d)</i>	<u>—</u>	<u>1,113,988</u>	<u>930,956</u>
Current				
Credit borrowings		<u>185,593</u>	<u>—</u>	<u>67,008</u>
Pledged borrowings		<u>—</u>	<u>—</u>	<u>17,569</u>
		<u>185,593</u>	<u>—</u>	<u>84,577</u>
		<u>185,593</u>	<u>1,113,988</u>	<u>1,015,533</u>

Notes:

- (a) As at 31 December 2023 and 2025, the borrowings of the Group bore effective interest rates from 3.00% to 3.20% and 0.75% to 1.80% per annum, respectively.
- (b) Banking facilities amounted to RMB132,980,000, RMB299,787,000 and RMB311,980,000 had not been utilised as at 31 December 2023, 2024 and 2025 respectively.

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- (c) During the year ended 31 December 2025, The Group has entered into certain supplier finance arrangements with banks. Under these arrangements, the banks pay suppliers the amounts owed by the Group in advance of the original due dates of the bills payables issued by the Group. The Group’s obligations to suppliers are legally extinguished on settlement by the relevant banks. The Group then settles with the banks within one year after settlement by the banks with interest ranges from 0.75% to 1.80% per annum, which may be extended beyond the original due dates of respective invoices. The interest rates are consistent with the Group’s short term borrowing rates.

Taking into consideration of the nature and substance of the above arrangements, the Group presents payables to the banks under these arrangements as “borrowings” in the consolidated statements of financial position. In the consolidated statements of cash flows, repayments to the banks are included within financing cash flows based on the nature of the arrangements, and payments to the suppliers by the banks of RMB139,927,000 during the year ended 31 December 2025 are disclosed as non-cash transactions.

As at 31 December 2025, the Group’s borrowings represent borrowings under supplier finance arrangements of RMB84,577,000 for which suppliers have received payment from the relevant banks.

- (d) On 7 August 2024 (“**date of issuance**”), the Company issued six-year convertible bonds in an aggregate principal amount of RMB1,148,700,000, which were listed in the Shanghai Stock Exchange (the “**Convertible Bonds**”).

The interest rates of the Convertible Bonds were 0.2% and 0.4%, for the years ended 31 December 2024 and 2025 respectively.

The conversion period is on or after 13 February 2025 up to 6 August 2030 (the “**Maturity date**”) and the price of ordinary shares of the Company to be issued in exercise of the right of conversion is initially RMB7.70 per share (subject to anti-dilutive adjustments).

Within five business days after the close of business on the Maturity date, the Company would redeem all unconverted bonds from bondholders at the price of 112% of their principal amount, together with accrued and unpaid interest thereon.

The Convertible Bonds comprise two components, the liability and equity components. The initial fair value of the two components was determined based on proceeds at issuance. The initial fair value of the liability component was estimated to be RMB1,099,010,000, after deducting transaction cost of RMB5,937,000, as at the date of issuance using residual method, taking into account the terms and conditions of the Convertible Bonds determined using a prevailing market rate for an equivalent non-convertible bond. The liability component is subsequently measured at amortised cost using effective interest rate method. The effective interest rate of the liability component of the Convertible Bonds is 3.38% per annum. The residual amount representing the value of the equity component of RMB36,955,000, after deducting deferred tax liabilities of RMB6,563,000 recognised as set out in Note 31 and issuance cost of RMB235,000, was presented in the consolidated statements of changes in equity under the heading “equity component of convertible bonds”.

The total transaction costs that are related to the issue of the Convertible Bonds were allocated to the liability component and equity component in proportion to their respective fair values. Transaction costs relating to the liability component were included in the carrying amount of the liability portion and amortised over the period using the effective interest method.

	<u>Liability component</u> RMB’000	<u>Equity component</u> RMB’000	<u>Total</u> RMB’000
As at 31 December 2023 and 1 January 2024	—	—	—
Issuance of the Convertible Bonds	1,104,947	43,753	1,148,700
Transaction cost	(5,937)	(235)	(6,172)
Interest recognised in profit or loss	14,978	—	14,978
Others	—	(6,563)	(6,563)
	<u>1,113,988</u>	<u>36,955</u>	<u>1,150,943</u>
As at 31 December 2024 and 1 January 2025			
Interest recognised in profit or loss	36,446	—	36,446
Conversion	(218,660)	(7,035)	(225,695)
Payment of interest	(2,297)	—	(2,297)
Others	1,479	—	1,479
	<u>930,956</u>	<u>29,920</u>	<u>960,876</u>
As at 31 December 2025	<u><u>930,956</u></u>	<u><u>29,920</u></u>	<u><u>960,876</u></u>

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The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Non-current			
Convertible bonds	—	1,113,988	930,956
Current			
Credit borrowings	169,977	—	67,008
Pledged borrowings	—	—	17,569
	<u>169,977</u>	<u>—</u>	<u>84,577</u>
	<u>169,977</u>	<u>1,113,988</u>	<u>1,015,533</u>

Certain Group’s banking facilities are subject to the fulfilment of certain financial and non-financial covenants relating to certain of the Group’s subsidiaries, as are commonly found in lending arrangements with financial institutions. If the Group or the Company was to breach the covenants, the drawn down facilities would become payable on demand.

During the Track Record Period, the Group did not violate any financial covenants under the agreements of borrowings.

29. DEFERRED INCOME

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the year	114,057	98,112	112,763
Additions	1,266	30,950	5,043
Credited to profit or loss	(17,211)	(16,299)	(20,573)
At the end of the year	<u>98,112</u>	<u>112,763</u>	<u>97,233</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the year	112,130	95,803	98,592
Additions	—	18,000	—
Credited to profit or loss	(16,327)	(15,211)	(16,723)
At the end of the year	<u>95,803</u>	<u>98,592</u>	<u>81,869</u>

Note: The deferred income represented government grants received and are credited to profit or loss on a straight-line basis over the expected lives of the related assets or recognised as income on a systematic basis over the periods that the costs, for which they are intended to compensate, are expensed.

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30. LEASE LIABILITIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Total minimum lease payments:			
— Due within one year	2,477	1,913	1,254
— Due in the second to fifth years	1,297	1,005	600
	<u>3,774</u>	<u>2,918</u>	<u>1,854</u>
Less: future finance charges on lease liabilities	(143)	(101)	(56)
Present value of lease liabilities	<u>3,631</u>	<u>2,817</u>	<u>1,798</u>
Present value of minimum lease payments:			
— Due within one year	2,362	1,841	1,206
— Due in the second to fifth years	1,269	976	592
	<u>3,631</u>	<u>2,817</u>	<u>1,798</u>
Less: Portion due within one year included under current liabilities	(2,362)	(1,841)	(1,206)
Portion due after one year included under non-current liabilities	<u>1,269</u>	<u>976</u>	<u>592</u>

During the years ended 31 December 2023, 2024 and 2025, the total cash outflows for the leases (including short-term leases and leases of low-value assets) were amounted to RMB3,232,000, RMB3,897,000 and RMB3,707,000 respectively.

31. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority. The net amounts of deferred tax assets and liabilities after offsetting are as follows:

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Deferred tax assets	16,873	21,650	26,049
Deferred tax liabilities	(13,143)	(18,069)	(9,843)
	<u>3,730</u>	<u>3,581</u>	<u>16,206</u>

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The movements in the deferred tax assets during the Track Record Period and its components as at 31 December 2023, 2024 and 2025 were as follows:

	<u>Impairment provision</u>	<u>Tax losses</u>	<u>Share- based payment</u>	<u>Lease liabilities</u>	<u>Deferred income</u>	<u>Others</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023	—	6,641	—	225	11,244	—	18,110
(Reversed)/recognized in profit or loss	—	(1,830)	614	118	(139)	—	(1,237)
At 31 December 2023 and 1 January 2024	—	4,811	614	343	11,105	—	16,873
Recognized/(reversed) in profit or loss	2,327	(725)	475	78	2,505	117	4,777
At 31 December 2024 and 1 January 2025	2,327	4,086	1,089	421	13,610	117	21,650
Recognized/(reversed) in profit or loss	718	(1,646)	4,152	(90)	(2,127)	472	1,479
Recognized in capital reserve	—	—	2,920	—	—	—	2,920
At 31 December 2025	<u>3,045</u>	<u>2,440</u>	<u>8,161</u>	<u>331</u>	<u>11,483</u>	<u>589</u>	<u>26,049</u>

The movements in the deferred tax liabilities during the Track Record Period and its components as at 31 December 2023, 2024 and 2025 were as follows:

	<u>Convertible bonds</u>	<u>Accelerated depreciation allowance</u>	<u>Right-of-use assets</u>	<u>Others</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2023	—	14,557	225	—	14,782
(Reversed)/recognized in profit or loss	—	(1,761)	122	—	(1,639)
As at 31 December 2023 and 1 January 2024	—	12,796	347	—	13,143
(Reversed)/recognized in profit or loss	(1,217)	(725)	104	201	(1,637)
Equity component of convertible bonds	6,563	—	—	—	6,563
As at 31 December 2024 and 1 January 2025	5,346	12,071	451	201	18,069
(Reversed)/recognized in profit or loss	(5,259)	(3,179)	(150)	362	(8,226)
As at 31 December 2025	<u>87</u>	<u>8,892</u>	<u>301</u>	<u>563</u>	<u>9,843</u>

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As at 31 December 2023, 2024 and 2025, the Group had deductible temporary differences of RMB11,744,000, RMB23,509,000 and RMB24,500,000, and estimated unrecognized tax losses of RMB365,408,000, RMB357,460,000 and RMB338,369,000, respectively, to carry forward against future taxable income. Pursuant to the relevant laws and regulations in the PRC, the estimated unrecognized tax losses at the end of each reporting date will expire in the following years:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Expiry year:			
2024	7,948	—	—
2025	6,937	6,937	—
2027	171,046	171,046	155,060
2028	27,977	27,977	28,268
2029 and beyond	151,500	151,500	155,041
	365,408	357,460	338,369

32. SHARE CAPITAL AND TREASURY SHARES

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Share capital	834,853	837,976	868,943
Treasury shares	—	(99,978)	(51,451)

(a) The changes in share capital are as follows:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Issued and fully paid:			
At the beginning of the year	834,853	834,853	837,976
Shares issued upon the conversion of convertible bonds (note (ii))	—	—	28,733
Vesting of restricted shares under restricted share incentive plan (note (iii))	—	3,123	2,234
At the end of the year	834,853	837,976	868,943
Number of ordinary shares (in thousands)	834,853	837,976	868,943

Notes:

- (i) Ordinary shares have a par value of RMB1 per share.
- (ii) During the year ended 31 December 2025, a total of approximately RMB218,660,000 of the Convertible Bonds were converted, and a total of approximately 28,733,000 ordinary shares were issued. The conversions during the year ended 31 December 2025 represent 19.04% of the Convertible Bonds.
- (iii) Pursuant to the “Proposal on the 2023 Restricted Share Incentive Plan (Draft Revision) and its Summary of the Company” approved at the 2023 First Extraordinary General Meeting of the Company, the Company’s implementation of restricted share incentive plan (“**2023 Restricted Share Incentive Plan**”) was approved on 15 June 2023.

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At the 3rd meeting of the second session of the Board of Directors of the Company and the 3rd meeting of the second session of the Board of Supervisors of the Company held on 1 July 2024, the proposal in relation to satisfaction of the vesting conditions for the first vesting period of the Type II restricted shares under the first grant of the 2023 Restricted Share Incentive Plan was approved. It was agreed to vest a total of 3,123,000 Type II restricted shares granted to 65 participants. Such vested restricted shares became tradable on 27 September 2024.

At the 11th meeting of the second session of the Board of Directors of the Company and the 10th meeting of the second session of the Board of Supervisors of the Company held on 14 July 2025, the proposal in relation to satisfaction of the vesting conditions for the second vesting period of the Type II restricted shares under the first grant of the 2023 Restricted Share Incentive Plan and the first vesting period of the Type II restricted shares under the reserved grant of the 2023 Restricted Share Incentive Plan was approved. It was agreed to vest a total of 2,234,000 Type II restricted shares granted to 64 participants. Such vested restricted shares became tradable on 30 July 2025.

- (b) The changes in treasury shares are as follows:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the year	—	—	99,978
Repurchase of ordinary shares (<i>note (i)</i>)	—	99,978	—
Treasury shares for employee stock ownership plan transferred (<i>note (ii)</i>)	—	—	(48,527)
At the end of the year	—	99,978	51,451
Number of shares (in thousands)	—	11,910	—

Notes:

- (i) On 21 December 2023, the proposal in relation to the repurchase plan of the Company’s A Shares through centralised price bidding for employee stock ownership plan or share incentive was considered and approved by the Board of Directors of the Company. It was agreed that the Company shall use its self-owned funds of no less than RMB50 million (RMB50 million inclusive) and no more than RMB100 million (RMB100 million inclusive) to repurchase the A Shares of the Company at a price not more than RMB16.33 per A Share (RMB16.33 per A Share inclusive). The repurchase period shall be no more than 12 months from the date on which the board of directors of the Company considered and approved the repurchase plan. As at 31 December 2024, the Company had accumulatively repurchased 11,910,000 A Shares, representing 1.42% of the total share capital of the Company. The highest and lowest repurchase price was RMB8.95 per A Share and RMB7.81 per A Share, respectively. The total amount paid was approximately RMB99,978,000.
- (ii) Pursuant to the proposals approved at the 10th meeting of the second session of the Board of Directors of the Company, the 9th meeting of the second session of the Board of Supervisors of the Company held on 29 April 2025, and the 2025 First Extraordinary General Meeting of the Company held on 15 May 2025 such as “Proposal on the 2025 Employee Stock Ownership Plan (Draft) and its Summary of the Company”, the Company’s implementation of the 2025 employee stock ownership plan (the “**2025 Employee Stock Ownership Plan**”) was approved.

During the year ended 31 December 2025, the Company transferred 11,910,000 shares of the Company held under the specific securities account for repurchase to the securities account of the 2025 Employee Stock Ownership Plan of the Company by way of non-trade transfer, at a transfer price of RMB4.32 per share, resulting in a decrease in treasury shares of approximately RMB48,527,000. Contribution of approximately RMB51,451,000 was received by the Company from the participants, resulting in an increase in repurchase obligations for restricted shares of approximately RMB51,451,000.

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33. RESERVES

The Group

During the Track Record Period, the amounts of the Group’s reserves and the changes therein are presented in the consolidated statements of changes in equity.

(a) Capital reserve

Capital reserve mainly represents the excess of the net proceeds from issuance of shares of the Company over its par value.

Capital reserve also includes: (i) the difference between the total amount of the nominal value of shares issued and the amount of the net assets injected by shareholders upon the establishment of the Company; (ii) difference between the carrying amount and the consideration of the treasury shares; and (iii) the reserve for difference between the market price value at the grant date and grant price value of the restricted shares in restricted share incentive plan and employee stock ownership plan which is dealt with in accordance with the accounting policy set out in Note 3.20.

(b) Other comprehensive income reserve

The other comprehensive income reserve represents the cumulative net change in the fair value of financial assets at FVTOCI (recycling).

(c) Statutory reserve

Statutory reserve represents the amount set aside from the retained earnings by the Company. In accordance with the relevant regulations and the Company’s Articles of Association, the Company is required to allocate at least 10% of its after-tax profit according to the PRC GAAP and regulations to statutory reserve until such reserve has reached 50% of registered capital. This reserve can only be used for specific purposes and is not distributable or transferable to loans, advances and cash dividends.

