



英諾賽科(蘇州)科技股份有限公司
InnoScience (Suzhou) Technology Holding Co., Ltd.

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

Stock Code: 2577



**CREATE
A BETTER FUTURE
TOGETHER**
2025 ANNUAL REPORT

CONTENTS

2	Definitions
5	Corporate Information
7	2025 Financial and Business Highlights
11	Financial Summary
12	Management Discussion and Analysis
26	Directors and Senior Management
34	Corporate Governance Report
53	Directors' Report
81	Independent Auditor's Report
87	Consolidated Statement of Profit or Loss and Other Comprehensive Income
88	Consolidated Statement of Financial Position
90	Consolidated Statement of Changes in Equity
91	Consolidated Cash Flow Statement
92	Notes to the Consolidated Financial Statements

DEFINITIONS

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

“Articles of Association” or “Articles”	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board of the Company
“Board”	the board of Directors of the Company
“Board committees”	the Board committees of the Company, namely the Audit Committee, the Remuneration Committee and the Nomination Committee
“PRC” or “China”	the People’s Republic of China, but for the purpose of this annual report and for geographical reference only, excluding Hong Kong, Macau Special Administrative Region and Taiwan, China
“CM Bank”	China Merchants Bank Co., Ltd. (招商銀行股份有限公司), a bank listed on the Hong Kong Stock Exchange (stock code: 03968.HK) and the Shanghai Stock Exchange (stock code: 600036.SH), a connected person of our Company
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “InnoScience”	InnoScience (Suzhou) Technology Holding Co., Ltd. (英諾賽科(蘇州)科技股份有限公司), a limited liability company established under the laws of the PRC on July 21, 2017 and converted into a joint stock limited liability company in the PRC on September 27, 2023, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2577)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules, and unless the context otherwise requires, refers to Dr. Luo, Inno Holding, Innocore, Inno HK, Inno Youpeng and Xinsheng Dapeng
“Corporate Governance Code”	the Corporate Governance Code contained in Appendix C1 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“Director(s)”	director(s) of the Company
“Domestic Unlisted Shares”	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, which are not listed on any stock exchange
“Global Offering”	has the meaning ascribed thereto under the Prospectus

DEFINITIONS

“Group” or “we” or “us”	the Company, its subsidiaries and consolidated affiliated entities from time to time
“H Share(s)”	overseas-listed foreign ordinary share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which is/are listed on the Stock Exchange and traded in HK dollars
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	April 30, 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
“Listing Date”	the date on which the H Shares of the Company are listed on the Main Board of the Stock Exchange, namely, December 30, 2024
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented and otherwise modified from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules, as amended, supplemented and otherwise modified from time to time
“Nomination Committee”	the nomination committee of the Board of the Company
“Prospectus”	the prospectus of the Company dated December 18, 2024
“Remuneration Committee”	the remuneration committee of the Board of the Company
“Reporting Period”	the twelve months ended December 31, 2025
“RMB”	Renminbi, the lawful currency of the PRC
“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 share capital of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Shares
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance

DEFINITIONS

“substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Treasury Shares”	has the meaning ascribed thereto under the Listing Rules
“Mr. Son”	Mr. Jay Hyung Son, an executive Director of the Company
“Dr. Luo”	Dr. Weiwei Luo, the founder, chairperson of the Board, executive Director of the Company, and a member of the Controlling Shareholders Group
“Xinsheng Dapeng”	Suzhou Wujiang District Xinsheng Dapeng Equity Investment Partnership (Limited Partnership) (蘇州市吳江區芯生大鵬股權投資合夥企業(有限合夥)), a member of the Controlling Shareholders Group, our employee shareholding platform, a limited partnership established under the laws of the PRC with Dr. Luo as its general partner
“Innocore”	Suzhou Innocore Enterprise Management Center L.P. (蘇州英諾芯企業管理中心(有限合夥)), a member of the Controlling Shareholders Group, the Company’s employee shareholding platform, and a limited liability partnership established in the PRC with Dr. Luo as its ultimate general partner
“Inno HK”	Inno Investment (Hong Kong) Limited, a member of the Controlling Shareholders Group, the Company’s employee shareholding platform, and a company incorporated in Hong Kong with limited liability
“Inno Holding”	InnoScience Holding Pte. Ltd., a member of the Controlling Shareholders Group, and an exempt private company limited by shares incorporated in Singapore, held by Dr. Luo and Mr. Son as to 55.38% and 44.62%, respectively
“Inno Shenzhen”	InnoScience (Shenzhen) Semiconductor Technology Co., Ltd. (英諾賽科(深圳)半導體有限公司), a limited liability company established in the PRC on November 9, 2020 and a wholly-owned subsidiary of the Company
“Inno Suzhou”	InnoScience (Suzhou) Semiconductor Technology Co., Ltd. (英諾賽科(蘇州)半導體有限公司), a limited liability company established in the PRC on October 23, 2017 and a wholly-owned subsidiary of the Company
“Inno Youpeng”	Shanghai Inno Youpeng Enterprise Consulting L.P. (上海英諾優朋企業諮詢合夥企業(有限合夥)), a member of the Controlling Shareholders Group and a limited partnership established in the PRC with Dr. Luo as its ultimate general partner
“Inno Zhuhai”	InnoScience (Zhuhai) Technology Co., Ltd. (英諾賽科(珠海)科技有限公司), a limited liability company established in the PRC on December 17, 2015 and a wholly-owned subsidiary of the Company
“%”	percent

CORPORATE INFORMATION

COMPANY NAME

Chinese Name

英諾賽科(蘇州)科技股份有限公司

English Name

InnoScience (Suzhou) Technology Holding Co., Ltd.

DIRECTORS

Executive Directors

Dr. Weiwei Luo (*Chairperson of the Board*)

Mr. Jay Hyung Son

Dr. Wu Jingang (*Chief executive officer*)

Mr. Zhong Shan (*Chief financial officer*)

Non-executive Directors

Dr. Wang Can

Ms. Zhang Yanhong

Ms. Cui Mizi

Independent non-executive Directors

Mr. Wong Hin Wing, MH, JP

Dr. Yi Jiming

Dr. Yang, Simon Shi-Ning

Dr. Chan, Philip Ching Ho

AUDIT COMMITTEE

Mr. Wong Hin Wing, MH, JP (*Chairperson*)

Dr. Yi Jiming

Dr. Chan, Philip Ching Ho

REMUNERATION COMMITTEE

Dr. Yang, Simon Shi-Ning (*Chairperson*)

Dr. Weiwei Luo

Dr. Chan, Philip Ching Ho

JOINT COMPANY SECRETARIES

Ms. Liu Lihua (*resignation with effect on 18 July 2025*)

Mr. Yu Xiaotong (*appointment with effect on 18 July 2025*)