The Company

The movement of the Company’s reserves during the Track Record Period are as follows:

	Capital reserve	Other comprehensive income reserve	Equity component of convertible bonds	Statutory reserve	Retained earnings	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2023	2,010,308	470	—	30,209	271,876	2,312,863
Transactions with owners:						
Equity settled share-based payments (note 9)	32,810	—	—	—	—	32,810
Appropriation to statutory reserve	—	—	—	21,047	(21,047)	—
Total transactions with owners	32,810	—	—	21,047	(21,047)	32,810
Profit for the year	—	—	—	—	210,474	210,474
Other comprehensive expense for the year	—	(470)	—	—	—	(470)
Total comprehensive (expense)/income for the year	—	(470)	—	—	210,474	210,004
As at 31 December 2023	2,043,118	—	—	51,256	461,303	2,555,677

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	Capital reserve	Other comprehensive income reserve	Equity component of convertible bonds	Statutory reserve	Retained earnings	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2024	2,043,118	—	—	51,256	461,303	2,555,677
Transactions with owners:						
Dividends declared (<i>note 11</i>)	—	—	—	—	(82,440)	(82,440)
Issuance of convertible bonds (<i>note 28(d)</i>)	—	—	36,955	—	—	36,955
Vesting of restricted shares under restricted share incentive plan	17,426	—	—	—	—	17,426
Equity settled share-based payments (<i>note 9</i>)	34,190	—	—	—	—	34,190
Appropriation to statutory reserve	—	—	—	14,112	(14,112)	—
Total transactions with owners	51,616	—	36,955	14,112	(96,552)	6,131
Profit for the year	—	—	—	—	141,117	141,117
Total comprehensive income for the year	—	—	—	—	141,117	141,117
As at 31 December 2024	2,094,734	—	36,955	65,368	505,868	2,702,925
As at 1 January 2025	2,094,734	—	36,955	65,368	505,868	2,702,925
Transactions with owners:						
Dividends declared (<i>note 11</i>)	—	—	—	—	(78,478)	(78,478)
Shares issued upon the conversion of convertible bonds	195,483	—	(7,035)	—	—	188,448
Vesting of restricted shares under restricted share incentive plan	12,265	—	—	—	—	12,265
Treasury shares for employee stock ownership plan transferred	(48,527)	—	—	—	—	(48,527)
Equity settled share-based payments (<i>note 9 and 31</i>)	39,991	—	—	—	—	39,991
Appropriation to statutory reserves	—	—	—	12,565	(12,565)	—
Others	1,483	—	—	—	—	1,483
Total transactions with owners	200,695	—	(7,035)	12,565	(91,043)	115,182
Profit for the year	—	—	—	—	125,654	125,654
Total comprehensive income for the year	—	—	—	—	125,654	125,654
As at 31 December 2025	2,295,429	—	29,920	77,933	540,479	2,943,761

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34. SHARE-BASED PAYMENT TRANSACTIONS

(a) Restricted share incentive plan

In 2020, the Group adopted a restricted share incentive plan (the “**2020 Restricted Share Incentive Plan**”). Pursuant to the 2020 Restricted Share Incentive Plan, the Company granted 9,675,000 restricted shares at nil consideration to the eligible grantees through employee shareholding platforms (the “**Platforms**”).

The vesting period consists of the following scenarios: (i) The restricted shares shall vest when the service period from grant date to the date after three years since the completion of listing of A shares were fulfilled. (ii) The restricted shares shall vest after three years since the completion of listing of A shares.

If employment of the grantees were terminated before the restricted shares become vested, these grantees have to transfer out their equity interests to the ultimate controlling shareholder of the Company or the person designated by it at nil consideration.

The fair value of each share granted in the 2020 Restricted Share Incentive Plan at the grant date was determined by the recent equity transfer transactions price per registered capital prior to the grant date at RMB5.5 per registered capital.

The number of restricted shares to the 2020 Restricted Share Incentive Plan is summarised as follows:

	As at 31 December		
	2023	2024	2025
	'000	'000	'000
	Number of restricted shares		
At the beginning of the year	8,508	8,408	8,388
Forfeited during the year	(100)	(20)	—
Released/Vested during the year	—	—	(8,388)
At the end of the year	8,408	8,388	—

On 16 June 2023, pursuant to the 2023 Restricted Share Incentive Plan, a total of 10,460,000 Type II restricted shares were granted to 66 participants at a grant price of RMB6.68 per share.

On 13 June 2024, pursuant to the 2023 Restricted Share Incentive Plan, a total of 540,000 Type II restricted shares were reservedly granted to 3 participants at a grant price of RMB6.58 per share.

Type II restricted shares refer to newly issued ordinary shares granted to the participants and subscribed for upon the satisfaction of the Group’s performance appraisal and individual performance appraisal under the 2023 Restricted Share Incentive Plan. Upon the satisfaction of certain vesting conditions under the 2023 Restricted Share Incentive Plan, the participants of Type II restricted shares have the right to subscribe new ordinary shares.

These granted Type II restricted shares have a contractual term of no more than 60 months and will be vested 30%, 20%, 20% and 30%, respectively over a four-years period beginning 12 months after the grant date.

According to the 2023 Restricted Share Incentive Plan, the grant price of the Type II restricted shares would be adjusted if the Company declared share dividends, executed stock splits, rights issue or share reduction or transferred share premium into share capital.

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The number of restricted shares to the 2023 Restricted Share Incentive Plan is summarised as follows:

	As at 31 December		
	2023	2024	2025
	'000	'000	'000
	Number of restricted shares		
At the beginning of the year	—	10,410	7,827
Granted during the year	10,460	540	—
Forfeited during the year	(50)	—	(85)
Released/Vested during the year	—	(3,123)	(2,234)
At the end of the year	10,410	7,827	5,508

The Black-Scholes option pricing model has been used to estimate the fair value of restricted shares. The variables and assumptions used in computing the fair value of restricted shares were valued by the directors of the Company. The weighted average fair value per share for restricted shares granted during the years ended 31 December 2023 and 2024 was approximately RMB6.90 per share and RMB2.69 per share, respectively.

Changes in variables and assumptions may result in changes in the fair value of restricted shares. These fair values and corresponding inputs into the model were as follows:

(i) *Restricted shares granted during the year ended 31 December 2023*

<u>Restricted share plan</u>	<u>Closing price per share of grant date</u>	<u>Unadjusted grant price</u>	<u>Expected volatility</u>	<u>Expected life</u>	<u>Risk-free rate</u>	<u>Expected dividend yield</u>
	RMB	RMB	%	Years	%	%
2023 Restricted Share Incentive Plan	13.18	6.68	13.28 to 16.31	4	1.50 to 2.75	0.00

(ii) *Restricted shares granted during the year ended 31 December 2024*

<u>Restricted share plan</u>	<u>Closing price per share of grant date</u>	<u>Unadjusted grant price</u>	<u>Expected volatility</u>	<u>Expected life</u>	<u>Risk-free rate</u>	<u>Expected dividend yield</u>
	RMB	RMB	%	Years	%	%
2023 Restricted Share Incentive Plan	9.08	6.58	13.25 to 15.27	4	1.50 to 2.75	1.14

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(b) Employee stock ownership plan

As mentioned in Note 32, during the year ended 31 December 2025, pursuant to the 2025 Employee Stock Ownership Plan, the Company transferred 11,910,000 shares of the Company held under the specific securities account for repurchase to the securities account of the 2025 Employee Stock Ownership Plan of the Company by way of non-trade transfer, at a transfer price of RMB4.32 per share.

The duration period of the 2025 Employee Stock Ownership Plan shall be 36 months, commencing from the date on which the Company announced that the last batch of the granted underlying shares was transferred to the employee stock ownership plan. The granted underlying shares will be unlocked after 12 months and 24 months from the date on which the Company announced that the last batch of the granted underlying shares was transferred to the employee stock ownership plan, with unlocking ratios of 50% and 50% respectively. The maximum vesting percentage for each period will be 50% according to the Company’s performance appraisal and individual performance appraisal, etc.

Movements in the numbers of shares granted in the employee stock ownership plan are as below:

	As at 31 December		
	2023	2024	2025
	'000	'000	'000
	Number of shares		
At the beginning of the year	—	—	—
Granted during the year	—	—	11,910
At the end of the year	—	—	11,910

The fair value of each shares granted in the employee stock ownership plan at the grant dates were determined by the closing market price of the Company’s shares on the grant date minus the transfer price, which was approximately RMB7.08 per share.

35. PLEDGED ASSETS

The carrying amounts of the pledged assets of the Group at 31 December 2023, 2024 and 2025 are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Restricted bank deposits (<i>note 24</i>)	503	7,629	10,713

36. CAPITAL COMMITMENTS

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contracted but not provided for:			
— Acquisition of property, plant and equipment	245,923	181,243	281,137
— Equity investments	—	—	25,000
	245,923	181,243	306,137

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37. RELATED PARTY DISCLOSURES

The following transactions and balances were carried out between the Group and its related parties during the Track Record Period. In the opinion of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Parent entity

Name	Type	Place of incorporation	Ownership interest As at 31 December		
			2023	2024	2025
			%	%	%
Yangzhou Xinruilian Investment Partnership (Limited Partnership) [#] 揚州新瑞連投資合夥企業(有限合夥) (“Yangzhou Xinruilian”)	Investment	Yangzhou	20.85	20.78	20.04

[#] The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

The Company’s parent company is Yangzhou Xinruilian, and the ultimate controlling shareholder is the Single Largest Group of Shareholders (as defined in the section headed “Definitions” of the Document).

(b) Names and relationships with related parties

The following companies are related parties of the Group that had transactions with the Group during the Track Record Period:

Name of related parties	Relationship with the Group
Hefei Xinfeng Technology (note (i))	An entity in which Mr. Hong Weigang and Mr. Huang Cheng-fang (a deputy general manager of the Company) served as directors; an associate of the Group
Hefei Jinghui (note (i))	An associate of the Group
Suzhou Jinghui (note (i))	An associate of the Group
Mr. Cheng Han	An immediate family member of the Company’s ultimate controlling shareholder
WinRock (note (ii))	An entity on which Mr. Cheng Han has significant influence

(i) Details of the information of these related parties are disclosed in Note 17.

(ii) Details of the transaction with WinRock are disclosed in Note 21.

(c) Compensation of key management personnel

The remuneration of directors and key management personnel during the Track Record Period were as follows:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries and other benefits	7,196	5,897	6,885
Contributions to defined contribution retirement plan	57	53	40
Equity settled share-based payment	14,287	16,676	14,021
	21,540	22,626	20,946

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38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

The table below set out the reconciliation of liabilities arising from financing activities for the Track Record Period:

	Bank borrowings	Convertible bonds	Lease liabilities	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2023	—	—	4,065	4,065
Cash flows	185,422	—	(2,670)	182,752
Interest paid	(730)	—	(196)	(926)
Interest expenses	901	—	196	1,097
Other non-cash movements	—	—	2,236	2,236
	<u>—</u>	<u>—</u>	<u>2,236</u>	<u>2,236</u>
As at 31 December 2023 and 1 January 2024	185,593	—	3,631	189,224
Cash flows	(186,040)	1,148,700	(2,724)	959,936
Interest paid	(7,607)	—	(131)	(7,738)
Interest expenses	7,563	14,978	131	22,672
Recognition of equity component	—	(36,955)	—	(36,955)
Recognition of transaction cost	—	(6,172)	—	(6,172)
Recognition of deferred tax liabilities	—	(6,563)	—	(6,563)
Other non-cash movements	491	—	1,910	2,401
	<u>491</u>	<u>—</u>	<u>1,910</u>	<u>2,401</u>
As at 31 December 2024 and 1 January 2025	—	1,113,988	2,817	1,116,805
Cash flows	(55,159)	—	(2,142)	(57,301)
Interest paid	(1,078)	(2,297)	(104)	(3,479)
Interest expenses	951	36,446	104	37,501
Borrowings under supplier finance arrangements	139,927	—	—	139,927
Conversion	—	(218,660)	—	(218,660)
Other non-cash movements	(64)	1,479	1,123	2,538
	<u>(64)</u>	<u>1,479</u>	<u>1,123</u>	<u>2,538</u>
As at 31 December 2025	84,577	930,956	1,798	1,017,331
	<u><u>84,577</u></u>	<u><u>930,956</u></u>	<u><u>1,798</u></u>	<u><u>1,017,331</u></u>

(b) Major non-cash transactions

During the Track Record Period, the Group endorsed certain bills receivables accepted by banks in the PRC to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts of as follows.

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Settlement of trade payables through endorsement of bills receivables	5,039	10,481	13,673
	<u><u>5,039</u></u>	<u><u>10,481</u></u>	<u><u>13,673</u></u>

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include credit risk, interest rate risk, foreign exchange risk, equity price risk and liquidity risk. The Group’s overall risk management strategy seeks to minimize potential adverse effects on the Group’s financial performance. Risk management is carried out by the senior management of the Group and approved by the Board of Directors.

The Group’s exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

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39.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statements of financial position relate to the following categories of financial assets and financial liabilities:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial assets			
<u>Financial assets at amortized cost</u>			
Trade receivables	231,246	274,772	358,882
Other receivables	394	480	672
Restricted bank deposits	503	7,629	10,713
Time deposits	134,942	159,206	116,451
Cash and cash equivalents	109,639	152,038	129,706
Other financial assets at amortized cost	—	—	60,004
	<u>476,724</u>	<u>594,125</u>	<u>676,428</u>
Financial assets at FVTPL	<u>70,192</u>	<u>731,970</u>	<u>647,577</u>
Bills receivables at FVTOCI	<u>—</u>	<u>489</u>	<u>93</u>
	<u>546,916</u>	<u>1,326,584</u>	<u>1,324,098</u>
Financial liabilities			
<u>Financial liabilities at amortized cost</u>			
Trade and bills payables	145,326	138,023	125,395
Other payables and accruals	26,716	19,059	71,579
Borrowings	185,593	1,113,988	1,015,533
Lease liabilities	3,631	2,817	1,798
	<u>361,266</u>	<u>1,273,887</u>	<u>1,214,305</u>
<u>Financial liabilities at FVTPL</u>			
Derivative financial instruments	<u>—</u>	<u>—</u>	<u>2,653</u>
	<u>361,266</u>	<u>1,273,887</u>	<u>1,216,958</u>

39.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group’s exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities. The Group’s credit risk exposures are primarily attributable to trade and bills receivables and other receivables.

(i) Trade receivables

The Group’s policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the management. When considered appropriate, customers may be requested to provide proof as to their financial position. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. It is not the Group’s policy to request collateral from its customers.

As at 31 December 2023, 2024 and 2025, in terms of gross carrying amounts, 36.43%, 24.94% and 18.46% of the total trade receivables was due from the Group’s largest customer, and 72.03%, 66.13% and 66.10% of the total trade receivables were due from the Group’s top five customers.

The Group has applied the IFRS 9 simplified approach to measuring ECL which uses a lifetime ECL for all trade receivables. Information based on the collective basis is disclosed in Note 20.

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(ii) *Other financial assets measured at amortized cost and bills receivables measured at FVTOCI*

Other financial assets at amortised cost include other receivables, restricted bank deposits, time deposits, cash and cash equivalents and constant return wealth management products.

Other receivables are collectively assessed for impairment. The management makes periodic assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management use the aging of other receivables to assess the impairment.

For the remaining items of other receivables, impairment is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

Credit risk in respect of bills receivables measured at FVTOCI is limited because there was no material default by the counterparties in the past.

Restricted bank deposits, time deposits and cash and cash equivalents are placed with banks which are regulated. The 12-month ECL on restricted bank deposits, bank balances and deposits is considered to be insignificant and therefore no loss allowance was recognized.

The table below shows 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.

	12-month		Lifetime ECL		Total
	ECL		ECL		
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 31 December 2023					
Trade and bills receivables	—	—	—	243,417	243,417
Other receivables	355	3	537	—	895
Restricted bank deposits	503	—	—	—	503
Time deposits	134,942	—	—	—	134,942
Cash and cash equivalents	109,639	—	—	—	109,639
	245,439	3	537	243,417	489,396
At 31 December 2024					
Trade and bills receivables	489	—	—	289,234	289,723
Other receivables	320	193	413	—	926
Restricted bank deposits	7,629	—	—	—	7,629
Time deposits	159,206	—	—	—	159,206
Cash and cash equivalents	152,038	—	—	—	152,038
	319,682	193	413	289,234	609,522
At 31 December 2025					
Trade and bills receivables	93	—	—	377,771	377,864
Other receivables	539	165	337	—	1,041
Restricted bank deposits	10,713	—	—	—	10,713
Time deposits	116,451	—	—	—	116,451
Cash and cash equivalents	129,706	—	—	—	129,706
Other financial assets at amortized cost	60,004	—	—	—	60,004
	317,506	165	337	377,771	695,779

Further quantitative disclosures in respect of the Group’s exposure to credit risk arising from trade and bills receivables and other receivables are set out in Notes 20 and 23, respectively.

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39.3 Interest rate risk

The Group’s interest rate risk primarily arises from borrowings and long-term bonds. Bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the proportion of borrowings and bonds issued at variable rates and fixed rates based on the market environment. The Group has been monitoring the level of interest rates, and management did not consider it necessary to use interest rate swaps to hedge the exposure to interest rate risk.

39.4 Foreign currency risk

Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity’s functional currency. The Group is exposed to foreign exchange risk primarily through business activities which give rise to receivables, payables and bank deposits that are denominated in a foreign currency that is not the entity’s functional currency. The currencies giving risk to the foreign exchange risk is primarily United States dollars (“USD”).

The carrying amounts of the Group’s foreign currency denominated monetary assets and monetary liabilities at the end of each of the Track Record Period are as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net exposure</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
As at 31 December 2023			
— USD	175,984	(20,149)	155,835
— Others	—	(1,356)	(1,356)
	175,984	(21,505)	154,479
As at 31 December 2024			
— USD	211,319	(33,427)	177,892
— Others	—	(3,870)	(3,870)
	211,319	(37,297)	174,022
As at 31 December 2025			
— USD	202,344	(38,408)	163,936
— Others	—	(1,218)	(1,218)
	202,344	(39,626)	162,718

As at 31 December 2023, 2024 and 2025, if RMB appreciates or depreciates by 5% against the USD, it is estimated that the Group’s profit after tax (and retained earnings) will decrease or increase by RMB7,657,000, RMB8,639,000 and RMB7,138,000 respectively. Management believes that 5% is a reasonable range of possible changes in the RMB against the USD.

Other change in foreign exchange rates have no significant impact on foreign currency risk.

The Group has entered into forward currency contracts to manage its exposures in exchange rate.

39.5 Equity price risk

The Group is not exposed to significant price risk as there has been no involvement with equity investment on an active market.

39.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, lease liabilities, convertible bonds and bank borrowing and also in respect of its cash flow management. The Group’s objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

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When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Less than 1 year or on demand	Over 1 year but within 5 years	Over 5 years	Total contractual undiscounted cash flows	Carrying amounts
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at 31 December 2023					
Trade and bills payables	145,326	—	—	145,326	145,326
Other payables and accruals	26,716	—	—	26,716	26,716
Bank borrowings	193,155	—	—	193,155	185,593
Lease liabilities	2,477	1,297	—	3,774	3,631
	<u>367,674</u>	<u>1,297</u>	<u>—</u>	<u>368,971</u>	<u>361,266</u>
As at 31 December 2024					
Trade and bills payables	138,023	—	—	138,023	138,023
Other payables and accruals	19,059	—	—	19,059	19,059
Convertible bonds	925	60,019	1,277,291	1,338,235	1,113,988
Lease liabilities	1,913	1,005	—	2,918	2,817
	<u>159,920</u>	<u>61,024</u>	<u>1,277,291</u>	<u>1,498,235</u>	<u>1,273,887</u>
As at 31 December 2025					
Trade and bills payables	125,395	—	—	125,395	125,395
Other payables and accruals	71,579	—	—	71,579	71,579
Bank borrowings	84,577	—	—	84,577	84,577
Convertible bonds	1,498	1,080,176	—	1,081,674	930,956
Lease liabilities	1,254	600	—	1,854	1,798
Derivative financial instruments	2,653	—	—	2,653	2,653
	<u>286,956</u>	<u>1,080,776</u>	<u>—</u>	<u>1,367,732</u>	<u>1,216,958</u>

39.7 Fair values measurement

Financial assets and liabilities measured at fair value in the consolidated statements of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorized in its entirety is based on the lowest level of input that is significant to the fair value measurement.

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The financial assets measured at fair value in the consolidated statements of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
As at 31 December 2023			
<u>Financial assets at FVTPL</u>			
— Wealth management products	20,192	—	20,192
— Unlisted investments	—	50,000	50,000
	<u>20,192</u>	<u>50,000</u>	<u>70,192</u>
As at 31 December 2024			
<u>Financial assets at FVTPL</u>			
— Wealth management products	376,014	—	376,014
— Structured deposits	305,592	—	305,592
— Unlisted investments	—	50,364	50,364
	<u>681,606</u>	<u>50,364</u>	<u>731,970</u>
<u>Financial assets at FVTOCI</u>			
— Bills receivables	489	—	489
	<u>682,095</u>	<u>50,364</u>	<u>732,459</u>
As at 31 December 2025			
<u>Financial assets at FVTPL</u>			
— Wealth management products	464,267	—	464,267
— Structured deposits	70,238	—	70,238
— Unlisted investments	—	63,072	63,072
— Other investments	—	50,000	50,000
	<u>534,505</u>	<u>113,072</u>	<u>647,577</u>
<u>Financial assets at FVTOCI</u>			
— Bills receivables	93	—	93
	<u>534,598</u>	<u>113,072</u>	<u>647,670</u>
<u>Financial liabilities at FVTPL</u>			
Derivative financial instruments	2,653	—	2,653
	<u>537,251</u>	<u>113,072</u>	<u>650,323</u>

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the Track Record Period. The Group’s policy is to recognize transfers between levels of fair value hierarchy as at each reporting date in which they occur.

The fair value of bills receivable at FVTOCI in level 2 is determined by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The valuation of wealth management products, structured deposits and derivative financial instruments measured at fair value in level 2 uses the fair value at the end of each year provided by relevant financial institutions.

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Information on Level 3 fair value measurements

The movement during the Track Record Period in the balance of the level 3 fair value measurements of financial assets at FVTPL are as follows:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial assets at FVTPL			
At the beginning of the year	—	50,000	50,364
Addition	50,000	1,300	63,950
Change in fair value	—	(936)	(1,242)
At the end of the year	50,000	50,364	113,072

Below is a summary of significant unobservable inputs to the valuation of these financial assets at FVTPL together with a quantitative sensitivity analysis at each reporting date:

As at 31 December 2023

	Fair Value	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
	RMB’000				
<u>Financial assets at FVTPL</u>					
— Unlisted investments	50,000	Adjusted net assets approach	Adjusted net assets value	N/A	10% increase/decrease in net assets value would result in increase/decrease in fair value by 10%
	50,000				

As at 31 December 2024

	Fair Value	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
	RMB’000				
<u>Financial assets at FVTPL</u>					
— Unlisted investments	49,570	Adjusted net assets approach	Adjusted net assets value	N/A	10% increase/decrease in net assets value would result in increase/decrease in fair value by 10%
	794	Net assets approach	Net assets value	N/A	10% increase/decrease in net assets value would result in increase/decrease in fair value by 10%
	50,364				

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As at 31 December 2025

	<u>Fair Value</u> RMB’000	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Range</u>	<u>Sensitivity of fair value to the input</u>
<u>Financial assets at FVTPL</u>					
— Unlisted investments	62,658	Adjusted net assets approach	Adjusted net assets value	N/A	10% increase/ decrease in net assets value would result in increase/ decrease in fair value by 10%
	414	Net assets approach	Net assets value	N/A	10% increase/ decrease in net assets value would result in increase/ decrease in fair value by 10%
— Other investments	50,000	Backsolve from recent transaction price	N/A	N/A	N/A
	<u>113,072</u>				

40. CAPITAL MANAGEMENT

The Group’s capital management objectives are to ensure the Group’s ability to continue as a going concern and to provide an adequate return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders’ value in the long-term.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. As part of this review, the management considers cost of capital and the risks associated with the issued share capital. The Group may, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The asset-liability ratio as at 31 December 2023, 2024 and 2025 are as follows:

	<u>As at 31 December</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Total assets	3,596,298	4,591,223	4,874,602
Total liabilities	464,267	1,390,152	1,325,607
Asset-liability ratio	<u>12.91%</u>	<u>30.28%</u>	<u>27.19%</u>

41. CONTINGENT LIABILITIES

As of 31 December 2023, 2024 and 2025, the Group did not have any material contingent liabilities.

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42. EVENTS AFTER THE REPORTING PERIOD

- (a) In March 2026, the Convertible Debts with interests calculated according to the Debt Conversion Agreements totalling RMB51,870,000 were repaid by the Investees due to cancellation of the Conversion.
- (b) The final dividends of RMB0.5 per 10 shares (tax inclusive) in respect of the year ended 31 December 2025 were approved in the 2025 Annual General Meeting of the Company on 9 April 2026. The dividends were not recognized as liabilities as at 31 December 2025. Such dividends totalling approximately RMB49,547,000 were paid on 20 May 2026.
- (c) Pursuant to the Company’s announcement dated 14 April 2026 published on the website of the Shanghai Stock Exchange, the Company will exercise the early redemption right in respect of the Convertible Bonds at the redemption price of RMB100.29 per bond (the “**Early Redemption**”). Accordingly, the Convertible Bonds were convertible at the option of the bondholders on or before the close of business on 27 April 2026 (the “**Conversion Cut-off Date**”).

From 1 January 2026, until the close of business on the Conversion Cut-off Date, bondholders have converted convertible bonds with an aggregate principal amount of RMB928,391,000. All the convertible bonds outstanding after the close of business on the Conversion Cut-off Date have been early redeemed by the Company at RMB1,653,000 on 28 April 2026. Upon completion of the Early Redemption, the Convertible Bonds were delisted from the Shanghai Stock Exchange.

- (d) On 24 March 2026, pursuant to the entrusted processing service agreement entered into between the Group and one of its customers (the “**Customer**”), a USD7,000,000 performance guarantee bond (the “**Bond**”) was issued by a bank (the “**Bank**”) with a validity period of 24 months in favour of the Customer, to secure the Group’s performance of its contractual obligations under the aforementioned agreement. In the event that the Group fails to fulfil its contractual obligations as agreed, the Customer shall have the right to demand payment of the guaranteed amount from the Bank under the Bond. Pursuant to the indemnity arrangement between the Group and the Bank, the Group shall be liable to reimburse the Bank for any compensation amount paid by the Bank under the Bond.

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the Companies now comprising the Group in respect of any period subsequent to 31 December 2025 and up to the date of this report.

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

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

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APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

This appendix is primarily intended to provide investors with a summary of the Articles of Association.

The following information is a summary only and may not contain all information that may be important to potential investors.

GENERAL PROVISIONS

The Company is a joint stock limited company established in accordance with the provisions of the Company Law and other relevant laws, administrative regulations, departmental rules and normative documents. The Company was converted into a joint stock limited company in its entirety from the former Union Semiconductor (Hefei) Limited Liability Company (合肥新匯成微電子有限公司) (hereinafter referred to as the “**Limited Liability Company**”), succeeding to all assets, liabilities and businesses of the former Limited Liability Company, and all shareholders of the Limited Liability Company became the promoters of the Company.

The Company is a joint stock limited company that has perpetual existence.

The Company shall bear the legal consequences arising from the civil activities conducted by the legal representative in the name of the Company.

Any restrictions on the functions and powers of the legal representative imposed by the Articles of Association or the shareholders’ general meeting shall not be asserted against a bona fide third party. Where the legal representative causes damage to others in the performance of his/her duties, the Company shall assume civil liability. After the Company assumes civil liability, it may seek recourse from the legal representative at fault in accordance with the law or the Articles of Association.

The shareholders’ liabilities to the Company shall be limited to the amount of the shares that they have subscribed for, and the Company assumes liabilities for its debts to the extent of its entire assets.

These Articles of Association shall, from the date on which they come into effect, constitute a legally binding document regulating the Company’s organization and activities, and the rights and obligations between the Company and each shareholder and among the shareholders, and a legally binding document for the Company, shareholders, directors and senior management. In accordance with these Articles of Association, a shareholder may sue other shareholders, shareholders may sue the directors and senior management personnel of the Company, shareholders may sue the Company, and the Company may sue its shareholders, directors and senior management personnel.

PURPOSES AND SCOPE OF BUSINESS

The business purposes of the Company: professionalism, value and service.

Upon legal registration, the business scope of the Company is: development, production, packaging, testing, sales and after-sales services of semiconductor integrated circuit products and semiconductor specialized materials. (For projects subject to approval according to law, business activities may only be carried out after approval by relevant departments).

SHARES

Issuance of Shares

The shares of the Company shall be in the form of share certificates.

APPENDIX III**SUMMARY OF THE ARTICLES OF ASSOCIATION**

Issuance of shares of the Company shall follow the principles of openness, fairness and impartiality, and each share of the same class shall have equal rights. Shares of the same class issued at the same time shall be issued under the same conditions and at the same price per share; the same price per share shall be paid for the shares subscribed for by any subscriber.

Increase/decrease and Buyback Of Shares

In light of its operational and development needs, upon resolution of the shareholders’ general meeting, the Company may increase its capital in the following ways in accordance with laws and regulations:

- (1) by issuing shares to non-specific persons;
- (2) by issuing shares to specific persons;
- (3) by issuing bonus shares to existing shareholders;
- (4) to increase the share capital by way of capitalization of capital reserve;
- (5) other methods as provided by laws and administrative regulations and as approved by the CSRC and the securities regulatory authorities of the place where the Company’s shares are listed.

During the issuance and subsistence period of the convertible bonds of the Company, matters such as the issuance, procedures and arrangements for conversion, and changes in the share capital of the Company resulting from the conversion shall be implemented in accordance with relevant laws and regulations and the provisions of the prospectus.

The Company may reduce its registered capital. Any reduction of the registered capital of the Company shall be handled in accordance with the Company Law and other relevant regulations as well as these Articles of Association.

The Company may not acquire its own shares. However, this shall not apply in any of the following circumstances:

- (1) to reduce the Company’s registered capital;
- (2) merging with another company that holds shares of the Company;
- (3) using the shares for employee share ownership plans or equity incentives;
- (4) where any shareholder objects to the resolution of the shareholders’ general meeting on the merger or division of the Company and requests the Company to purchase his or her shares;
- (5) using shares for the conversion of corporate bonds issued by the Company that can be converted into shares;
- (6) as necessary for the Company to maintain its value and shareholders’ interests.

Where the Company acquires its own shares under the circumstances set forth in items (3), (5) and (6), such acquisition shall be conducted through an open and centralized transaction method.

APPENDIX III**SUMMARY OF THE ARTICLES OF ASSOCIATION**

SHAREHOLDERS AND SHAREHOLDERS’ GENERAL MEETING**General Provisions for Shareholders**

The Company shall establish the register of shareholders in accordance with the documentary proof provided by the securities registration and clearing institution, and the register of shareholders is sufficient proof that the shareholder holds the shares of the Company.

Shareholders shall enjoy rights and assume obligations according to the class of shares held by them; shareholders holding the same class of shares shall enjoy equal rights and assume the same obligations.

The original register of shareholders for H Shares listed in Hong Kong shall be kept in Hong Kong for inspection by shareholders, provided that the Company may suspend the registration of shareholders in accordance with the requirements of applicable laws and regulations and the securities regulatory rules of the place where the Company’s shares are listed.

The shareholders of the Company shall have the following rights:

- (1) shareholders shall enjoy the right to earnings, and the right to receive dividends and other distributions in proportion to the number of shares held;
- (2) shareholders shall enjoy the right to speak and the right to vote, and may request to convene, call, preside over, attend or appoint a proxy to attend shareholders’ general meetings, and exercise the corresponding right to speak and right to vote in accordance with the law;
- (3) shareholders shall enjoy the right of supervision, to supervise, raise suggestions on or make enquiries about the operations of the Company;
- (4) to transfer, give as a gift or pledge their shares pursuant to the provisions of laws, administrative regulations, departmental rules, normative documents or these Articles of Association;
- (5) shareholders shall enjoy the right to information and to obtain relevant information in accordance with the provisions of laws, administrative regulations, departmental rules, normative documents and these Articles of Association, including: the right to inspect and copy the articles of association, register of shareholders, minutes of shareholders’ general meetings, and resolutions of the Board meetings of the Company and its wholly-owned subsidiaries, as well as financial and accounting reports; shareholders who meet the requirements may inspect the accounting books and accounting vouchers of the Company;
- (6) in the event of dissolution or liquidation of the Company, to participate in the distribution of the remaining assets of the Company according to the number of shares held by them;
- (7) to demand that the Company acquire the shares of any shareholder who objects to any resolution regarding a merger or division at a shareholders’ general meeting;
- (8) other rights under laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the places where the shares of the Company are listed or these Articles of Association.

APPENDIX III**SUMMARY OF THE ARTICLES OF ASSOCIATION**

Where a shareholder requests to inspect or copy relevant information or data in accordance with the provisions of the preceding article, such shareholder shall comply with the provisions of the Company Law, the Securities Law, and other laws, administrative regulations and the securities regulatory rules of the place where the Company’s shares are listed.

Where the contents of a resolution of the shareholders’ general meeting or the Board of Directors of the Company violate laws or administrative regulations, the shareholders shall have the right to petition the People’s Court to declare such resolution void.

In respect of any procedure for convening shareholders’ general meetings or Board meetings or voting methods in breach of laws, administrative regulations or these Articles of Association, or any resolution in breach of these Articles of Association, the shareholders shall have the right to seek a revocation of the same at the People’s Court within 60 days from the date of the resolution. However, this shall not apply where the procedures for convening or the voting methods of a general meeting or a Board meeting contain only minor defects which do not have a material impact on the resolutions.