Mr. Chung Ming Fai

AUTHORIZED REPRESENTATIVES

Dr. Weiwei Luo

Mr. Chung Ming Fai

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 98 Xinli Road

Beishe, Lili Town

Wujiang District, Suzhou

Jiangsu Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre

248 Queen's Road East

Wanchai, Hong Kong

H SHARE REGISTRAR

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

NOMINATION COMMITTEE

Dr. Weiwei Luo (*Chairperson*)

Dr. Yi Jiming

Dr. Yang, Simon Shi-Ning

COMPANY'S WEBSITE

<https://www.innoscience.com>

CORPORATE INFORMATION

INDEPENDENT AUDITOR

KPMG

Certified Public Accountants

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

8/F, Prince's Building

10 Chater Road, Central

Hong Kong

LEGAL ADVISORS TO THE COMPANY

As to Hong Kong Law:

Clifford Chance

27th Floor, Jardine House

One Connaught Place

Central

Hong Kong

As to PRC Law:

CM Law Firm

Room 2805, Plaza 66 Tower 2

1366 West Nanjing Road

Shanghai

PRC

STOCK CODE

2577

COMPLIANCE ADVISOR

Maxa Capital Limited

Unit 2602, 26/F, Golden Centre

188 Des Voeux Road Central

Sheung Wan

Hong Kong

PRINCIPAL BANKS

China Merchants Bank, Suzhou Wujiang branch

No. 920, Gaoxin Road

Wujiang District, Suzhou

Jiangsu Province, PRC

China Merchants Bank, Zhuhai Information Port branch

No. 88, Xiangshan Road

Tangjiawan Town

Gaoxin District, Zhuhai

Guangdong Province, PRC

Bank of China, Suzhou Luxu branch

No. 79, Luxupu North Road

Lili Town

Wujiang District, Suzhou

Jiangsu Province, PRC

2025 FINANCIAL AND BUSINESS HIGHLIGHTS

Revenue continued to achieve rapid growth (+46.4%), simultaneously realizing the dual milestones of a positive full-year gross profit margin (+7.3%) and a positive adjusted EBITDA

- The Group's revenue during the Reporting Period reached RMB1,213.3 million, representing a year-on-year increase of 46.4%;
- The Group's consolidated gross profit margin during the Reporting Period turned positive to +7.3% from -19.5% in the same period of last year, representing a significant improvement of 26.8%. The adjusted EBITDA turned from loss to profit.

There are three main reasons:

- Scale effect emerged: with the ramp-up of production capacity and the increase in shipments, the unit fixed cost decreased, and the scale effect initially emerged;
- Optimization of product structure: the product structure began to shift to high value-added products, which helped to improve the overall gross profit margin level;
- Effectiveness of cost control: process upgrade and optimization, continuous improvement of capacity utilization and yield rate, and optimization of supply chain management.

Comprehensively expanding application fields, completing layouts in key fields, and promoting GaN applications from a single scenario to “comprehensive empowerment”

During the Reporting Period, relying on its profound accumulation and experience in the GaN field, the Company successfully expanded the application boundaries of GaN from consumer electronics to three core fields: AI data centers, new energy vehicles, and robot joint drives, successfully completing the industrialization process from concept to mass production. The Company thereby achieved a transformation from a component supplier to an underlying definer of AI computing infrastructure, future intelligent terminals, and energy architectures.

Breakthrough 1: AI computing power, promoting and helping to define the next-generation data center power architecture:

- As an international leading GaN enterprise, the Company successfully entered the high-voltage direct current (800V HVDC) solution supply system of multiple domestic and international leading customers including NVIDIA, becoming a core supplier for AI infrastructure construction and high-density computing centers.
- It established strategic cooperation with multiple top 10 international power semiconductor companies (including STMicroelectronics, onsemi, etc.) to jointly develop dozens of power and module solutions applicable to high-density computing centers, driving the rapid upgrading and development of data centers towards high-density computing centers.

2025 FINANCIAL AND BUSINESS HIGHLIGHTS

- During the Reporting Period, the Company realized a sales revenue of RMB63.19 million for GaN chips in the AI and data center fields, representing a year-on-year increase of 50.20%, completing the entire process of GaN applications in AI and data centers from solution design to mass production design-ins. It is expected that with the implementation and volume scale-up of the high-voltage direct current architecture, a “new era” of large-scale AI-GaN applications will be ushered in.

Breakthrough 2: The application of automotive-grade GaN chips in new energy vehicles doubled:

- During the Reporting Period, GaN officially entered the fast lane of “large-scale vehicle integration” in the automotive field, with deliveries of automotive-grade GaN chips increasing by 105% year-on-year, and sales revenue reaching RMB57.90 million.
- During the Reporting Period, the Company completed a “triple jump” for GaN in the automotive field: from the mass production and shipment of OBC (on-board chargers) and DC-DC converters to the completion of the first verification for main drive inverters.
- Milestone event: In December 2025, the Company, together with United Automotive Electronic Systems (UAES) and Changan Automobile, jointly announced: the 6.6kW OBC system based on the Company’s 650V high-voltage GaN was successfully implemented in mass-produced vehicle models of Changan Automobile. In December, the Company’s bidirectional conduction devices completed the AEC-Q102 automotive-grade certification, paving the way for official mass production in 2026.
- Low-voltage GaN chips used in fields such as autonomous driving and LiDAR continued to achieve rapid growth, with revenue reaching RMB51.46 million, representing a year-on-year increase of 31.21%. In addition, applications such as in-vehicle LED headlights, automotive-grade audio, and in-vehicle DC-DC converters have commenced implementation and shipments, and the Company has completed a comprehensive product layout and planning for the new energy vehicle track.

Breakthrough 3: Leading the trillion-level new track of GaN humanoid robots, opening a brand-new growth curve from power chips to “driving joints”:

- 2025 marks the first year of humanoid robot mass production, and robotics companies have achieved a transformation from concept to mass production and shipment. Humanoid robots have extremely stringent requirements for joint drives: extremely high-power density, extremely fast response speed, and extremely high reliability. The high-frequency characteristics of GaN perfectly match this demand.
- During the Reporting Period, the Company established strategic cooperation with several leading domestic and international humanoid robotics enterprises to develop integrated drives based on 100V GaN for robot joint motor drive modules.
- During the Reporting Period, the Company realized the mass production and shipment of GaN chips in the robotics field for the first time, with sales reaching RMB1.26 million. This figure is expected to synchronously increase rapidly with the exponential growth of robot shipments.