Under any of the following circumstances, a resolution of the shareholders’ general meeting or the Board of Directors shall not be formed:

- (1) a resolution is made without a shareholders’ general meeting or Board meeting having been held;
- (2) the shareholders’ general meeting or Board meeting fails to vote on the matter to be resolved;
- (3) the number of persons attending the meeting or the number of voting rights held by them does not reach the number prescribed by the Company Law, the securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association;
- (4) the number of persons consenting to the matter to be resolved or the number of the voting rights held by them fails to reach the number prescribed by the Company Law, the securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

The shareholders of the Company shall have the following obligations:

- (1) to comply with laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company’s shares are listed and these Articles of Association;
- (2) to pay subscription monies according to the number of shares subscribed for and the method of subscription;
- (3) not to withdraw their share capital, except in such circumstances as prescribed by laws, administrative regulations and the securities regulatory rules of the place where the Company’s shares are listed;
- (4) not to abuse their rights as a shareholder to damage the interests of the Company or other shareholders; not to abuse the independent legal person status of the Company and the limited liability of shareholders to damage the interests of the creditors of the Company;
- (5) other obligations to be undertaken as prescribed by laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the places where the shares of the Company are listed and these Articles of Association.

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Any shareholder of the Company who abuses his/her/its rights and causes losses to the Company or its other shareholders shall assume indemnity liabilities pursuant to the laws. A shareholder who abuses the Company’s independent legal person status or a shareholder’s limited liability to evade debts, thereby causing serious damage to the interests of the creditors of the Company, shall bear joint and several liability for the Company’s debts.

Controlling Shareholder and De Facto Controller

The controlling shareholder and the de facto controller of the Company shall exercise their rights and fulfill their obligations in accordance with laws, administrative regulations, the securities regulatory rules of the places where the Company’s shares are listed, and the requirements of the CSRC and the stock exchanges to safeguard the interests of the Company.

The controlling shareholder and the de facto controller of the Company shall comply with the following provisions:

- (1) to exercise their rights as shareholders in accordance with the law and not to abuse their control or use their related relationship to prejudice the legitimate rights and interests of the Company or other shareholders;
- (2) to strictly fulfill their public statements and various undertakings and not to change or waive such statements and undertakings without authorisation;
- (3) to fulfill their information disclosure obligations in strict accordance with relevant regulations, proactively cooperate with the Company in information disclosure and inform the Company in a timely manner of material events that have occurred or are proposed to occur;
- (4) not to appropriate the Company’s funds in any way;
- (5) not to order, instruct, or request the Company and its relevant personnel to provide guarantees in violation of laws and regulations;
- (6) not to make use of the Company’s undisclosed material information to gain benefits, not to disclose in any way undisclosed material information relating to the Company, and not to engage in insider trading, short-swing trading, market manipulation or other illegal and unlawful acts;
- (7) not to prejudice the legitimate interests of the Company and other shareholders through unfair connected transactions, profit distribution, asset restructuring, external investment or any other means;
- (8) to ensure the integrity of the Company’s assets and the independence of its personnel, finance, organization and business, and not to affect the independence of the Company in any way;
- (9) other provisions of laws, administrative regulations, the CSRC, business rules of the stock exchanges, the securities regulatory rules of the places where the Company’s shares are listed and these Articles of Association.

The controlling shareholder and the de facto controller of the Company who do not serve as directors of the Company but actually carry out the Company’s affairs shall be subject to the provisions of these Articles of Association regarding the duty of loyalty and duty of diligence of directors.

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Where a controlling shareholder or de facto controller of the Company instructs a director or senior management to engage in an act that is detrimental to the interests of the Company or its shareholders, it/he/she shall bear joint and several liability with such director or senior management.

The controlling shareholder and the de facto controller of the Company shall maintain the independence of the Company and exercise their rights in accordance with the decision-making procedures of the Company.

The directors and senior management of the Company are legally obliged to safeguard the asset security of the Company.

General Provisions for Shareholders’ General Meetings

The shareholders’ general meeting of the Company shall be composed of all shareholders. The shareholders’ general meeting is the organ of power of the Company, which exercises the following functions and powers according to law:

- (1) to elect and replace directors and decide on matters concerning the remuneration of directors;
- (2) to examine and approve reports of the Board of Directors;
- (3) to examine and approve the profit distribution plan and the loss recovery plan of the Company;
- (4) to decide on the increase or reduction of the Company’s registered capital;
- (5) to resolve on the issuance of corporate bonds by the Company;
- (6) to pass resolutions on the merger, division, dissolution, liquidation or change in corporate form of the Company;
- (7) to amend the Articles of Association;
- (8) to decide on the appointment and dismissal of the accounting firm that undertakes the Company’s audit business;
- (7) to amend the Articles of Association;
- (8) to decide on the appointment and dismissal of the accounting firm that undertakes the Company’s audit business;
- (9) to consider and approve guarantee matters as provided for in these Articles of Association;
- (10) to consider and approve the Company’s purchase or sale of any material assets within one year, which represents a value exceeding 30% of the latest audited total assets of the Company;
- (11) to review and approve matters concerning the change of use of proceeds;
- (12) to examine equity incentive plans and employee stock ownership plans;

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- (13) to consider and approve other matters required to be resolved at the shareholders' general meeting in accordance with laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the places where the shares of the Company are listed or these Articles of Association.

The shareholders' general meeting may authorize the Board of Directors to make a resolution on the issuance of corporate bonds by the Company.

The following external guarantee matters of the Company shall be subject to consideration and approval by the shareholders' general meeting:

- (1) a single guarantee with an amount exceeding 10% of the latest audited net assets of the Company;
- (2) any guarantee to be provided after the total amount of external guarantees provided by the Company and its controlled subsidiaries exceeds 50% of the latest audited net assets;
- (3) a guarantee to be provided to a party which has an asset-liability ratio of more than 70%;
- (4) a guarantee with an amount which, when calculated on a cumulative basis over a consecutive 12-month period, exceeds 30% of the latest audited total assets of the Company;
- (5) any guarantee to be provided after the total amount of external guarantees provided by the Company and its controlled subsidiaries exceeds 30% of the latest audited total assets;
- (6) guarantees provided to shareholders, de facto controllers and their related parties.

The guarantee mentioned in item (4) of the preceding paragraph shall be passed by more than two-thirds of the voting rights held by the shareholders present at the shareholders' general meeting.

Where the Company provides a guarantee for a wholly-owned subsidiary, or provides a guarantee for a controlled subsidiary and other shareholders of such controlled subsidiary provide a guarantee in the same proportion to their respective equity interests, and such guarantee does not prejudice the interests of the Company, the application of the provisions of items (1), (2) and (3) of this Article may be exempted.

When the shareholders' general meeting considers the guarantee matter set forth in item (6) above of this Article, namely a proposal to provide a guarantee for a shareholder, the de facto controller and their related parties, such shareholder or the shareholders controlled by such de facto controller shall not participate in the voting on such matter. The resolution shall be passed by a majority of the voting rights held by other shareholders attending the shareholders' general meeting.

The external guarantee matters provided in this Article which are subject to consideration by the shareholders' general meeting must be considered and approved by the Board of Directors before being submitted to the shareholders' general meeting for consideration. External guarantees other than those listed above shall be subject to the consideration and approval of the Board of Directors of the Company.

In the event of any violation of the approval authority and consideration and approval procedures of the shareholders' general meeting and the Board of Directors for external guarantees as provided in these Articles of Association, the Company shall hold the responsible persons liable for the corresponding legal and economic responsibilities.

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Shareholders’ general meetings are divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be held once a year within six months after the end of the previous financial year.

An extraordinary general meeting shall be convened within two months from the date of occurrence of any of the following circumstances:

- (1) the number of directors falls short of the number stipulated in the Company Law or is less than two-thirds of the number specified in these Articles of Association;
- (2) when the unrecovered losses of the Company reach one-third of the total amount of its share capital;
- (3) upon the request of shareholders individually or jointly holding 10% or more of the shares of the Company;
- (4) when the Board of Directors considers it necessary;
- (5) when proposed by the Audit Committee;
- (6) other circumstances as stipulated by laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company’s shares are listed or these Articles of Association.

Convening of Shareholders’ General Meetings

The Board of Directors shall convene the shareholders’ general meeting in a timely manner within the prescribed timeframe.

Subject to the consent of more than half of all independent directors, the independent directors shall have the right to propose to the Board of Directors the convening of an extraordinary general meeting. With respect to the proposal of the independent directors for convening an extraordinary general meeting, the Board of Directors shall, in accordance with laws, administrative regulations and these Articles of Association, provide written feedback on whether it agrees or disagrees to convene the extraordinary general meeting within 10 days upon receipt of the proposal. Where the Board of Directors agrees to convene an extraordinary general meeting, a notice of the shareholders’ general meeting shall be issued within 5 days after the Board resolution is made; where the Board of Directors does not agree to convene an extraordinary general meeting, it shall state the reasons and make an announcement.

Where the Audit Committee proposes to the Board of Directors the convening of an extraordinary general meeting, such proposal shall be made to the Board of Directors in writing. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations, departmental rules, normative documents and these Articles of Association, provide written feedback on whether to agree or disagree to convene an extraordinary general meeting within 10 days after receiving the proposal.

Where the Board of Directors agrees to convene an extraordinary general meeting, it shall issue a notice of the general meeting within 5 days after the resolution of the Board of Directors is made. Any changes to the original proposal in the notice shall be subject to the consent of the Audit Committee.

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Where the Board of Directors does not agree to hold an extraordinary general meeting or fails to provide any written feedback within 10 days of its receipt of such proposal, the Board of Directors shall be deemed to be incapable of discharging or to have failed to discharge its duty of convening a shareholders' general meeting, and the Audit Committee may convene and preside over such meeting on its own.

Shareholders who individually or jointly hold 10% or more of the Company's shares shall have the right to request the Board of Directors to convene an extraordinary general meeting, and shall submit such request to the Board of Directors in writing. The Board of Directors shall, in accordance with laws, administrative regulations and these Articles of Association, give a written reply on whether to convene an extraordinary general meeting or not within 10 days upon receipt of the request.

Where the Board of Directors agrees to convene an extraordinary general meeting, it shall, within 5 days after the Board resolution is made, issue a notice of the shareholders' general meeting. Any changes to the original request in the notice shall be subject to the consent of the proposing shareholders.

In the event that the Board of Directors does not agree to convene an extraordinary general meeting or does not furnish any reply within 10 days after receiving such request, shareholders singly or jointly holding 10% or more of the Company's shares shall have the right to propose to the Audit Committee the convening of an extraordinary general meeting, and such request shall be made in writing to the Audit Committee.

If the Audit Committee agrees to convene an extraordinary general meeting, it shall issue a notice to convene the shareholders' general meeting within 5 days of receipt of the request, and any changes to the original request in the notice shall be made only with the consent of the proposing shareholders.

Failure of the Audit Committee to issue a notice of a shareholders' general meeting within the stipulated period shall be deemed as the failure of the Audit Committee to convene and preside over a shareholders' general meeting, and shareholders severally or jointly holding 10% or more of the Company's shares for 90 consecutive days or more shall be entitled to convene and preside over the meeting on their own.

The Audit Committee or convening shareholder(s) shall submit the relevant evidentiary materials to the stock exchange upon the issuance of the notice of the shareholders' general meeting and the announcement of the resolutions of the shareholders' general meeting.

The shareholders that convene the shareholders' general meeting shall hold at least 10% of the shares in the Company prior to the announcement of the resolutions of such meeting.

For a shareholders' general meeting convened by the Audit Committee or shareholders on their own, the Board of Directors and the secretary to the Board of Directors shall cooperate. The Board of Directors shall provide the register of shareholders as of the record date. In the event that the Board of Directors fails to provide the register of shareholders, the convenor may use the relevant announcement regarding the notice of convening the shareholders' general meeting to apply to the securities registration and clearing institution to obtain it. The register of shareholders so obtained by the convenor shall not be used for any purpose other than convening the shareholders' general meeting.

The expenses necessary for a shareholders' general meeting convened by the Audit Committee or shareholders on their own shall be borne by the Company.

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Proposals and Notices of Shareholders’ General Meetings

The contents of the proposals of the shareholders’ general meetings shall be within the scope of duties of the shareholders’ general meetings, have clear topics and specific matters for resolution, and comply with the relevant provisions of laws, administrative regulations, departmental rules, normative documents and these Articles of Association.

Shareholders that, individually or jointly, hold 1% or more of the shares of the Company can make and deliver temporary proposals to the convenor in writing 10 days or more prior to the shareholders’ general meeting. The convenor shall, within 2 days of receipt of such proposals, issue a supplemental notice of the shareholders’ general meeting announcing the contents of the temporary proposals and submit the same to the shareholders’ general meeting for consideration. This is save for cases where the temporary proposal violates the provisions of 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 scope of the functions and powers of the shareholders’ general meeting.

Save for the circumstances specified in the preceding paragraph, the convenor shall not make amendments to any proposals set out in the notice of the shareholders’ general meeting or submit any new proposals after the despatch of the notice of the shareholders’ general meeting.

Any proposal which is not set out in the notice or supplementary notice of the shareholders’ general meeting or not in compliance with the provisions of these Articles of Association shall not be voted upon and passed thereat.

The convenor shall notify each shareholder by way of public announcement 20 days prior to the convening of the annual general meeting, and shall notify each shareholder 15 days prior to the convening of an extraordinary general meeting.

A notice of a shareholders’ general meeting shall include the following contents:

- (1) the time, place and duration of the meeting;
- (2) the matters and proposals submitted to the meeting for consideration;
- (3) a statement in conspicuous text: all shareholders are entitled to attend the shareholders’ general meeting, and may appoint a proxy in writing to attend the meeting and participate in voting, and such proxy need not be a shareholder of the Company;
- (4) the record date for shareholders entitled to attend the shareholders’ general meeting;
- (5) the name and telephone number of the designated liaison contact person of the meeting;
- (6) the voting time and procedures for voting by internet or other means;
- (7) other contents required to be included in the notice as prescribed by relevant laws, administrative regulations, departmental rules, normative documents and the securities regulatory rules of the place where the Company’s shares are listed as well as these Articles of Association.

The notice of a shareholders’ general meeting and the supplementary notice shall fully and completely disclose all specific contents of all proposals, as well as all information or explanations required for shareholders to make reasonable judgments on the matters to be discussed.

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After a notice of a shareholders’ general meeting is given, the shareholders’ general meeting shall not be postponed or canceled, and the proposals set out in the notice of the shareholders’ general meeting shall not be canceled, without a valid reason. Once the meeting is postponed or canceled, the convener shall make an announcement and give reasons therefor at least 2 working days prior to the original date of the meeting. Where the securities regulatory rules of the place where the Company’s shares are listed contain special provisions regarding the procedures for postponing or canceling a shareholders’ general meeting, such provisions shall prevail, provided that they do not violate domestic regulatory requirements.

Holding of Shareholders’ General Meetings

All shareholders registered in the register of shareholders on the record date, or their proxies, shall be entitled to attend the shareholders’ general meeting, and exercise the right to speak and the right to vote in accordance with relevant laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company’s shares are listed and these Articles of Association, unless individual shareholders are required by the securities regulatory rules of the place where the Company’s shares are listed to abstain from voting on individual matters.

Shareholders may attend the shareholders’ general meeting in person, or appoint a proxy to attend, speak and vote on their behalf. If a shareholder is a recognized clearing house (or its nominee(s)), such shareholder may authorize its corporate representative(s) or such person or persons as it thinks fit to act as its representative(s) at any shareholders’ general meeting.

Individual shareholders who attend the meeting in person shall produce their identity cards or other effective documents or proof of identity; proxies of other persons attending the meeting shall produce their own effective identity documents and a shareholder’s power of attorney.

A corporate shareholder shall be represented by its legal representative or a proxy appointed by the legal representative to attend the meeting. If the legal representative attends the meeting, he or she shall produce his or her own identity card and valid proof of his or her legal representative status.

Where a proxy attends the meeting, the proxy shall produce his/her own identity card and a written power of attorney issued in accordance with the law by the legal representative of the corporate shareholder (except for a shareholder which is a recognized clearing house or its nominee as defined by the relevant ordinances of the laws of Hong Kong in force from time to time or the securities regulatory rules of the place where the Company’s shares are listed); if such corporate shareholder has appointed a representative to attend any meeting, it shall be deemed to have attended in person. A shareholder that is a partnership shall be represented by its executive partner or an agent authorized by the executive partner to attend the meeting. Where the executive partner attends the meeting, he/she shall produce his/her identity card and valid proof of his/her qualification as the executive partner; where a proxy attends the meeting, the proxy shall produce his/her identity card and a written power of attorney issued in accordance with the law by the executive partner of the shareholder that is a partnership. Where a shareholder is a recognized clearing house (or its nominee) as defined by the relevant ordinances enacted in Hong Kong from time to time or the securities regulatory rules of the place where the Company’s shares are listed, such shareholder may authorize its corporate representative or one or more persons whom it deems appropriate to act as its representative(s) at any shareholders’ general meeting or any creditors’ meeting; provided that, if more than one person is authorized, the power of attorney shall specify the number and class of shares in respect of which each such person is so authorized. The person so authorized shall be entitled to exercise the rights on behalf of such shareholder (without being required to produce any shareholding certificate, notarised authorisation and/or further evidence to prove that he is duly authorized), and shall be entitled to the same statutory rights as those enjoyed by other shareholders, including the right to speak and vote, as if such person were an individual shareholder of the Company.

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The power of attorney issued by a shareholder to appoint a proxy to attend a shareholders' general meeting shall contain the following information:

- (1) the name of the principal, and the class and number of shares held by him/her/it in the Company;
- (2) name of the proxy;
- (3) specific instructions of the shareholder, including instructions to vote for, against or abstain from voting on each matter on the agenda of the shareholders' meeting for consideration;
- (4) the date of issue and period of validity of the proxy form;
- (5) the signature (or seal) of the principal. If the principal is a non-natural person shareholder, the seal of the unit shall be affixed.

Where the proxy form is signed by a person authorized by the appointor, the power of attorney or other authorisation documents authorizing the signature shall be notarised. The notarized power of attorney or other authorizing document, together with the instrument appointing the voting proxy, shall be deposited at the domicile of the Company or at such other place as specified in the notice of the meeting.

Where the shareholders' general meeting requires the directors and senior management to attend the meeting, the directors and senior management shall attend and accept enquiries from shareholders.

A shareholders' general meeting shall be presided over by the Chairman of the Board. Where the Chairman of the Board is unable to perform or fails to perform his/her duties, a director jointly elected by more than half of the directors shall preside over the meeting.

A shareholders' general meeting convened by the Audit Committee on its own shall be presided over by the convener of the Audit Committee. Where the convener of the Audit Committee is unable to perform his or her duties or fails to perform his or her duties, a member of the Audit Committee jointly elected by more than half of the members of the Audit Committee shall preside.

If a shareholders' general meeting is convened by the shareholders themselves, the convener or his/her/its elected representative shall preside over the meeting.

Where a shareholders' general meeting is unable to proceed further during its course due to the chairman of the meeting's violation of the rules of procedure, the shareholders present at the shareholders' general meeting may nominate one person as the chairman of such meeting with the consent of more than one-half of the voting rights represented by shareholders present, and the meeting shall proceed.

Voting at and Resolutions of Shareholders' General Meetings

Resolutions of a shareholders' general meeting comprise ordinary resolutions and special resolutions.

An ordinary resolution of the shareholders' general meeting shall be passed by more than half of the voting rights held by the shareholders (including their proxies) attending the shareholders' general meeting.

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A special resolution of the shareholders' general meeting shall be passed by more than two-thirds of the voting rights held by the shareholders (including their proxies) attending the shareholders' general meeting.

The following matters shall be resolved by ordinary resolutions at shareholders' general meetings:

- (1) work reports of the Board of Directors;
- (2) profit distribution plans and loss recovery plans formulated by the Board of Directors;
- (3) to elect and replace directors, and decide on matters concerning the remuneration and payment methods of directors;
- (4) matters other than those requiring approval by way of special resolutions in accordance with the provisions of laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place(s) where the shares of the Company are listed and these Articles of Association.

The following matters shall be resolved by special resolutions at shareholders' general meetings:

- (1) the increase or reduction of the registered capital of the Company;
- (2) the merger, division, spin-off, dissolution and liquidation (including voluntary winding-up) of the Company;
- (3) amendments to these Articles of Association;
- (4) the purchase or sale by the Company within one year of material assets, or the provision of a guarantee to others, the amount of which exceeds 30% of the audited total assets of the Company for the most recent period;
- (5) equity incentive plans;
- (6) other matters as required by laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the places where the shares of the Company are listed or these Articles of Association, and matters which, as resolved by way of an ordinary resolution at a shareholders' general meeting, will have a material impact on the Company and need to be approved by way of special resolutions.

A shareholder (including a shareholder attending a shareholders' general meeting by proxy) shall exercise voting rights based on the number of voting shares represented by such shareholder, and each share shall carry one vote.

Shares in the Company held by the Company shall carry no voting rights and shall not be counted in the total number of voting shares represented by shareholders present at the shareholders' general meeting.

When the shareholders' general meeting considers material matters affecting the interests of minority shareholders, the voting results of shareholders other than the directors, senior management of the Company and shareholders who individually or collectively hold 5% or more of the shares of the Company, shall be counted and disclosed separately.

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If a shareholder purchases the Company's voting shares in violation of the provisions of paragraphs 1 and 2 of Article 63 of the Securities Law, the portion of shares in excess of the prescribed proportion shall not have voting rights within 36 months after purchase, and shall not be counted in the total number of voting shares present at the shareholders' general meeting.

The Board of Directors, independent directors, shareholders holding more than 1% of voting shares or investor protection agencies established in accordance with laws, administrative regulations or the provisions of the securities regulatory authority under the State Council may publicly solicit voting rights from shareholders. While soliciting the voting rights of shareholders, sufficient disclosure of information such as the specific voting intention shall be made to the shareholders from whom voting rights are being solicited. Consideration or other forms of de facto consideration for the solicitation of voting rights from shareholders shall be prohibited. Except for statutory conditions, the Company shall not impose any minimum shareholding restriction for soliciting voting rights.

When the shareholders' general meeting considers matters relating to related transactions, related shareholders shall refrain from voting, and the number of voting shares represented by them shall not be counted in the total number of valid votes; the announcement of the resolutions of the shareholders' general meeting shall fully disclose the voting results of non-related shareholders.

BOARD OF DIRECTORS

General Provisions for Directors

The directors of the Company shall be natural persons. A person may not serve as a director of the Company if any of the following circumstances apply:

- (1) persons without capacity or with limited capacity for civil acts;
- (2) persons who were sentenced to criminal punishment due to corruption, bribery, embezzlement of property, misappropriation of property or disrupting the socialist market economic order, or who have been deprived of political rights due to any criminal offenses, where less than 5 years have lapsed since the expiration of the execution period; or those who were sentenced to probation, where less than 2 years have lapsed since the expiration of the probation period;
- (3) a person who was a director or factory head or manager of a company or an enterprise which was subject to bankruptcy liquidation and was personally responsible for the bankruptcy of such company or enterprise, where not more than 3 years have elapsed since the completion of the bankruptcy liquidation of such company or enterprise;
- (4) 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 order, where less than 3 years have lapsed since the date of the revocation of the business license or being ordered to be closed down;
- (5) an individual who has been listed by a People's Court as a judgment debtor subject to enforcement for failing to repay a large amount of personal debt that has become due;
- (6) persons who have been subject to a penalty prohibiting entry into the securities market imposed by relevant regulatory authorities, where the period of such penalty has not yet expired;

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- (7) where the person has been publicly identified by a stock exchange as unsuitable to serve as a director or senior management member of a listed company, and the period of such identification has not yet expired;
- (8) other circumstances prescribed by laws, administrative regulations, departmental rules, normative documents or the securities regulatory rules of the place where the Company’s shares are listed.

The election, appointment or engagement of any director in violation of this Article shall be null and void. Where a director is subject to any of the circumstances prescribed in this Article during his/her term of office, the Company shall dismiss him/her from his/her position and suspend his/her performance of duties.

Directors shall be elected or replaced at the shareholders’ general meeting and may be removed from office by the shareholders’ general meeting prior to the expiry of their tenure. The term of office of a director shall be 3 years, and at the expiry of the term, he/she shall be eligible for re-election and re-appointment. A director serving as an employee representative shall be democratically elected by the employees of the Company through the employee representative congress, and no resolution of the shareholders’ general meeting is required.

BOARD OF DIRECTORS

The Company shall establish a Board of Directors, which shall consist of 9 directors, including 5 non-independent directors, 4 independent directors and 1 employee representative director. The Board of Directors shall have 1 chairman, who shall be elected by more than half of all directors of the Board of Directors.

The Board of Directors shall exercise the following functions and powers:

- (1) to convene shareholders’ general meetings and report on its work to the shareholders’ general meetings;
- (2) to execute the resolutions of shareholders’ general meetings;
- (3) to decide on the Company’s business plans and investment plans;
- (4) to formulate the Company’s proposals for profit distribution and loss recovery;
- (5) to formulate proposals for the increase or reduction of the registered capital, the issuance of bonds or other securities and the listing of the Company;
- (6) to prepare plans on the Company’s material acquisition or acquisition of the Company’s shares or the Company’s merger, division, dissolution or change of corporate form;
- (7) to decide on the Company’s external investment, acquisition and sale of assets, asset mortgages, external guarantees, entrusted wealth management, related transactions, external donations and other matters within the scope authorized by the general meeting;
- (8) to determine the establishment of the Company’s internal management structure;
- (9) to decide on the appointment or removal of the Company’s general manager, secretary to the Board of Directors and other senior management, and to determine their remuneration, rewards and punishments; based on the nominations of the general manager, to decide on the appointment or removal of the deputy general manager(s), financial officer(s) and other senior management, and to determine their remuneration, rewards and punishments;

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- (10) to formulate the Company’s basic management system;
- (11) to prepare proposals for the amendment of these Articles of Association;
- (12) to manage the issues in respect of the Company’s information disclosure;
- (13) to propose to the shareholders’ general meeting the appointment or replacement of the accounting firm for the Company’s audit;
- (14) to receive the work report of the general manager of the Company and examine such work;
- (15) to formulate equity incentive plans and employee stock ownership plans;
- (16) other functions and powers as prescribed by laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company’s shares are listed or these Articles of Association, as well as those granted by the shareholders’ general meeting.

Matters beyond the scope of authorisation of the shareholders’ general meeting shall be submitted to the shareholders’ general meeting for consideration.

Unless otherwise provided by the securities regulatory rules of the place where the Company’s shares are listed, the transactions subject to the approval of the Board of Directors are as follows:

- (1) the total assets involved in the transaction account for 10% or more of the Company’s latest audited total assets; however, if the total assets involved in the transaction account for 50% or more of the Company’s latest audited total assets, or if the Company purchases or sells major assets within one year for an amount exceeding 30% of the Company’s latest audited total assets, such transaction shall also be submitted to the shareholders’ general meeting for consideration; if there are both a book value and an assessed value for the total assets which are the subject of the transaction, the higher figure shall be used as the basis of calculation;
- (2) the consideration for the transaction accounts for 10% or more of the market capitalisation of the Company; however, if the consideration for the transaction accounts for 50% or more of the market capitalisation of the Company, it shall also be submitted to the shareholders’ general meeting for consideration;
- (3) the net assets of the subject matter of the transaction (such as equity) for the most recent financial year account for 10% or more of the market capitalisation of the Company; however, if the net assets of the subject matter of the transaction (such as equity) for the most recent financial year account for 50% or more of the market capitalisation of the Company, it shall also be submitted to the shareholders’ general meeting for consideration;
- (4) the profit generated from the transaction accounts for 10% or more of the audited net profit of the Company for the most recent financial year, and the absolute amount exceeds RMB 1 million; however, if the profit generated from the transaction accounts for 50% or more of the audited net profit of the Company for the most recent financial year, and the absolute amount exceeds RMB 5 million, it shall also be submitted to the shareholders’ general meeting for consideration;
- (5) the operating revenue related to the subject matter of the transaction (such as equity) for the most recent financial year accounts for 10% or more of the audited operating revenue of the Company for the most recent financial year, and the absolute amount exceeds

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RMB 10 million; however, if the operating revenue related to the subject matter of the transaction (such as equity) for the most recent financial year accounts for 50% or more of the audited operating revenue of the Company for the most recent financial year, and the absolute amount exceeds RMB 50 million, it shall also be submitted to the shareholders’ general meeting for consideration;

- (6) the net profit related to the subject matter of the transaction (such as equity) for the most recent financial year accounts for 10% or more of the audited net profit of the Company for the most recent financial year, and the absolute amount exceeds RMB 1 million; however, if the net profit related to the subject matter of the transaction (such as equity) for the most recent financial year accounts for 50% or more of the audited net profit of the Company for the most recent financial year, and the absolute amount exceeds RMB 5 million, it shall also be submitted to the shareholders’ general meeting for consideration. Unless otherwise provided by the securities regulatory rules of the place where the Company’s shares are listed, if the data involved in the calculation of the above indicators is negative, the absolute value thereof shall be used for calculation. Where the Company conducts entrusted wealth management and finds it difficult to perform review and consideration procedures and disclosure obligations for each investment transaction due to reasons such as transaction frequency and timeliness requirements, it may make reasonable estimates on the investment scope, amount and term, etc., and calculate the proportion of the amount to the market capitalisation, to which item (2) above shall apply. The term of use for the relevant limit shall not exceed 12 months, and the transaction amount at any point in time within the term (including relevant amounts from the reinvestment of proceeds from the aforementioned investments) shall not exceed the investment limit. Where a transaction is implemented in stages, the above criteria shall be applied based on the total consideration for the transaction.

Where the Company enters into a financial assistance transaction, in addition to being considered and approved by a majority of all directors, the matter shall also be considered and approved by more than two-thirds of the directors attending the board meeting, and shall be disclosed in a timely manner. Unless otherwise provided by the securities regulatory rules of the place where the Company’s shares are listed, if a financial assistance matter falls under any of the following circumstances, it shall also be submitted to the shareholders’ general meeting for consideration after being considered and approved by the Board of Directors:

- (1) the amount of a single financial assistance exceeds 10% of the Company’s latest audited net assets;
- (2) the latest financial statement data of the recipient of the assistance shows an asset-liability ratio exceeding 70%;
- (3) the cumulative amount of financial assistance within the last 12 months exceeds 10% of the latest audited net assets of the Company;
- (4) other circumstances as prescribed by the securities regulatory authorities of the place where the Company’s shares are listed or these Articles of Association. Where the recipient of the assistance is a controlled subsidiary within the scope of the consolidated financial statements of the Company, and the other shareholders of such controlled subsidiary do not include the controlling shareholders, de facto controllers and their associates of the Company, the provisions of the preceding two paragraphs may be exempted from application.

The Chairman of the Board shall exercise the following functions and powers:

- (1) to preside over shareholders’ general meetings and to convene and preside over the Board meetings;

APPENDIX III**SUMMARY OF THE ARTICLES OF ASSOCIATION**

- (2) to supervise and inspect the implementation of the resolutions of the Board of Directors;
- (3) to exercise the functions and powers of the legal representative;
- (4) to nominate the general manager and the secretary to the Board of Directors;
- (5) to sign the Company's shares, corporate bonds and other securities;
- (6) to sign important documents of the Board of Directors and other documents which should be signed by the Company's legal representative;
- (7) other powers conferred by the Board of Directors.

The Board of Directors shall hold at least four regular meetings every year, approximately once a quarter, and written notice shall be given to all directors 14 days prior to the convening of the meeting.

The Chairman of the Board shall convene an extraordinary Board meeting within 10 days of receiving a proposal under any of the following circumstances:

- (1) upon proposal by a shareholder(s) representing one-tenth or more of the voting rights of the Company;
- (2) upon the joint proposal of one-third or more of the directors;
- (3) upon proposal by the Audit Committee;
- (4) when deemed necessary by the Chairman of the Board;
- (5) upon proposal by a majority of the independent directors;
- (6) any other circumstances prescribed by laws, administrative regulations, departmental rules, normative documents and these Articles of Association.

To convene an extraordinary Board meeting, the Company shall notify all the directors at least 5 days prior to the meeting. In case of emergency, an extraordinary Board meeting may be convened without being subject to the aforementioned notice period requirement upon the consent of more than half of all directors, provided that notice shall be given within a reasonable time limit.

In principle, the Board meetings shall be held in the form of physical meetings. Provided that directors are ensured of the full expression of their opinions, such meetings may be conducted by way of telephone conference, video conference or other similar means. Extraordinary Board meetings may, provided that the directors are guaranteed the opportunity to fully express their opinions, be conducted by way of written circulation and resolutions may be passed thereat, and shall be signed by the directors attending the meeting.

The Board meetings shall be attended by the directors in person; where a director is unable to attend for any reason, he/she may appoint another director in writing to attend on his/her behalf. The power of attorney shall set out the name of the proxy, the matters to be represented, the scope of authorization and the period of validity, and shall be signed or sealed by the appointor. A director who attends a meeting on behalf of another director shall exercise the rights of a director within the scope of authority granted. If a director does not attend a Board meeting in person and does not appoint a proxy to attend the meeting, he/she shall be deemed to have waived the voting rights at the meeting. A director shall not accept proxies from more than two directors, and a director shall not appoint another director who has already accepted proxies from two other directors to attend on his or her behalf.