2025 FINANCIAL AND BUSINESS HIGHLIGHTS

Consumer electronics achieved comprehensively expanding and upgrading the market from charging equipment to high-end consumer electronics while maintaining rapid growth

- In 2025, the Company promoted GaN in the consumer field to complete the transformation from niche to standardized;
- During the Reporting Period, the Company's sales revenue from consumer electronics products was RMB568.1 million. The penetration rate of the GaN solutions in fields such as fast chargers, mobile phones, and laptops steadily increased, and its market share firmly maintained the first place;
- In the diversified emerging business end, the revenue of GaN chips applied to brand-new scenarios such as drones, electric bicycles, beauty appliances, e-cigarettes, televisions, and audio systems reached RMB56.47 million, representing a year-on-year increase of 88.12%;
- In the high-end consumer market end, the Company reached strategic cooperation with leading domestic household appliance enterprises, achieving mass production in fields such as white goods, smart home appliances, and high-end kitchen appliances, with sales increasing by 166.58% year-on-year.

In the industrial and energy storage markets, benefiting from the explosive growth of the global energy storage industry and its urgent demand for high-efficiency, high-power-density, and high-reliability solutions, the Company successfully upgraded GaN technology from consumer electronics to the energy storage field, bringing brand-new growth space

- GaN grew rapidly in fields where "efficiency is king", such as residential energy storage, industrial energy storage, portable energy storage, and the integration of photovoltaics and energy storage.
- 3kW-10kW residential energy storage based on the Company's 650V GaN devices has been mass-produced at scale, and 50kW-200kW industrial energy storage system based on 1,200V GaN devices has achieved mass production in the industry for the first time.
- During the Reporting Period, the Company achieved a sales revenue of RMB520.51 million in the industrial and energy storage fields, representing a year-on-year increase of 137.93%.

2025 FINANCIAL AND BUSINESS HIGHLIGHTS

During the Reporting Period, the Company achieved remarkable R&D results, and multiple chip products achieved the world's first mass production breakthroughs

- On the R&D end, it leaped from the mass production of the 3.0 process platform to the 4.0 technology platform, comprehensively optimizing device performance.
- High-voltage 1,200V high-power devices achieved mass production in the industry for the first time in fields such as industry, renewable energy, and AI servers, with nearly 500,000 chips shipped in total;
- High-voltage bidirectional conduction products achieved mass production. In applications such as in-vehicle OBC, photovoltaic inverters, and AI data center HVDC, they promoted the upgrading of the power supply architecture from traditional multi-stage AC-DC-DC conversion to a high-voltage single-stage architecture;
- The low-voltage 100V series products took the global lead in expanding to customized applications for artificial intelligence and multiple leading domestic robot and joint module customers, with shipments exceeding 10 million chips;
- Low-voltage devices below 30V have commenced mass production and sampling at the client end. Relying on excellent high-frequency characteristics, in the last stage DC/DC conversion of GPU/CPU, they achieved an increase in switching frequency to the MHz level, a 30%-50% reduction in the volume and number of components, and an overall efficiency improvement of 2% to 4%.
- IC product revenue increased significantly by 513% year-on-year. Through the encapsulated integration of drivers and GaN power devices, they enhanced system efficiency and power density, and lowered overall system costs. They are applied in large-scale mass production in scenarios such as motor drives, robots, household appliances, and charging.

Leading customers intensively completed verification design-ins, and shipments accelerated to new heights

- During the Reporting Period, the Company launched 87 new products and achieved 1,182 customer design-ins; it achieved the delivery of over 800 million GaN chips, with cumulative deliveries of more than 2 billion chips, maintaining a market share ranking first in the world.

FINANCIAL SUMMARY

Set out below is a summary of the results and assets and liabilities of the Group for the last five financial years:

	Year Ended December 31,				
	2021	2022	2023	2024	2025
	(RMB in thousands)				
Revenue	68,215	136,174	592,717	828,459	1,213,273
Cost of sales	(249,749)	(530,280)	(954,785)	(989,876)	(1,124,509)
Gross (loss)/profit	(181,534)	(394,106)	(362,068)	(161,417)	88,764
Other net income	43,557	67,961	64,962	72,233	113,101
Selling and marketing expenses	(28,434)	(69,317)	(90,097)	(97,905)	(109,971)
Administrative expenses	(179,097)	(199,231)	(247,068)	(451,160)	(470,396)
Research and development expenses	(661,699)	(581,092)	(348,749)	(323,028)	(374,239)
Loss from operations	(1,007,207)	(1,175,785)	(983,020)	(961,277)	(752,741)
Total comprehensive income for the year	(3,399,778)	(2,201,281)	(1,102,555)	(1,047,400)	(841,546)
Total current assets	2,603,353	1,927,496	1,111,681	2,459,941	4,332,704
Total non-current assets	4,018,411	3,767,580	3,479,723	3,087,308	2,737,799
Total assets	6,621,764	5,695,076	4,591,404	5,547,249	7,070,503
Total current liabilities	(1,565,519)	(1,011,347)	(926,389)	(995,984)	(819,567)
Total non-current liabilities	(9,181,617)	(1,723,614)	(1,701,092)	(1,580,247)	(2,040,345)
Total liabilities	(10,747,136)	(2,734,961)	(2,627,481)	(2,576,231)	(2,859,912)
Net current assets	1,037,834	916,149	185,292	1,463,957	3,513,137
Total (deficit)/equity	(4,125,372)	2,960,115	1,963,923	2,971,018	4,210,591

MANAGEMENT DISCUSSION AND ANALYSIS

I. Industry Trends and Company Overview

In 2025, the global semiconductor industry continued to migrate towards third-generation semiconductors. With its core advantages of high frequency, high power density, and low energy loss, GaN accelerated its penetration into the traditional silicon-based power chip market and occupied a dominant position in emerging application markets. The demand for AI computing power grew exponentially. To enhance power supply efficiency and lower operational costs, data centers adopted GaN solutions on a large scale; new energy vehicles developed towards intelligence and lightweighting, making the demand for high-efficiency and small-sized power devices increasingly urgent; the first year of humanoid robot industrialization officially arrived. The requirements for high-precision joint control and long endurance promoted the extensive application of GaN in servomotors and power management. In addition, fields including consumer electronics, renewable energy, and industrial applications also ushered in structural transformation and upgrades, with the penetration rate of GaN rapidly increasing.

As the first GaN IDM company in the world to achieve large-scale mass production of 8-inch GaN-on-Si wafers, the Group achieved robust and sustained revenue growth by leveraging its full voltage spectrum product matrix, continuous technological iteration capabilities, and deep synergy throughout the industry value chain. It further consolidated its position as the global leader in GaN power semiconductors, comprehensively empowering downstream industries to transition towards green and intelligent development.

II. Business Review

(I) Product R&D Review

The Group is the only GaN-on-Si power chip company in the world that offers a full voltage spectrum product matrix from 15V to 1,200V. It focuses on two major development trends: high-power for high-voltage products and high-frequency for medium and low-voltage products, and continually optimizes product performance and application reliability. In 2025, the Group achieved major breakthroughs in process platform iterations, packaging innovations, and integrated development. The scaled mass production process of new products accelerated, further broadening the performance boundaries of GaN.

High-voltage products (650V/700V/900V/1,200V)

The Group's high and low-voltage 3.0 process platform has fully entered the stage of large-scale mass production, with over 70 new products launched cumulatively. The product yield stabilized at above 90%, highlighting mature mass production control capabilities. Based on the new-generation process platform, over 50 new models of high-voltage products were added, covering the full voltage spectrum of 650V, 700V, 900V, and 1,200V, which have achieved mass production and shipment in fields such as smart home appliances, data centers, automotive electronics, and renewable energy.

MANAGEMENT DISCUSSION AND ANALYSIS

The 700V G3.0 platform products were successfully designed into the original chargers of leading mobile phone manufacturers; the “senseGaN” integrated encapsulated chips, integrating non-destructive current detection functions, have fully unleashed high-frequency performance and achieved design-ins for inbox applications from leading manufacturers, and will scale up in 2026. Addressing the high-power demand of AI servers, the Group’s Gen3 650V high-power products completed product design-ins with key AI HVDC customers; the 1,200V platform products achieved mass production in new energy battery formation applications. Meanwhile, the Group is vigorously developing the next-generation high and low-voltage 4.0 technology platform, aiming to further improve device switching speed and on-resistance. Through the optimization of the number of processes, it will continuously reduce the cost per chip on the existing basis, laying a solid foundation for large-scale market penetration.

Medium-voltage products (100V/150V/200V)

In the medium-voltage field, based on the third-generation 100V GaN process platform, the Group innovatively launched the dual-side cooling En-FCLGA packaging, developing a full series of 3.3x3.3mm and 5x6mm products. This series is fully compatible with MOS packaging. Its compact design features PCB layout-friendly and vertical current paths, and the dual-side heat dissipation path significantly improves heat dissipation efficiency and system reliability. Based on its innovative V-GaN technology, the Group launched 100V and 120V bidirectional GaN product series. Paired with self-developed driver ICs, these products have fully matured the battery management system (BMS) ecosystem for battery protection.

The 100V and 150V products successfully achieved mass production and shipment in audio systems; the 100V GaN series has expanded to multiple leading domestic robot and joint module customers. Geared towards 48V voltage conversion for data centers and automotive 48V systems, the dual-side cooling En-FCLGA packaged 100V series products achieved design-ins with multiple leading AI 800VDC and 48VDC customers. With a 20% higher power density and a 1% efficiency advantage, they enable data centers to enter the “Megawatt Era”.

Low-voltage products (15V/30V/40V)

The low-voltage product line continues to achieve application miniaturization through high-frequency optimization. The 30V V-GaN products are used in overvoltage protection and load switch scenarios, which have become a better solution to replace silicon MOS products; the 40V products are widely used in end-user products from various leading customers in the e-cigarette, power bank and laptop; automotive-grade 40V devices have commenced mass production, being applied to scenarios such in-vehicle charging modules for mobile phones and laptops.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Product Application Review

Relying on the industry's most comprehensive full voltage spectrum product matrix, the Group not only consolidated its leading position in the consumer electronics market, but also achieved milestone commercialization progress in global data centers, new energy vehicles, and the emerging humanoid robot field.

Consumer electronics

The 700V G3.0 platform products were successfully shipped in batches in the original chargers of leading mobile phone manufacturers; the non-destructive current detection products achieved design-ins from leading manufacturers and will scale up in 2026. In the medium and low-voltage field, 100V and 150V products were mass-produced in audio systems; 40V and 100V products achieved mass production and shipment to leading customers in multiple fields including e-cigarette and power banks. In the household appliance field, the Group reached strategic cooperation with Midea's kitchen and water heater division. The 700V series products achieved cumulative shipments of millions of chips in the AK9 Pro project, opening a new chapter of high energy efficiency for the household appliance industry and achieving a breakthrough in the high-end white goods market. GaN has officially entered the white goods era, helping household appliance manufacturers save energy, reduce costs, and lower noise.

Data centers and AI computing power

Benefiting from the extreme demand for power supply efficiency by AI computing power, the Group has become a core supplier to multiple global AI server manufacturers. The 650V products achieved mass production and delivery to domestic core data center customers; through deep cooperation with NVIDIA, the Group became the only Chinese chip supplier in its 800V HVDC power architecture, moreover, 800VDC power supply solutions that are built around InnoScience's GaN devices now account for more than half of the market, making them the mainstream choice. Meanwhile, the Gen3 650V high-power products completed product design-ins with key AI HVDC customers; the dual-side cooling En-FCLGA packaged 100V series products achieved design-ins with multiple leading customers leveraging their power density and efficiency advantages, and will achieve large-scale mass production in 2026.

Automotive electronics

Focusing on automotive intelligence and lightweighting, the Group supported the sustainable development and value enhancement of the new energy vehicle industry. The in-vehicle LiDAR applications continued to exert force, with annual shipments exceeding 6 million chips, successfully empowering the deployment of over 1.5 million intelligent assisted driving cars. In the fields of in-vehicle OBC and DC-DC, the Group reached strategic cooperation with UAES and NOVOSENSE to jointly release a GaN on-board charger, which has improved the power density and efficiency of the solution, and has been successfully implemented in mass-produced vehicle models. In-vehicle LED headlight and smart driving (intelligent driving) 48V DC-DC system solutions are being developed in cooperation with terminal customers (such as Changan Automobile, etc.), and will achieve mass production and vehicle integration in 2026, while automotive-grade audio solutions are under simultaneous implementation.

MANAGEMENT DISCUSSION AND ANALYSIS

Renewable energy and industrial applications

Relying on the rapid development of the energy storage industry, the Group's GaN chips successfully expanded to customers of battery formation and capacity equipment and micro-inverters. In the battery protection BMS field, by innovatively utilizing the bidirectional switching characteristics of V-GaN combined with self-developed high-side and low-side control chips, it achieved a solution featuring small volume, large current, low temperature rise, and low cost, which has been mass-produced and shipped at scale to multiple leading energy storage customers and in lithium battery BMS applications.

The Company has been consistently supplying power modules to major global manufacturers of new energy vehicle batteries, and its Gen3 1,200V products have entered mass production for formation applications. The Company's pioneering 100V GaN chips with bilateral switch have achieved volume shipments to energy storage customers; in the photovoltaic sector, products used in micro-inverters have also commenced mass delivery. With the development of data centers, global demand for green, stable and efficient energy continues to grow, presenting significant market opportunities for GaN in the energy storage and photovoltaic sectors.