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A Board meeting shall not be held unless more than half of the directors are present. Any resolution of the Board of Directors shall be passed by more than half of all the directors.

Voting at Board meetings may be conducted by a show of hands, orally or by poll. Voting on resolutions of the Board of Directors shall be on a one-vote-per-person basis.

Where a director is related with an enterprise or individual involved in a matter to be resolved at a Board meeting, such director shall report the same to the Board of Directors in writing in a timely manner. Directors who have a related relationship shall not exercise voting rights on such resolution, nor shall they exercise voting rights as proxies for other directors. The Board meeting may proceed if more than half of the directors that have no related relations are present, and resolutions of the Board meeting may be adopted if approved by more than half of the directors that have no such related relations. If the number of non-related directors present at the Board meeting is less than three, the matter shall be submitted to the shareholders’ general meeting for consideration. Where laws, regulations or the securities regulatory rules of the place where the Company’s shares are listed contain additional provisions or restrictions regarding the participation in and voting at Board meetings by directors, such provisions shall prevail.

Independent Directors

Independent directors shall, in accordance with the provisions of laws, administrative regulations, the CSRC, the stock exchanges, the securities regulatory rules of the places where the Company’s shares are listed and these Articles of Association, diligently perform their duties, play roles in participating in decision-making, supervising and balancing and offering professional advice within the Board of Directors, safeguard the interests of the Company as a whole, and protect the legitimate rights and interests of minority shareholders.

Independent directors shall maintain independence. The following persons may not serve as an independent director of the Company:

- (1) persons holding a position in the Company or its subsidiaries and their spouses, parents, children and major social relations;
- (2) natural person shareholders who directly or indirectly hold 1% or more of the issued shares of the Company or who are among the top ten shareholders of the Company, as well as their spouses, parents, and children;
- (3) persons employed by shareholders who directly or indirectly hold 5% or more of the Company’s issued shares or are among the Company’s top five shareholders, and their spouses, parents and children;
- (4) employees of the subsidiaries of the Company’s controlling shareholders or de facto controllers, as well as their spouses, parents and children;
- (5) persons who have material business transactions with the Company and its controlling shareholder, de facto controller or their respective subsidiaries, or persons who are employed in an entity that has material business transactions and its controlling shareholder or de facto controller;
- (6) persons who provide financial, legal, consulting, sponsorship and other services to the Company and its controlling shareholders, de facto controller or their respective subsidiaries, including but not limited to all project team members of any intermediary which provides services, reviewers at all levels, personnel who sign reports, partners, directors, senior management and principal persons-in-charge;

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- (7) any person who has fallen under any of the circumstances listed in items (1) to (6) within the preceding twelve months;
- (8) other individuals who do not meet the independence requirements as specified by laws, administrative regulations, regulations of the CSRC, business rules of securities exchanges, the securities regulatory rules of the place where the Company’s shares are listed and the provisions of these Articles of Association.

Subsidiaries of the controlling shareholders or the de facto controllers of the Company referred to in items (4) to (6) of the preceding paragraph do not include enterprises that are controlled by the same state-owned asset management institution as the Company but do not have any related relationship with the Company in accordance with the relevant regulations.

Independent directors shall conduct a self-assessment of their independence on an annual basis and submit the results of such self-assessment to the Board of Directors. The Board of Directors shall conduct an annual assessment of the independence of the independent directors in office and issue a specific opinion thereon, which shall be disclosed concurrently with the annual report.

The following matters shall be submitted to the Board of Directors for consideration after obtaining the consent of a majority of all independent directors of the Company:

- (1) related transactions that should be disclosed;
- (2) plans for changes or exemptions of commitments by the Company and related parties;
- (3) decisions made and measures taken by the board of directors of the acquired listed company in relation to the acquisition;
- (4) other matters stipulated by laws, administrative regulations, the CSRC, the securities regulatory rules of the place where the Company’s shares are listed and these Articles of Association.

The Company shall establish a mechanism for special meetings attended exclusively by independent directors. Where the Board of Directors considers matters such as related transactions, such matters shall be subject to the prior approval of a special meeting of the independent directors.

The Company shall convene meetings of independent directors on a regular or irregular basis.

Special meetings of independent directors shall be convened and presided over by an independent director jointly recommended by a majority of independent directors. If the convener fails to perform or is unable to perform his or her duties, two or more independent directors may convene the meeting on their own and recommend one representative to preside over the meeting.

Special Committees of the Board of Directors

The Board of Directors of the Company has established an Audit Committee to exercise the powers and functions of the board of supervisors as prescribed by the Company Law and the powers and functions as prescribed by the securities regulatory rules of the place where the Company’s shares are listed.

The Audit Committee shall consist of three members, comprising directors who do not hold senior management positions in the Company, of whom two shall be independent directors. Such independent directors shall not have any relationship with the Company that may interfere with the exercise of their independent and objective judgment. At least one independent director shall

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possess appropriate professional qualifications or appropriate accounting or related financial management expertise as required by the securities regulatory rules of the place where the Company’s shares are listed, and such independent director shall serve as the convenor.

The primary duties of the Audit Committee are to be responsible for reviewing the financial information of the Company and its disclosure, and supervising and evaluating internal and external audit work and internal control. The following matters shall be submitted to the Board of Directors for consideration after the approval of more than half of all members of the Audit Committee:

- (1) disclosure of financial and accounting reports and financial information and the internal control evaluation report in periodic reports;
- (2) engagement, re-appointment or dismissal of an accounting firm that undertakes the audit work of the Company;
- (3) appointment or dismissal of the financial controller of the Company;
- (4) changes in accounting policies and accounting estimates or correction of material accounting errors resulting from reasons other than changes in accounting standards;
- (5) other matters as prescribed by laws and regulations, relevant regulations of the Shanghai Stock Exchange, the securities regulatory rules of the place where the Company’s shares are listed and these Articles of Association, as well as other matters authorized by the Board of Directors.

The Audit Committee shall hold at least one meeting per quarter. An extraordinary meeting may be convened when proposed by two or more members, or when the convener deems it necessary. A meeting of the Audit Committee shall be held only when more than two-thirds of the members are present.

Resolutions of the Audit Committee shall be adopted by a majority vote of the members of the Audit Committee.

Voting on resolutions of the Audit Committee shall be on a one-person, one-vote basis.

Resolutions of the Audit Committee shall be recorded in meeting minutes in accordance with regulations, and the members of the Audit Committee attending the meeting shall sign the meeting minutes.

The Board of Directors shall be responsible for formulating the working procedures of the Audit Committee.

The Board of Directors of the Company shall establish a Nomination Committee, a Remuneration and Appraisal Committee and a Strategy and ESG Committee, which shall perform their duties in accordance with the securities regulatory rules of the place where the Company’s shares are listed, these Articles of Association and the authorisation of the Board of Directors. Proposals of the special committees shall be submitted to the Board of Directors for consideration and decision. The Board of Directors shall be responsible for formulating the rules of procedure of the special committees. Independent directors shall constitute a majority of the Nomination Committee and the Remuneration and Appraisal Committee. The Nomination Committee shall include at least one director of a different gender. The Nomination Committee shall be convened by an independent director or the Chairman of the Board, and the Remuneration and Appraisal Committee shall be convened by an independent director.

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Senior Management

The Company shall have one general manager, several deputy general managers, one financial controller and one secretary to the Board of Directors. The general manager and the secretary to the Board of Directors of the Company shall be nominated by the Chairman of the Board; the deputy general managers, the financial controller and other senior management personnel shall be nominated by the general manager; and all such personnel shall be appointed or dismissed by the Board of Directors.

The provisions of these Articles of Association regarding circumstances in which a person may not serve as a director and the management system for resignation shall also apply to senior management.

The provisions of these Articles of Association regarding the duties of loyalty and diligence of directors shall also apply to senior management.

The general manager shall be accountable to the Board of Directors and exercise the following powers:

- (1) to lead the Company’s production, operation and management, to organize the implementation of the resolutions of the Board of Directors and report to the Board of Directors;
- (2) to organize the implementation of the Company’s annual business plans and investment plans;
- (3) To draft proposals for the establishment of the Company’s internal management structure;
- (4) to draft the Company’s basic management system;
- (5) to formulate the specific rules and regulations of the Company;
- (6) to propose to the Board of Directors the appointment or removal of other senior management of the Company, such as deputy general managers and the financial controller, other than the secretary to the Board of Directors;
- (7) to determine the appointment or removal of the management personnel other than those who are to be appointed or removed by the Board of Directors;
- (8) other powers prescribed by laws, administrative regulations, departmental rules, normative documents and these Articles of Association or granted by the shareholders’ general meeting or the Board of Directors.

The general manager shall attend Board meetings.

Party Organization

The Company shall establish a Communist Party of China (“CPC”) organization and conduct Party-related activities in accordance with the provisions in the Constitution of the CPC. The Company shall provide the necessary conditions for the activities of the Party organization. The Company unswervingly adheres to the leadership of the Party, unswervingly strengthens Party building and integrates the strengthening of the leadership of the Party with the improvement of corporate governance.

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FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTION AND AUDIT**Financial and Accounting Systems and Profit Distribution**

The Company shall submit and disclose its annual report to the local office of the CSRC and the stock exchange(s) within four months from the end of each financial year, and submit and disclose its interim report to the local office of the CSRC and the stock exchange(s) within two months from the end of the first six months of each financial year.

The Company shall not keep any accounting books other than those required by law. The Company's funds shall not be deposited in an account opened in the name of any individual.

The Company shall, in distributing its after-tax profit for the year, set aside 10% of the profit to be placed into the statutory common reserve. When the cumulative amount of the statutory common reserve reaches 50% or more of its registered capital, the Company may cease to make such allocation.

If the Company's statutory common reserve is insufficient to make up losses from previous years, the Company shall use its profits from the current year to make up such losses before making the allocation to its statutory common reserve in accordance with the preceding paragraph.

After the Company has set aside funds for the statutory reserve from the after-tax profits, the Company may also set aside funds for a discretionary reserve from the after-tax profits upon the resolution of the shareholders' general meeting.

After making up for losses and setting aside funds for the common reserve, the Company shall distribute the remaining after-tax profits in proportion to the shares held by the shareholders.

Where the shareholders' general meeting distributes profits to shareholders in violation of the Company Law, the shareholders shall return the profits distributed in violation of the provisions to the Company; if any loss is caused to the Company, the shareholders and the responsible directors and senior management shall be liable for compensation.

Shares in the Company held by the Company shall not participate in the profit distribution.

The Company shall appoint one or more receiving agents in Hong Kong for H-shareholders. The receiving agent shall collect and hold on behalf of the relevant H-shareholders the dividends and other payments distributed by the Company in respect of the H shares, pending payment to such H-shareholders. The receiving agent appointed by the Company shall comply with the requirements of laws and regulations and the securities regulatory rules of the place where the Company's shares are listed.

The common reserve funds of the Company shall be used for offsetting losses of the Company, expanding the Company's production and operation or increasing the registered capital of the Company.

To make up the Company's losses, the discretionary common reserve fund and the statutory common reserve fund shall be utilized first; if these are still insufficient, the capital reserve fund may be utilized in accordance with the regulations.

Where the statutory common reserve is converted into increased registered capital, the balance of such reserve shall not be less than 25% of the Company's registered capital immediately prior to the conversion.

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The Company establishes a continuous and stable return mechanism for investors by integrating its own profitability with the actual needs of its future business development strategy. The Board of Directors and the shareholders’ general meeting of the Company shall fully consider the opinions of the independent directors and public investors in the decision-making and argumentation process of the profit distribution policy.

Where the Company indeed needs to adjust its profit distribution policy based on its production and operation conditions, investment planning and long-term development needs, the adjusted profit distribution policy shall not violate the relevant regulations of the CSRC and the stock exchange. The proposal regarding the adjustment of the profit distribution policy shall be submitted to the shareholders’ general meeting of the Company for approval after being considered by the Board of Directors of the Company, and shall be passed by more than two-thirds of the voting rights held by the shareholders attending the shareholders’ general meeting. The Company shall also provide an online voting method to facilitate the participation of minority shareholders in voting at the shareholders’ general meeting.

Internal Audit

The Company shall implement an internal audit system, which specifies the leadership system, duties and responsibilities, staffing, funding guarantee, use of audit results and accountability for internal audit.

The Company’s internal audit system shall be implemented after being approved by the Board of Directors and shall be disclosed to the public.

Appointment of Accounting Firm

The Company shall appoint an accounting firm which is qualified under the relevant provisions of the Securities Law and the securities regulatory rules of the place where the shares of the Company are listed to audit the financial statements, verify the net assets and offer other relevant consulting services, for a term of one year, which may be renewed.

The appointment and dismissal of the accounting firm of the Company shall be decided by the shareholders’ general meeting. The Board of Directors shall not appoint an accounting firm before the decision of the shareholders’ general meeting.

The audit fees of the accounting firm shall be decided by the shareholders’ general meeting.

The Company shall provide true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting data to the accounting firm it engages, and shall not refuse, conceal or make false reports.

Where the Company dismisses or does not renew the engagement of an accounting firm, the Company shall notify the accounting firm 10 days in advance; when the shareholders’ general meeting votes on the dismissal of the accounting firm, the accounting firm shall be allowed to present its opinions.

If the accounting firm resigns, it shall explain to the general meeting regarding whether the Company has any non-compliance.

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MERGER, DIVISION, CAPITAL INCREASE AND DECREASE, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Decrease

A merger of the Company may take the form of a merger by absorption or a merger by new establishment. The absorption of one company by another company constitutes a merger by absorption, in which case the absorbed company shall be dissolved. The merger of two or more companies to establish a new company is a merger by new establishment, in which case all parties to the merger shall be dissolved.

In the event of a merger, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date of the merger resolution and shall publish an announcement in a newspaper or on the National Enterprise Credit Information Publicity System within 30 days. A creditor may, within 30 days of receipt of the notice or, in the case of failure to receive such notice, within 45 days of the date of announcement, require the Company to repay its debts or to provide a corresponding guarantee for such debt.

When the Company is merged, the claims and debts of each party to the merger shall be succeeded to by the company surviving the merger or the new company established subsequent to the merger.

When the Company is divided, its property shall be divided accordingly. In the event of a division, the Company shall prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date of the resolution to divide and shall publish a public announcement in a newspaper or on the National Enterprise Credit Information Publicity System within 30 days.

The debts of the Company prior to the division shall be borne by the companies existing after the division under joint and several liability. However, this shall not apply where a written agreement has been entered into between the Company and its creditors in relation to the repayment of debts before the division.

The Company shall prepare a balance sheet and an inventory of its property when it reduces its registered capital. The Company shall notify its creditors within 10 days from the date the resolution for the reduction of registered capital has been passed by the shareholders' general meeting and shall publish a notice in a newspaper or on the National Enterprise Credit Information Publicity System within 30 days thereof. A creditor shall, within 30 days of the date of receipt of such notice, and any creditor who has not received the notice shall, within 45 days from the date of the public notice, be entitled to demand that the Company settle its debts or provide a corresponding guarantee. Where the Company reduces its registered capital, it shall reduce the amount of capital contribution or shares in proportion to the shares held by the shareholders, unless otherwise prescribed by law or these Articles of Association.

Where an increase in the registered capital of the Company is made by means of an issue of new shares, the shareholders do not have any pre-emptive right unless otherwise provided in these Articles of Association or the shareholders' general meeting resolves that the shareholders shall have a pre-emptive right.

Where a change in any item in the registration of the Company arises as a result of a merger or division, the Company shall apply for a change in its registration with the company registration authority in accordance with law; where the Company is dissolved, it shall apply for cancellation of its registration in accordance with law; where a new company is established, it shall apply for

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registration of incorporation in accordance with law. Where the registered capital of the Company is increased or decreased, the change shall be registered with the company registration authority in accordance with the law.

Dissolution and Liquidation

The Company shall be dissolved due to any of the following reasons:

- (1) any cause for dissolution specified in these Articles of Association arises;
- (2) a resolution on dissolution is passed by the shareholders’ general meeting;
- (3) dissolution is necessary for the purpose of any merger or division of the Company;
- (4) its business license is revoked, or it is ordered to be closed down or its registration is canceled in accordance with the law;
- (5) where there are serious difficulties in the operation and management of the Company which cannot be resolved through other means and shareholders’ interests will be seriously harmed if the Company continues to exist, shareholders holding 10% or more of the Company’s voting rights may petition the People’s Court to dissolve the Company.

If any of the causes for dissolution set forth in the preceding paragraph occurs, the Company shall make a public announcement of the cause for dissolution through the National Enterprise Credit Information Publicity System or other media within ten days.