Humanoid robots

2025 marks the first year of humanoid robot industrialization. The Group, leveraging the high frequency and high efficiency characteristics of GaN, helped customers achieve more precise joint control and longer endurance for robots. Compared with the traditional MOS solution, the GaN low-voltage motor drive solution realizes four core advantages: a 39% reduction in losses, support for high-frequency designs of 20kHz-100kHz, an 18°C reduction in temperature rise, and a significant improvement in power density. Currently, the 100V GaN series products have expanded to multiple leading domestic robot and joint module customers, and have achieved the mass production and shipment of the world's first GaN humanoid robot solution.

(III) Iteration of the Process Technology Platform

Based on its 8-inch GaN-on-Si technology, the Group continuously promoted the iteration and upgrading of the process platform. During the Reporting Period, the high and low-voltage 3.0 process platform comprehensively undertook the mass production of chips in various downstream fields. The chip yield per wafer increased by more than 30% compared with the previous generation platform, with further optimizations in key performance indicators. Meanwhile, the R&D of the next-generation high and low-voltage 4.0 technology platform progressed smoothly, aiming to achieve new breakthroughs in switching speed, on-resistance, and cost control.

In terms of new device platforms such as automotive-grade, bidirectional conduction, and encapsulated ICs, the Group also achieved significant progress, providing richer and more reliable power solutions for downstream customers. By continuing to optimize device design and production processes, reducing the number of processes, lowering raw material usage costs, and improving equipment utilization efficiency, the Group further reduced chip production costs and expanded market competitive advantages.

MANAGEMENT DISCUSSION AND ANALYSIS

Forward-looking Technology and Integrated Development

The Group actively developed encapsulated and monolithically integrated devices to further enhance GaN application frequency and power density. The “senseGaN” encapsulated products, integrating non-destructive current detection functions, will fully unleash high-frequency performance, helping customers achieve more efficient and compact power supply designs. Highly integrated solutions for emerging sectors including data centers and humanoid robots are under accelerated development, aiming to meet the core requirements of future applications for ultimate power density and lightweight design.

(IV) Production and Supply Chain Management

The Group controls the entire process from chip design, wafer manufacturing, packaging and testing, to sales and delivery, with each business process closely coordinated to fully utilize production capacity potential. By the end of 2025, the Group’s wafer production capacity had steadily increased to 20,000 wafers per month, continuously meeting vigorous market demand. The overall product yield was maintained at over 95%, reflecting excellent process stability and mass production control capabilities.

During the Reporting Period, the Group deepened strategic collaboration with core partners while simultaneously strengthening the supplier management system and procurement pricing mechanism. By advancing the evaluation of domestic equipment and material substitution, it significantly reduced procurement costs. Relying on cross-departmental technical efforts, it continuously optimized processes and equipment upgrades and transformations, achieving a decrease in material loss rates and an improvement in energy utilization efficiency. In addition, the Group utilized IT systems to optimize inventory management, reducing inventory costs and enhancing operational efficiency.

(V) Sales and Marketing

The Group adhered to a globalized service strategy and deeply penetrated key overseas markets through a dual-driven model of “direct sales + distribution”. During the Reporting Period, it added 1,182 customer design-ins, added 39 new direct sales customers and 3 new distributors, with significant progress made in customer acquisition and service efficiency continuously improved.

By participating in and showcasing at top international exhibitions such as electronica Shanghai and PCIM Asia, the Group showcased comprehensive solutions to the industry ranging from high voltage to low voltage, and from discrete devices to highly integrated modules, further consolidating its technological leadership in the high-end power semiconductor field.

Global Layout and Ecosystem Collaboration

The Group deepened joint technological development with international power semiconductor leaders, maintaining strategic collaboration with companies such as onsemi and STMicroelectronics to jointly promote the large-scale application of GaN chips in fields including consumer electronics, automotive electronics, and data centers, thereby enhancing the GaN ecosystem. During the Reporting Period, the Company engaged in in-depth research and development collaborations with leading global customers across various segmented fields, earning widespread recognition from customers worldwide. During the Reporting Period, the Company maintained its leading edge in global market share, and its global service capabilities continued to strengthen.

MANAGEMENT DISCUSSION AND ANALYSIS

(VI) Business Outlook

Looking ahead to 2026, the Group will continue to improve the layout of GaN in the consumer electronics sector, so as to constantly expand application scenarios; promote the scaled implementation of new products in the data center, automotive electronics, industry and energy storage to complete more customer design-ins and mass production; and actively deepen technical cooperation with customers in new application fields such as robots and computing center servers to expand application boundaries.

In terms of product R&D, the Group will continue to invest in the development of the next-generation high and low-voltage 4.0 technology platform and highly integrated solutions, enriching the product portfolio to meet customer demands for ultimate efficiency and power density. In terms of production and supply chain management, it plans to further expand wafer production capacity upwards from 20,000 wafers per month, continuously optimizing processes, improving the yield rate, reducing costs, and enhancing efficiency. In terms of market sales, it will deepen strategic cooperation with major traditional power chip manufacturers abroad to drive mass production and shipments, actively respond to customized customer needs, and accelerate the penetration of GaN in the global power market.

The Group will continue to leverage its technological leadership and large-scale manufacturing capabilities to lead the development of the global GaN power semiconductor industry. By empowering the green technology revolution with third-generation semiconductor technology, it aims to support global energy transition and sustainable development, creating a smarter and lower-carbon future for humanity!

III. FINANCIAL ANALYSIS

Revenue

The total revenue of the Group for 2025 was RMB1,213.3 million, representing an increase of 46.4% from RMB828.5 million in the previous year. The increase was primarily due to the Company's GaN products achieving application breakthroughs in multiple fields, with continuously increasing orders.

In particular:

- Revenue from the sales of GaN discrete devices and GaN ICs increased from RMB360.8 million in the previous year to RMB510.1 million in 2025, representing a year-on-year increase of 41.3%, primarily due to the continuous expansion of application scenarios in fields such as electric vehicles, data centers, and industry, with more customers adopting GaN solutions.
- Revenue from the sales of GaN wafers was RMB253.4 million in 2025, compared with RMB280.5 million in 2024, representing a year-on-year decrease of 9.7%, primarily due to part of the wafer orders being converted into discrete device and IC orders to better meet customers' demands for system integration products.
- Revenue from the sales of GaN modules increased from RMB183.9 million in 2024 to RMB446.2 million in 2025, representing a year-on-year increase of 142.6%, primarily due to the launch of new-generation modules, which further expanded the technological and cost advantages of module products in relevant fields.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

The cost of sales of the Group for 2025 was RMB1,124.5 million, representing an increase of 13.6% from RMB989.9 million in the previous year. The increase was primarily due to the growth of product sales revenue alongside a decline in unit costs.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

The gross profit of the Group for 2025 was RMB88.8 million, turning to a gross profit from a gross loss of RMB161.4 million in the previous year. The gross profit margin shifted from -19.5% in 2024 to 7.3% in 2025. The improvement in the gross profit margin was primarily due to an increase in the Company's revenue, the release of production scale effects, and the continuous optimization of production processes to reduce costs.