In the event that the circumstances described in items (1) and (2) have occurred and no property has been distributed to the shareholders, the Company may continue to exist by amending these Articles of Association or by resolution of the shareholders’ general meeting.

Any amendment to these Articles of Association or resolution of the shareholders’ general meeting pursuant to the preceding paragraph shall be subject to the approval of two-thirds or more of the voting rights held by the shareholders present at the shareholders’ general meeting.

If the Company is dissolved pursuant to item (1), (2), (4) or (5), it shall establish a liquidation committee and liquidation shall commence within 15 days from the date on which the cause for dissolution arose. The directors shall be the liquidation obligors of the Company and shall form a liquidation committee to commence liquidation within 15 days from the date on which the cause for dissolution occurs.

The liquidation committee shall be composed of the directors, unless otherwise provided for in these Articles of Association or otherwise elected by the shareholders’ general meeting. If a liquidation committee is not established within the time limit to conduct liquidation, or if no liquidation is conducted after the liquidation committee is established, interested parties may apply to a People’s Court to designate relevant persons to form a liquidation committee to conduct the liquidation.

The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner and cause losses to the Company or the creditors.

During the liquidation period, the liquidation committee shall exercise the following functions and powers:

- (1) to sort out the Company’s assets and prepare a balance sheet and an inventory of assets respectively;

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- (2) to notify creditors through notice or public announcement;
- (3) to deal with the unfinished business of the Company related to the liquidation;
- (4) to pay unpaid taxes and taxes incurred during the liquidation process;
- (5) to settle claims and debts;
- (6) to distribute the surplus assets remaining after the Company's debts have been repaid;
- (7) to represent the Company in civil litigation.

The liquidation committee shall notify creditors within 10 days from the date of its establishment and make an announcement in a newspaper or on the National Enterprise Credit Information Publicity System within 60 days. Creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the notice or, for those who have not received the notice, within 45 days from the date of the announcement.

When declaring claims, creditors shall state the relevant matters of the claims and provide supporting materials. The liquidation committee shall register the claims.

During the period of declaration of claims, the liquidation committee shall not repay any debts to the creditors.

After sorting out the assets of the Company and preparing a balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan for confirmation by the shareholders' general meeting or the People's Court.

The Company's property remaining after payment of the liquidation expenses, the wages, social insurance premiums and statutory compensation of the employees, payment of insurance claims or benefits, the taxes owed and all the Company's debts shall be distributed by the Company to the shareholders in proportion to the shares they hold.

During the liquidation period, the Company shall continue to exist, but shall not engage in business activities unrelated to the liquidation. The assets of the Company shall not be distributed to the shareholders prior to repayment in accordance with the provisions of the preceding paragraph.

Following the completion of liquidation, the liquidation committee shall compile a liquidation report which shall be submitted to the shareholders' meeting or the People's Court for confirmation and shall also be submitted to the company registration authority for the cancellation of the registration of the Company and to announce the termination of the Company.

Members of the liquidation committee shall owe a duty of loyalty and a duty of diligence in performing their liquidation duties.

Where a member of the liquidation committee fails to diligently perform his or her liquidation duties and causes losses to the Company, he or she shall be liable for compensation; where a member of the liquidation committee causes losses to the Company or creditors due to willful misconduct or gross negligence, he or she shall be liable for compensation.

If, after sorting out the Company's assets and preparing a balance sheet and an inventory of assets in connection with the liquidation of the Company, the liquidation committee discovers that the Company's assets are insufficient to repay the Company's debts in full, the liquidation committee shall apply to the People's Court for bankruptcy liquidation in accordance with the law.

FURTHER INFORMATION ABOUT THE GROUP

Incorporation

The Company was established as a limited liability company under the laws of the PRC on December 18, 2015 and was converted into a joint stock company with limited liability on March 30, 2021.

The Company has established a place of business in Hong Kong at 46/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong. The Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Non-Hong Kong Companies) Regulation (Chapter 622J of the Laws of Hong Kong) on April 28, 2026, with Ms. Kwok Yan Ting Jennis appointed as the Hong Kong authorized representative of the Company for acceptance of the service of process and any notices required to be served on the Company in Hong Kong.

As the Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in “Regulatory Overview” and “Appendix III — Summary of the Articles of Association” in this document, respectively.

Changes in the Share Capital of the Company

An aggregate of 2,234,000 A Shares were issued by the Company on July 30, 2025 pursuant to the vesting of the restricted shares granted under the 2023 Restricted Share Incentive Plan. The total issued share capital of the Company increased from RMB837,984,074 comprising 837,984,074 A Shares of nominal value of RMB1.00 each to RMB840,218,074 comprising 840,218,074 A Shares of nominal value of RMB1.00 each.

Save as disclosed above and in the section headed “History and Development”, there has been no other alteration in the Company’s total issued share capital within the two years immediately preceding the date of this document.

Resolutions of the Shareholders

At the extraordinary general meeting of the Shareholders held on May 18, 2026, the following resolutions, among other things, were duly passed:

- (i) the issue by the Company of the H Shares with a nominal value of RMB1.00 each and such H Shares be [REDACTED] on the Stock Exchange;
- (ii) the number of the H Shares to be issued shall be no more than [REDACTED]% of the total issued share capital of the Company as enlarged by the [REDACTED], and the grant of the [REDACTED] in respect of no more than [REDACTED]% of the number of the H Shares issued pursuant to the [REDACTED];
- (iii) authorization of the Board or its authorized individuals to handle all matters relating to, among other things, the [REDACTED], the issue and [REDACTED] of the H Shares on the Stock Exchange; and
- (iv) subject to the completion of the [REDACTED], the conditional adoption of the revised Articles of Association, which shall become effective on the [REDACTED], and the authorization to the Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Listing Rules.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Subsidiaries of the Company

A summary of the corporate information and the particulars of the Company’s principal subsidiary are set out in Note 1 to the Accountants’ Report as set out in Appendix I.

On November 7, 2025, Unionsemicon Technology was incorporated in Hong Kong with an initial share capital of US\$100,000.

Save as disclosed above, there has been no alteration in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this document.

FURTHER INFORMATION ABOUT THE BUSINESS

Summary of Material Contracts



The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material:

- (a) the [REDACTED].


Intellectual Property

Trademarks

As of the Latest Practicable Date, the Group had registered the following trademarks which are material to its business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1.		9	The Company	PRC	51359090	August 6, 2031
2.		9	Jiangsu Union	PRC	63552394	September 20, 2032

As of the Latest Practicable Date, the Group had applied for registration of the following trademark which is material to its business:

No.	Trademark	Class	Applicant	Place of Application	Application Number	Application Date
1.		9	The Company	Hong Kong	307180614	February 3, 2026

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Domain Name

As of the Latest Practicable Date, the Group had registered the following domain name which is material to its business:

No.	Domain Name	Registered Owner	Expiry Date
1.	unionsemicon.com.cn	Jiangsu Union	August 29, 2027

Patents

As of the Latest Practicable Date, the Group had registered the following patents which are material to its business:

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Expiry Date
1.	A FOUF opener (一種FOUF開啟器)	Invention	The Company	PRC	ZL201910321851.9	April 22, 2039
2.	A wafer dicing processing method for addressing vacuum abnormalities (一種應對真空異常的晶圓切割處理方法)	Invention	The Company	PRC	ZL201911051044.6	October 31, 2039
3.	A detachable and easily assembled adhesive wheel mounting device for inner lead Bonding machines (一種基於內引腳接合機用拆裝方便的黏輪安裝裝置)	Invention	The Company	PRC	ZL202010273698.X	April 9, 2040
4.	A work disc device for a fully automatic tape laminating machine (一種全自動貼膠機用工作盤裝置)	Invention	The Company	PRC	ZL202010370518.X	May 6, 2040
5.	A device for preventing uncoated coating liquid (一種預防Coating液未塗布裝置)	Invention	The Company	PRC	ZL202010370456.2	May 6, 2040
6.	A processing method for chip cracking abnormalities prior to wafer grinding (一種晶圓研磨前裂片異常的處理方法)	Invention	The Company	PRC	ZL202010434613.1	May 21, 2040
7.	A double-layer trolley with guardrails (一種帶有防護欄的雙層推車)	Invention	The Company	PRC	ZL202010467875.8	May 28, 2040
8.	A tray deformation correction jig (一種料盤形變修正治具)	Invention	The Company	PRC	ZL202110125284.7	January 29, 2041
9.	An automatic film stripping machine for wafers (一種晶圓用自動退膜機)	Invention	The Company	PRC	ZL202110125297.4	January 29, 2041
10.	A manufacturing process for improving the appearance and bonding condition of gold bumps (一種改善金凸塊外觀及壓合狀況的製造工藝)	Invention	The Company	PRC	ZL202110147055.5	February 3, 2041
11.	An automatic comparison method for tape stamping direction and stamping code (一種料帶蓋印方向和蓋印碼的自動比對方法)	Invention	The Company	PRC	ZL202110245241.2	March 5, 2041

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<u>No</u>	<u>Patent Name</u>	<u>Type</u>	<u>Patent Holder</u>	<u>Jurisdiction of Registration</u>	<u>Patent Number</u>	<u>Expiry Date</u>
12.	A method for improving the surface roughness of gold bumps (一種金凸塊表面粗糙度改善方法)	Invention	The Company	PRC	ZL202111062370.4	September 10, 2041
13.	A method for indirectly analyzing the lattice performance of high and low hardness bumps (一種間接分析高低硬度 bump 晶格表現的方法)	Invention	The Company	PRC	ZL202111184095.3	October 11, 2041
14.	A reel baking jig (一種卷盤烘烤治具)	Invention	The Company	PRC	ZL202111213004.4	October 19, 2041
15.	Dispensing equipment for semiconductor chip packaging (半導體芯片封裝用點膠設備)	Invention	The Company	PRC	ZL202211175520.7	September 26, 2042
16.	A linkage device (一種聯動裝置)	Invention	Jiangsu Union	PRC	ZL202310080520.7	February 8, 2043
17.	A sliding cover fixing device for frame bonding machines (一種合框機滑蓋固定裝置)	Invention	Jiangsu Union	PRC	ZL202111534416.8	December 15, 2041
18.	A segmented dicing method for handling wafer dicing abnormalities (一種處理晶圓切割異常的分片切割方法)	Invention	Jiangsu Union	PRC	ZL202210231220.X	March 10, 2042

As of the Latest Practicable Date, the Group had applied for registration of the following patents which are material to its business:

<u>No</u>	<u>Patent Name</u>	<u>Type</u>	<u>Applicant</u>	<u>Jurisdiction of Registration</u>	<u>Application Number</u>	<u>Application Date</u>
1.	A gold salt stirring device (一種金鹽攪拌裝置)	Invention	The Company	PRC	2022116777255	December 26, 2022
2.	A device for facilitating waferID reading (一種便於讀取 waferID 裝置)	Invention	The Company	PRC	2023100343176	January 10, 2023
3.	A protective tape recovery winding device and its working method (一種保護帶回收捲繞裝置及其工作方法)	Invention	The Company	PRC	2025107468449	June 5, 2025
4.	A winding jig for thermal dissipation patches (一種散熱貼的捲繞治具)	Invention	Jiangsu Union	PRC	2024103642899	March 28, 2024
5.	An automatic recognition device and method for carrier width and material (一種載具寬度和材質自動識別裝置及方法)	Invention	Jiangsu Union	PRC	2025107975585	June 16, 2025

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Copyrights

As of the Latest Practicable Date, the Group had registered the following copyrights which are material to its business:

No	Copyright Name	Registrant	Registration Number	Date of Initial Publication
1.	Defect detection result evaluation system V1.0 (缺陷檢測結果的考核系統V1.0)	The Company	2019SR0156112	May 11, 2018
2.	Goods scheduling system V1.0 (排貨系統 V1.0)	The Company	2020SR0587316	March 17, 2020
3.	Operation software for automatic anomaly detection mechanism for circuit board component Repair V1.0 (電路板組件維修異動自動檢測機構操作軟件V1.0)	The Company	2024SR1923159	N/A

DISCLOSURE OF INTERESTS

Disclosure of Interests of Directors and Chief Executive of the Company

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan), the interests and/or short positions (as applicable) of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares, underlying shares or debentures of any of the associated corporations of the Company (within the meaning of Part XV of the SFO) which (1) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the H Shares are [REDACTED] on the Stock Exchange, will be as follows:

(i) Interests in the Company

Name of Director or chief executive	Nature of interest	Number and description of Shares or underlying Shares held	Shareholding in A Shares upon completion of the [REDACTED] ⁽¹⁾	Shareholding in total issued share capital upon completion of the [REDACTED] ⁽¹⁾
Mr. Cheng (2)(3)(4)(5)	Beneficial owner Interest in controlled corporations Interest of spouse	263,485,483 A Shares	26.59%	[REDACTED]%
Mr. Lin Wen-hao ⁽⁶⁾	Beneficial owner	2,294,534 A Shares	0.23%	[REDACTED]%

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Notes:

- (1) The calculation is based on the total number of [REDACTED] Shares in issue immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan).
- (2) Mr. Cheng and Ms. Yang are spouses. By virtue of the SFO, Mr. Cheng is deemed to be interested in the Shares held by Ms. Yang. For details of the interest of Ms. Yang in the Company, see “Substantial Shareholders” in this document.
- (3) As of the Latest Practicable Date, Yangzhou Xinruilian was held as to 14% by Ms. Yang as its general partner and 80% by Hefei Bairuifa as a limited partner. Hefei Bairuifa was held as to 0.7% by Ms. Yang as its general partner and 99% by Bai Rui Fa Investment as a limited partner. Bai Rui Fa Investment was held as to 70% by Bai Rui Fa Holding, which was in turn wholly owned by Mega Rich. Mega Rich was wholly owned by Mr. Cheng. By virtue of the SFO, Mr. Cheng is deemed to be interested in the Shares held by Yangzhou Xinruilian. For details of the interest of Yangzhou Xinruilian in the Company, see “Substantial Shareholders” in this document.
- (4) As of the Latest Practicable Date, (i) Converge Achievement was held as to 70% by Mr. Cheng; (ii) Potential International was held as to approximately 53.20% by Mr. Cheng; and (iii) Hefei Xincheng was held as to approximately 37.91% by Mr. Cheng as its general partner. By virtue of the SFO, Mr. Cheng is deemed to be interested in the Shares held by each of Converge Achievement, Potential International and Hefei Xincheng. For details of interests of each of Converge Achievement, Potential International and Hefei Xincheng in the Company, see “History and Development — Corporate Structure” in this document.
- (5) As of the Latest Practicable Date, Mr. Cheng was interested in (i) 1,400,000 A Shares directly held by him; (ii) 1,400,000 restricted shares granted to him under the 2023 Restricted Share Incentive Plan entitling him to receive 1,400,000 A Shares subject to vesting; and (iii) 1,674,260 locked A Shares held by the 2025 Stock Ownership Plan granted to him under the 2025 Stock Ownership Plan.
- (6) As of the Latest Practicable Date, Mr. Lin Wen-hao was interested in (i) 350,000 A Shares directly held by him; (ii) 350,000 restricted shares granted to him under the 2023 Restricted Share Incentive Plan entitling him to receive 350,000 A Shares subject to vesting; and (iii) 1,594,534 locked A Shares held by the 2025 Stock Ownership Plan granted to him under the 2025 Stock Ownership Plan.

(ii) *Interests in the associated corporations of the Company*

So far as the Directors are aware, immediately following the completion of the [REDACTED], no Directors or the chief executive will, directly or indirectly, be interested in the shares, underlying shares or debentures of any of the associated corporations of the Company.

Disclosure of Interests of Substantial Shareholders

Save as disclosed in “Substantial Shareholders” in this document and “— Disclosure of Interests of Directors and Chief Executive of the Company — (i) Interests in the Company” in this section, the Directors are not aware of any person who will have an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

FURTHER INFORMATION ABOUT THE DIRECTORS

Particulars of the Service Contracts

Each of the Directors [has entered] into a service contract with the Company. The principal particulars of these service contracts comprise (a) the term of the service; (b) termination provisions; and (c) dispute resolution provision. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations from time to time.

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

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Remuneration of Directors

For details of the remuneration of Directors, see “Directors and Senior Management — Remuneration” and Note 13 in “Appendix I — Accountants’ Report.”

Agency Fees or Commissions Received

The [REDACTED] will receive an [REDACTED] commission in connection with the [REDACTED], as detailed in “[REDACTED].” Save in connection with the [REDACTED], no commissions, discounts, brokerages or other special terms have been granted by the Group to any person (including the Directors, promoters and experts referred to in “— Other Information — Qualifications and Consents of Experts” below) in connection with the issue or sale of any capital or security of the Company or any member of the Group within the two years immediately preceding the date of this document.