Other Net Income

The other net income of the Group for 2025 was RMB113.1 million, representing an increase of 56.6% from RMB72.2 million in the previous year, primarily due to an increase in government grants and bank interest income.

Selling and Marketing Expenses

The selling and marketing expenses of the Group for 2025 were RMB110.0 million, representing an increase of 12.4% from RMB97.9 million in the previous year, primarily due to the expansion of the sales team to better meet continuously growing customer demands.

Administrative Expenses

The administrative expenses of the Group for 2025 were RMB470.4 million, representing an increase of 4.3% from RMB451.2 million in the previous year, primarily due to an increase in employee compensation.

Research and Development Costs

The research and development costs of the Group for 2025 were RMB374.2 million, representing an increase of 15.9% from RMB323.0 million in the previous year, primarily due to the continuous expansion of R&D investment.

Finance Costs

The finance costs of the Group for 2025 were RMB87.3 million, representing an increase of 3.8% from RMB84.1 million in the previous year, primarily due to an increase in loans.

Loss for the Year

As a result of the foregoing, the Group's loss for the year in 2025 was RMB840.5 million, representing a decrease of 19.6% compared to the loss of RMB1,045.7 million in the previous year.

In particular, driven by a significant improvement in gross profit for and largely stable expenses for the period, adjusted EBITDA increased from -RMB148 million in 2024 to RMB52 million. Adjusted EBITDA is calculated by adding back depreciation of property, plant and equipment, and right-of-use assets, amortization of intangible assets and land use rights, equity-settled share-based payment expenses and non-recurring compliance related costs to loss from operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

The Group's policy is to regularly monitor liquidity requirements and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet the liquidity requirements in the short and long term.

As of December 31, 2025, the Group had RMB879.0 million in cash and cash equivalents, as compared to RMB1,525.0 million as of December 31, 2024. The Group's cash and cash equivalents primarily consist of bank deposits denominated in HKD, RMB and USD.

As of December 31, 2025, the Group's financial assets measured at fair value through other comprehensive income recognised in the consolidated statement of financial position amounted to approximately RMB1,636,738 thousand (December 31, 2024: RMB0). These financial assets represent certain large-denomination certificates of deposit (CD(s)) invested by the Group in banks within the PRC, which are negotiable and bear fixed interest rates per annum. The funding sources include the Group's own capital and proceeds (please refer to the sections headed "Use of Proceeds from Listing", "Use of Proceeds from the First Placing of H Shares" and "Use of Proceeds from the Second Placing of H Shares" in this annual report). The Group subscribed for these large-denomination negotiable CDs for the purpose of fund management. Having considered, among other factors, the low risk profile and the expected return of the large-denomination negotiable CDs, the Company considers that such subscription can provide better returns than time deposits with commercial banks and improve the overall profitability of the Company. Save for the large-denomination negotiable CDs subscribed with Zhuhai China Resources Bank Co., Ltd. ("**China Resources Bank**"), where the highest applicable percentage ratio (under the Listing Rules) on a consolidated basis exceeded 5% but was less than 25%, thus constituting a disclosable transaction of the Company, the highest applicable percentage ratios in respect of the subscription of other such wealth management products were all below 5%. Accordingly, such investments do not constitute disclosable transactions under Chapter 14 of the Listing Rules.

In 2025, the Group's net outflow of cash flow from operating activities was RMB806.4 million. The net outflow of cash flow from operating activities is calculated by adjusting the loss before taxation of RMB840.0 million by non-cash and other items to arrive at an operating loss before changes in working capital of RMB94.2 million.

INDEBTEDNESS AND FINANCIAL RATIOS

Loans and Borrowings

As of December 31, 2025, the Group had total loans and borrowings of RMB2,229.7 million, representing an increase of RMB305.8 million as compared to RMB1,923.9 million as of December 31, 2024, primarily due to the increase in loans to support the expansion of production scale and the purchase of equipment for capacity expansion. The Group's loans and borrowings were denominated in RMB.

Lease Liabilities

As of December 31, 2025, the Group recognized total lease liabilities of RMB72.4 million, representing an increase of RMB1.9 million as compared to RMB70.5 million as of December 31, 2024, primarily because of the renewal of property leases leading to an increase in lease liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Ratios

Current ratio

The Group's current ratio (calculated as current assets divided by current liabilities as of the end of the relevant period) increased from 2.5 times as of December 31, 2024 to 5.3 times as of December 31, 2025, primarily due to the increase in capital inflows from placements of H Shares, as well as the expansion of sales scale leading to an increase in trade receivables and inventories.

Quick ratio

The Group's quick ratio (calculated as current assets minus inventories divided by current liabilities as of the end of the relevant period) increased from 2.0 times as of December 31, 2024 to 4.2 times as of December 31, 2025, primarily due to the increase in capital inflows from placements of H Shares, and the expansion of sales scale leading to an increase in receivables.

Net Gearing Ratio

The Group's net gearing ratio (calculated as total borrowings minus cash and cash equivalents divided by total equity as of the end of the respective period and multiplied by 100%) increased from 13.4% as of December 31, 2024 to 32.1% as of December 31, 2025, primarily due to a portion of funds being used to purchase risk-free deposit products classified as financial assets, resulting in a decrease in cash at the end of the period, as well as an increase in total borrowings.

Financial Policies

The management of the Group executes financial functions and continually monitors the Group's cash requirements from time to time. If the Group's cash requirements exceed the liquidity it holds at the time, the Group may seek credit facilities and external borrowings, or issue securities as it considers necessary and appropriate.

Contingent Liabilities

As of December 31, 2025, certain subsidiaries of the Group are respondents in several legal dispute cases – EPC California Case, Infineon California Case and Infineon Germany Case in relation to claims of alleged infringement of intellectual property rights, for details, please refer to the section headed “Business – Legal Proceedings and Compliance – Legal Proceedings” in the Prospectus. While certain litigations are still ongoing and the future development cannot be estimated with certainty, the Directors of the Company, having given due consideration to the legal advice and the relevant facts and circumstances, are of the opinion that it is not probable that the Group will need to make material payments to the claimants in those cases. Therefore, no provision has been made in respect of those cases as of December 31, 2025.

As of December 31, 2025, except for the aforementioned contingencies associated with the legal disputes, the Group did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

The pledged bank deposits of the Group increased from RMB6.3 million as of December 31, 2024 to RMB7.8 million as of December 31, 2025, primarily due to an increase in restricted funds in the special account for government grants.

Save as disclosed above, as at 31 December 2025, the Group had no other assets pledged.