Within the two years immediately preceding the date of this document, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of the Company.

Personal Guarantees

The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to the Group.

Disclaimers

- (a) None of the Directors nor any of the experts referred to in “— Other Information — Qualifications and Consents of Experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) Save in connection with the [REDACTED], none of the Directors nor any of the experts referred to in “— Other Information — Qualifications and Consents of Experts” below, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group.

SHARE INCENTIVE PLANS

2025 Stock Ownership Plan

The following is a summary of the principal terms of the 2025 Stock Ownership Plan. The 2025 Stock Ownership Plan is not subject to the provisions of Chapter 17 of the Listing Rules other than Rule 17.12 of the Listing Rules as it does not involve any further grant by the Company after the [REDACTED].

(a) *Purpose*

The purpose of the 2025 Stock Ownership Plan is to strengthen confidence in the Group’s development, to establish a profit-sharing mechanism, to improve the corporate governance structure and to enhance the incentive system of the Company.

(b) *Participants*

The participants of the 2025 Stock Ownership Plan include directors (other than the independent Directors), senior management, supervisors, core personnel and other employees of the Company and its subsidiaries.

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(c) Administration

The 2025 Stock Ownership Plan is subject to the approval of the Shareholders. The internal governing body of the 2025 Stock Option Incentive Plan is the meeting the participants of the 2025 Stock Option Incentive Plan (the “**Participants’ Meeting**”). A management committee, the members of which are elected by the Participants’ Meeting, oversees and manages the 2025 Stock Ownership Plan and exercises Shareholder’s rights on behalf of the 2025 Stock Ownership Plan.

(d) Term of the 2025 Stock Ownership Plan

The 2025 Stock Ownership Plan is valid for a period of 36 months commencing from the date on which the 2025 Stock Ownership Plan is approved by the Shareholders and the Company publishes the announcement in respect of the transfer of the last tranche of relevant underlying A Shares to the 2025 Stock Ownership Plan (the “**Announcement Date**”).

(e) Lock-up of Shares

The A Shares held by the 2025 Stock Ownership Plan will be unlocked in tranches of 50% in each of the two unlocking periods that occur 12 months and 24 months from the Announcement Date, respectively, provided that the annual assessment and performance targets as set out under the 2025 Stock Ownership Plan are achieved.

(f) Source and numbers of Shares

The A Shares held by the 2025 Stock Ownership Plan are the A Shares repurchased by the Company and/or purchased by the 2025 Stock Ownership Plan from secondary market.

As of the Latest Practicable Date, a total of 18,990,900 A Shares were held by the 2025 Stock Ownership Plan, representing approximately [REDACTED]% of the total issued share capital immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan). The table below sets forth the details of the A Shares held by the 2025 Stock Ownership Plan granted the Directors, senior management and other employees of the Group as of the Latest Practicable Date:

<u>Name</u>	<u>Position in the Group</u>	<u>Announcement Date</u>	<u>Grant price (per A Share)⁽¹⁾</u>	<u>Number of A Shares</u>	<u>As an approximate percentage of total issued share capital upon completion of the [REDACTED]⁽²⁾</u>
Mr. Cheng	Executive Director, chairman of the Board and general manager	August 27, 2025	RMB4.32	1,674,260	[REDACTED]%
Mr. Lin Wen-hao	Executive Director, deputy general manager and director of R&D center	August 27, 2025	RMB4.32	1,594,534	[REDACTED]%
Ms. Chung Yu-hsuan	Deputy general manager and deputy director of R&D center	August 27, 2025	RMB4.32	797,267	[REDACTED]%
Mr. Ma Hsing-tien	Deputy general manager	August 27, 2025	RMB4.32	318,906	[REDACTED]%

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<u>Name</u>	<u>Position in the Group</u>	<u>Announcement Date</u>	<u>Grant price (per A Share)⁽¹⁾</u>	<u>Number of A Shares</u>	<u>As an approximate percentage of total issued share capital upon completion of the [REDACTED]⁽²⁾</u>
Mr. Huang Cheng-fang	Deputy general manager	August 27, 2025	RMB4.32	318,906	[REDACTED]%
Mr. Xi Xie	Board secretary and joint company secretary	August 27, 2025	RMB4.32	239,180	[REDACTED]%
Ms. Yan Liu	Finance director	August 27, 2025	RMB4.32	159,453	[REDACTED]%
Other employees of / the Group ⁽³⁾		August 27, 2025	RMB4.32	13,888,394	[REDACTED]%

Notes:

- (1) The grant price under the 2025 Stock Ownership Plan takes into account the adjustment due to the Company’s distribution of cash dividends of RMB0.095 (tax inclusive) per Share to the then existing Shareholders on May 20, 2025.
- (2) The calculation is based on the assumption that the [REDACTED] is not exercised and no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan.
- (3) Representing an aggregate of 25 employees who are not Directors or senior management of the Company.

2023 Restricted Share Incentive Plan

The following is a summary of the principal terms of the 2023 Restricted Share Incentive Plan. The terms of the 2023 Restricted Share Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules other than Rule 17.12 of the Listing Rules as it does not involve any grant of restricted shares by the Company after the [REDACTED].

(a) Purpose

The purpose of the 2023 Restricted Share Incentive Plan is to establish and improve the Company’s long-term incentive and restraint mechanism, to attract and retain talented personnel and core employees, to fully motivate and leverage the enthusiasm and creativity of employees, to effectively enhance team cohesion and the Company’s core competitiveness, to align the interests of Shareholders, the Company and individual employees, to foster a shared focus on the Company’s long-term development among all stakeholders, and to ensure the realization of the Company’s development strategy and operational objectives.

(b) Administration

The 2023 Restricted Share Incentive Plan is subject to the approval of the Shareholders’ meeting, the administration of the Board and the supervision of the board of supervisors and independent Directors of the Company.

(c) Participants

The participants of the 2023 Restricted Share Incentive Plan include senior management, core technology personnel and core backbone personnel of the Group.

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(d) Source and maximum number of restricted shares

The underlying Shares of the 2023 Restricted Share Incentive Plan are the A Shares to be issued by the Company to the participants. Each restricted share granted represents the right to receive one A Share within the agreed period at the grant price. The restricted shares are subject to a vesting period and will only be vested upon fulfilling the vesting conditions stipulated.

The maximum number of restricted shares that can be granted under the 2023 Restricted Share Incentive Plan is 11,000,000 restricted shares, including 540,000 reserved restricted shares (the “**Reserved Restricted Shares**”), the grantees of which shall be determined within 12 months after the approval of the 2023 Restricted Share Incentive Plan by the Shareholders.

(e) Grant date and term of the 2023 Restricted Share Incentive Plan

The date on which the restricted shares are granted shall be determined by the Board after the approval of the 2023 Restricted Share Incentive Plan by the Shareholders.

The 2023 Restricted Share Incentive Plan shall be effective from the grant date of the restricted shares and up to the date when all restricted shares granted are vested or void and lapsed, provided that the term of the 2023 Restricted Share Incentive Plan shall not exceed 72 months.

(f) Conditions to the grant of restricted shares

The restricted shares under the 2023 Restricted Share Incentive Plan will only be granted to selected participants if the following conditions are fulfilled:

- (i) with respect to the Company, none of the following circumstances having occurred:
 - (1) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to the accountants’ report of the Company for the most recent fiscal year;
 - (2) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to the internal control of the financial report for the most recent fiscal year;
 - (3) the Company has not distributed dividends in accordance with the laws and regulations, the Articles of Association or the Company’s public commitment within the last 36 months after its listing;
 - (4) applicable laws and regulations prohibit the implementation of share incentive; or
 - (5) other circumstances determined by the CSRC; and
- (ii) with respect to a grantee, none of the following circumstances having occurred, provided that the occurrence of such circumstances in respect of a grantee shall not affect the eligibility of other grantees under the 2023 Restricted Share Incentive Plan:
 - (1) the grantee has been regarded as an inappropriate person by the stock exchange within the last 12 months;
 - (2) the grantee has been regarded as an inappropriate person by the CSRC and its local office within the last 12 months;

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- (3) the grantee has received administrative penalty or been prohibited from entering into the securities market by the CSRC and its local office due to material non-compliance with applicable laws and regulations within the last 12 months;
- (4) the grantee is not qualified to serve as a director or senior management according to the PRC Company Law;
- (5) the grantee is prohibited from participating in any share incentive of listed companies according to applicable laws and regulations; or
- (6) other circumstances determined by the CSRC.

(g) Vesting of restricted shares

The restricted shares will only be vested when the conditions set out under paragraph (f) above are fulfilled and the annual assessment and performance targets as set out under the 2023 Restricted Share Incentive Plan are achieved.

The restricted shares will be vested in tranches of 30%, 20%, 20% and 30% in each of the four vesting periods that occurs between (i) the first trading date after 12 months from the grant date and the last trading day up to 24 months from the grant date, (ii) the first trading date after 24 months from the grant date and the last trading day up to 36 months from the grant date, (iii) the first trading date after 36 months from the grant date and the last trading day up to 48 months from the grant date, and (iv) the first trading date after 48 months from the grant date and the last trading day up to 60 months from the grant date, respectively.

The number of restricted shares granted and/or vested and/or the grant prices shall be adjusted upon the occurrence of certain events, including increase in the share capital by way of capitalization of capital reserves, distribution of dividends, subdivision of shares, placing and share reduction. The Company may void the granted but unvested restricted shares upon occurrence of certain events as set out in the 2023 Restricted Share Incentive Plan, including but not limited to the termination of employment of the grantees with the Company.

(h) Outstanding restricted shares

As of the Latest Practicable Date, the number of outstanding restricted shares granted under the Restricted Share Incentive Plan was 5,558,000, representing approximately [REDACTED]% of the total issued Shares immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan). Assuming full vesting of all outstanding restricted shares granted under the 2023 Restricted Share Incentive Plan, the shareholding of the Shareholders and the earning per Share immediately following completion of the [REDACTED] will be diluted by approximately [REDACTED]% (assuming the [REDACTED] is not exercised).

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The following table sets forth the details of outstanding restricted shares granted to the Directors and senior management of the Company under the 2023 Restricted Share Incentive Plan as of the Latest Practicable Date:

<u>Name</u>	<u>Position in the Group</u>	<u>Grant date</u>	<u>Vesting period</u>	<u>Grant price (per Share)⁽¹⁾</u>	<u>Number of outstanding restricted shares</u>	<u>As an approximate percentage of total issued share capital upon completion of the [REDACTED]⁽²⁾</u>
Mr. Cheng	Executive Director, chairman of the Board and general manager	June 16, 2023	Note 3	RMB6.49	1,400,000	[REDACTED]%
Mr. Lin Wen-hao	Executive Director, deputy general manager and director of R&D center	June 16, 2023	Note 3	RMB6.49	350,000	[REDACTED]%
Ms. Chung Yu-hsuan	Deputy general manager and deputy director of R&D center	June 16, 2023	Note 3	RMB6.49	150,000	[REDACTED]%
Mr. Ma Hsing-tien	Deputy general manager	June 16, 2023	Note 3	RMB6.49	150,000	[REDACTED]%
Mr. Huang Cheng-fang	Deputy general manager	June 16, 2023	Note 3	RMB6.49	500,000	[REDACTED]%
Mr. Xi Xie	Board secretary and joint company secretary	June 16, 2023 June 13, 2024	Note 3 Note 3	RMB6.49 RMB6.49	250,000 322,000	[REDACTED]% [REDACTED]%
Ms. Yan Liu	Finance director	June 16, 2023	Note 3	RMB6.49	125,000	[REDACTED]%

Notes:

- (1) The grant price under the 2023 Restricted Share Incentive Plan takes into account the adjustment due to the Company’s dividends distributions, including (i) the Company’s distribution of cash dividends of RMB0.10 (tax inclusive) per Share to the then existing Shareholders on June 6, 2024 and/or (ii) the Company’s distribution of cash dividends of RMB0.095 (tax inclusive) per Share to the then existing Shareholders on May 16, 2025.
- (2) The calculation is based on the assumption that the [REDACTED] is not exercised.
- (3) 30%, 20%, 20% and 30% of the restricted shares are vested in each of the four vesting periods that occurs between (i) the first trading date after 12 months from the grant date and the last trading day up to 24 months from the grant date, (ii) the first trading date after 24 months from the grant date and the last trading day up to 36 months from the grant date, (iii) the first trading date after 36 months from the grant date and the last trading day up to 48 months from the grant date, and (iv) the first trading date after 48 months from the grant date and the last trading day up to 60 months from the grant date, respectively.

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The table below sets forth the details of outstanding restricted shares granted to other grantees (excluding Directors and senior management of the Company) under the 2023 Restricted Share Incentive Plan as of the Latest Practicable Date:

Number of grantees	Grant date	Vesting period	Grant price (per Share)⁽¹⁾	Number of outstanding restricted shares	As an approximate percentage of total issued share capital upon completion of the [REDACTED]⁽²⁾
57 ⁽⁴⁾	June 16, 2023	Note 3	RMB6.49	2,255,000	[REDACTED]%
2 ⁽⁵⁾	June 13, 2024	Note 3	RMB6.49	56,000	[REDACTED]%

Notes:

(1)–(3) See notes (1)–(3) to the table above.

(4) Represents the outstanding restricted shares granted to 57 grantees who are not Directors or senior management of the Company under the 2023 Restricted Share Incentive Plan excluding the Reserved Restricted Shares.

(5) Represents the Reserved Restricted Shares granted to two grantees who are not Directors or senior management of the Company under the 2023 Restricted Share Incentive Plan.

OTHER INFORMATION

Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group.

Litigation

As of the Latest Practicable Date, the Company was not engaged in any outstanding litigation or arbitration which may have material adverse effect on the [REDACTED] and, so far as the Directors are aware, no material litigation or claim was pending or threatened by or against the Company.

Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive a fee of HK\$3,500,000 for acting as the sponsor for the [REDACTED].

Preliminary Expenses

The Company has not incurred any material preliminary expenses.

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

Promoters

Within the two years immediately preceding the date of this document, no cash, securities, or other benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters of the Company in connection with the [REDACTED] or the related transactions described in this document.

Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this document are as follows:

<u>Name of Expert</u>	<u>Qualifications</u>
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Grant Thornton Hong Kong Limited	Certified Public Accountants, and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Anhui Tianhe Law Firm	PRC legal advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

Each of the experts listed above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which they respectively appear.

Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in 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

Miscellaneous

- (a) save as disclosed in “— Further Information about the Group” in this section and pursuant to the 2023 Restricted Share Incentive Plan, within the two years preceding the date of this document, no share or loan capital of the Company or any of its subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) no founder, management or deferred shares of the Company or any of its subsidiaries have been issued or have been agreed to be issued;
- (d) save for the A Shares that are listed on the STAR Market and the H Shares to be issued in connection with the [REDACTED], none of the equity and debt securities of the Company or its subsidiary is presently listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (e) the Company has no other outstanding convertible debt securities or debentures; and
- (f) none of the experts listed under “— Qualifications and Consents of Experts”:
 - (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the [REDACTED].

APPENDIX V**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

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 “Appendix IV — Statutory and General Information — Further Information about the Business — Summary of Material Contracts”; and
- (b) the written consents referred to in “Appendix IV — Statutory and General Information — Other Information — Qualifications and Consents of Experts.”

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and the Company’s website at www.unionsemicon.com.cn during a period of 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the Accountants’ Report and the report on the unaudited [REDACTED] financial information prepared by Grant Thornton Hong Kong Limited, the texts of which are set out in “Appendix I — Accountants’ Report” and “Appendix II — Unaudited [REDACTED] Financial Information”, respectively;
- (c) the audited consolidated financial statements of the Group for the years ended December 31, 2023, 2024 and 2025;
- (d) the legal opinion from Anhui Tianhe Law Firm, the Company’s PRC Legal Advisor, in respect of the Group under the PRC laws;
- (e) the industry report prepared by Frost & Sullivan referred to in the section headed “Industry Overview” in this document;
- (f) the PRC Company Law, the PRC Securities Law, the Overseas Listing Trial Measures and the Guidelines for the Articles of Association of Listed Companies issued by the CSRC together with their unofficial English translations;
- (g) the service contracts between each of the Directors and the Company referred to in “Appendix IV — Statutory and General Information — Further Information about the Directors — Particulars of the Service Contracts”;
- (h) the material contracts referred to in “Appendix IV — Statutory and General Information — Further Information about the Business — Summary of Material Contracts”; and
- (i) the written consents referred to in “Appendix IV — Statutory and General Information — Other Information — Qualifications and Consents of Experts”.