Capital Expenditures

The Group's capital expenditures were primarily used for the purchase of equipment and the construction of production bases. For the year ended December 31, 2025, the Group's capital expenditures were RMB210.6 million, representing an increase of RMB38.8 million as compared to RMB171.8 million for the year ended December 31, 2024. The increase was primarily due to an increase in the purchase of capacity expansion equipment.

Capital Commitments

As of December 31, 2025, the Group's capital commitments were RMB159.1 million (as of December 31, 2024: RMB39.8 million). The Group's capital commitments were primarily used for the purchase of capacity expansion equipment.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this annual report, during the Reporting Period, the Company had no significant investments and/or material acquisitions or disposals of subsidiaries, associates or joint ventures.

Significant Investments

As at December 31, 2025, the Group's financial assets measured at fair value through other comprehensive income amounted to RMB1,636,738 thousand, all representing certain large-denomination CDs invested by the Group in banks within the PRC. Among these, the large-denomination CDs subscribed from China Resources Bank accounted for 5% or more of the Group's total assets. Details are set out below:

Bank of subscription	Product type	Date of subscription	Annualized return	Subscription principal as at December 31, 2025 (RMB million)	Realised return	Approximate unrealised return	Fair value/	Asset ratio
					for the twelve months ended December 31, 2025 (RMB million)	for the year ended December 31, 2025 (RMB million)	Carrying amount as at December 31, 2025 (RMB million)	
China Resources Bank	Large-denomination CD	2025/4/8 and 2025/11/24	2.00%	1,165	0	2,5864	1,167,5864	16.51%

Note: The asset ratios shown in the table are calculated by dividing the fair value of the product as at December 31, 2025 by the total assets of the Group as at December 31, 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

The above large-denomination negotiable CDs are interest-bearing wealth management products with a fixed interest rate, which can be withdrawn in advance or transferred to other investors in accordance with the bank's rules. The funding sources include RMB519 million allocated from the surplus cash reserves generated from the Group's daily operations, RMB15 million from the proceeds of the Global Offering and RMB631 million from the proceeds of the Second H Share Placing. The Group subscribed for the above large-denomination negotiable CDs for the purpose of fund management. Having considered, among other factors, the low risk profile and the expected return of the large-denomination negotiable CDs, the Company considers that such subscription can provide better returns than time deposits with commercial banks and improve the overall profitability of the Company.

As at the end of the Reporting Period, save as disclosed above, the Company had no material investments required to be disclosed under paragraph 32(4A) of Appendix D2 to the Listing Rules.

Future Plans for Material Investments or Capital Assets

As of the Latest Practicable Date, except for what was disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the announcement dated July 28, 2025 in relation to the completion of placing of new H shares under the general mandate and amendments to the Articles of Association, and the announcement dated October 17, 2025 in relation to the completion of placing of new H shares under the general mandate and amendments to the Articles of Association, the Group had no future plans for any material investments or capital assets.

Non-HKFRS Measure

To supplement the consolidated financial statements of the Group presented in accordance with HKFRS Accounting Standards, the Group also uses adjusted net loss (non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with HKFRS Accounting Standards. The Group believes that this non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items.

The Group believes that this measure provides useful data to investors and others in understanding and evaluating the consolidated results of operations of the Group in the same manner as it helps the management of the Group. However, the Group's presentation of adjusted net loss (non-HKFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, the results of operations or financial condition as reported under HKFRS Accounting Standards. In addition, the non-HKFRS measure may be defined differently from similar terms used by other companies.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group defines adjusted net loss (non-HKFRS measure) as loss for the period adjusted by adding back (i) equity-settled share-based payment expenses; and (ii) listing expenses, which relate to the Global Offering. The adjustments were consistently made during Track Record Period. The following table sets forth the reconciliations of the Group's adjusted net loss (non-HKFRS measure) for the years ended December 31, 2025 and 2024 to the nearest measure prepared in accordance with HKFRS Accounting Standards:

	Year ended December 31,	
	2025	2024
	<i>(RMB in thousands)</i>	
Reconciliation of loss for the year to adjusted loss for the year (non-HKFRS measure):		
Loss for the year	(840,513)	(1,045,677)
Add:		
– Equity-settled share-based payment expenses ⁽¹⁾	164,162	166,940
– Listing expenses	0	42,994
Adjusted net loss (non-HKFRS measure)	(676,351)	(835,743)

Note:

- (1) Equity-settled share-based payment expenses is non-cash in nature and mainly represents the arrangement that the Group receives services from employees as consideration for its equity instruments. Equity-settled share-based payment expenses is not expected to result in future cash payments.

IV. RISK MANAGEMENT

The Group's results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are outside of its control, including: (i) overall economic growth and conditions; (ii) development and prosperity of the global semiconductor industry, in particular the power semiconductor industry, as well as the penetration of GaN in power semiconductor industry; (iii) conditions of the downstream markets of the semiconductor industry and the resulting fluctuations in customer demand; (iv) technology development and competition in the semiconductor industry; and (v) relevant laws and regulations, government policies and initiatives.

The management regularly manages and monitors the financial risks of the Group, including credit risk, liquidity risk, interest rate risk and exchange rate risk, to ensure appropriate measures are implemented in a timely and effective manner.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to our Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, pledged bank deposits and negotiable certificates of deposit is limited because the counterparties are banks and financial institutions with good credit standing for which the Group considers to have low credit risk.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity Risk

The Group's policy is to regularly monitor liquidity requirements and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at bank, pledged bank deposits and interest-bearing borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

During the Reporting Period, the Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk.

Currency Risk

The Group is exposed to currency risk primarily through purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

As of December 31, 2025, the Group did not hold any financial instruments for hedging purposes.

Fair Value Measurement

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations:	Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
Level 2 valuations:	Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
Level 3 valuations:	Fair value measured using significant unobservable inputs

The Group has a team performing valuations for the financial instruments categorized into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. Valuation assessment with analysis of changes in fair value measurement is prepared by the team at each reporting date and is reviewed and approved by the chief financial officer. Please refer to Note 27 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

V. HUMAN RESOURCES AND REMUNERATION

As of December 31, 2025, the Group had a total of 1,359 employees and the majority of its employees were based in mainland China. During the Reporting Period, total employee costs incurred by the Group amounted to RMB637.4 million, including salaries, wages, allowances, benefits and expenses related to share incentive schemes.

	Year ended December 31, 2025	
	Number of employees	Percentage of total employees (%)
Supply and manufacturing	646	47.5%
Research and development	393	28.9%
General and administrative	240	17.7%
Sales and marketing	80	5.9%
Total	1,359	100%

Human resources are particularly important to achieve the long-term sustainable development of the Company. We uphold the principle of valuing moral character as the foremost quality, alongside competence and integrity. We are committed to creating a diverse, equal, personality-respecting, positive and self-transcending work environment and development platform for our employees.

The Group established a comprehensive set of internal management measures, outlining the procedures and criteria for recruitment, training, internal referrals, among others. The Group uses various recruitment methods, including campus recruitment, online recruitment, other external recruitment channels as well as internal referrals and transfers.

In addition to salaries and benefits, the Group generally provides performance-based bonuses for the full-time employees. Furthermore, the Group has implemented a share incentive scheme to motivate staff by granting share awards, allowing employees to share in the benefits of the Company's growth. This helps strengthen their sense of responsibility and commitment to the Company's development, while also attracting and retaining outstanding talent and enhancing the Company's core competitiveness.

The Group has established a comprehensive system for employee training and development, including general trainings covering corporate culture, employee rights and responsibilities, workplace safety, data security and other logistics aspects, as well as specific trainings that improve employee knowledge and expertise in certain important areas related to the Group's business. The Group is committed to making continual efforts to provide an engaging working environment for the employees.

VI. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this annual report, there were no important events after the reporting period that are required to be disclosed.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Dr. Weiwei Luo, aged 56, is our founder, chairperson of the Board and executive Director. She joined the Group on July 17, 2017 and was appointed as a Director and the chairperson of the Board, and was appointed as an executive Director on May 21, 2024. She is responsible for overall business development and strategic planning of the Group. Dr. Luo has held various positions in several subsidiaries of the Group, including as the chairperson of the board of directors of Inno Suzhou and Inno Shenzhen since October 2017 and November 2020, respectively.

Dr. Luo is a world-class scientist and visionary entrepreneur with extensive experience. Prior to founding the Company, Dr. Luo has been engaged in scientific research, project management and entrepreneurship for years. Dr. Luo is also currently the director of Stark Semiconductor Co., Ltd. (星鑰半導體有限公司), which is primarily engaged in the research and development of display and micro-screen technology.

Dr. Luo received a doctorate degree in applied mathematics from the Massey University in New Zealand.

Mr. Jay Hyung Son, aged 64, is our executive Director. He joined the Group on July 17, 2017 and was appointed as a Director, and was appointed as an executive Director on May 21, 2024. He is responsible for business development of the Group. Prior to serving as a Director, Mr. Son served as the general manager of Inno Suzhou from October 2017 to October 2023.

Mr. Son has extensive leadership and entrepreneurship experience in field of semiconductors. Mr. Son received a bachelor's degree of science from the Faculty of the College of Engineering from the University of California, Berkeley in the United States in August 1987.

Dr. Wu Jingang (吳金剛博士), aged 59, is our executive Director and chief executive officer. He joined the Group on November 5, 2022 and was appointed as a Director on January 12, 2023, and was appointed as an executive Director on May 21, 2024. He is responsible for overall business development and operation of the Group.

Dr. Wu has extensive experience in semiconductor technology development. Prior to joining the Group, Dr. Wu worked at the Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00981) and the Shanghai Stock Exchange (stock code: 688981), from 2001 to July 2021 with his last position as the R&D vice president. Dr. Wu worked as the general manager of and was responsible for the management of Shandong Chanyan Microelectronics Technology Research Institute Co., Ltd. (山東產研微電子技術研究院有限公司) from July 2021 to November 2022.

Dr. Wu received a doctorate degree in physical chemistry from the Lanzhou Institute of Chemical Physics, Chinese Academy of Sciences (中國科學院蘭州化學物理研究所) in the PRC in September 1994.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhong Shan (鐘山先生), aged 54, is our executive Director and chief financial officer. He joined the Group on July 17, 2017 and was appointed as a Director, and was appointed as an executive Director on May 21, 2024. He is responsible for financial management, investment, and financing of the Group.

Mr. Zhong has extensive experience in corporate finance and financial markets. Prior to joining the Group, Mr. Zhong held various positions in Joicare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600380), from 2001 to 2017 with his last position as the deputy general manager. Since June 2020, Mr. Zhong has been and is currently serving as an independent non-executive director of Smoore International Holdings Limited (思摩爾國際控股有限公司), which is a company listed on the Stock Exchange (stock code: 06969). Mr. Zhong was designated as a member of Association of Chartered Certified Accountants (“ACCA”) Southern China Steering Team, a special committee to provide advice to the Guangzhou office of ACCA and promote ACCA’s activities and operation in Southern China region, in May 2017.

In July 1993, Mr. Zhong received a bachelor’s degree in applied chemistry from the Huaqiao University (華僑大學) in the PRC. He has been a member of the ACCA since August 1999.

Non-executive Directors

Dr. Wang Can (汪燦博士), aged 42, is our non-executive Director. He joined the Group on January 26, 2022 and was appointed as a Director, and was appointed as a non-executive Director on May 21, 2024.

Dr. Wang has extensive experience in private equity investment and financial services. Dr. Wang worked at China National Bluestar (Group) Co, Ltd (中國藍星(集團)股份有限公司) from July 2009 to April 2012 and served as the investment manager of Shenzhen Junfeng Entrepreneur Investment Fund Management Co., Ltd. (深圳市君豐創業投資基金管理有限公司) from August 2012 to July 2013. Since August 2013, Dr. Wang has been working at CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理(深圳)有限公司) and is currently serving as an executive director.

Dr. Wang received a bachelor’s degree in materials chemistry from Peking University (北京大學) in the PRC in June 2004 and a doctorate degree in physical chemistry from the Peking University (北京大學) in the PRC in July 2009.

Ms. Zhang Yanhong (張彥紅女士), aged 45, is our non-executive Director. She joined the Group on January 26, 2022 and was appointed as a Director, and was appointed as a non-executive Director on May 21, 2024.

Ms. Zhang has extensive experience in private equity investment and financial services. Since September 2003, Ms. Zhang has successively served as a deputy manager, general manager, and the chairperson to the board of Orient State-Owned Capital Investment Operation Co., Ltd. (東方國有資本投資經營有限公司) (formerly Wujiang Orient State-owned Assets Operation Co. Ltd. (吳江市東方國有資產經營有限公司)). Ms. Zhang also served as the general manager of Suzhou Ronghu Industry Investment Development Co., Ltd. (蘇州市融湖產業投資發展有限公司) from June 2019 to September 2020.

Ms. Zhang received a master’s degree in administrative management from the East China University of Science and Technology (華東理工大學) in the PRC in March 2010.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Cui Mizi (崔米子女士), aged 46, is our non-executive Director. She joined the Group on September 27, 2023 and was appointed as a Director, and was appointed as a non-executive Director on May 21, 2024.

Ms. Cui has extensive legal and compliance experience. From October 2008 to July 2009, Ms. Cui worked at the Beijing office of Jincheng Tongda & Neal Law Offices (金誠同達律師事務所). Ms. Cui worked at SK (China) Enterprise Management Co., Limited (愛思開(中國)企業管理有限公司) (“**SK China Enterprise**”) from July 2009 to August 2014, and Xijie (China) Consulting Co., Ltd. (希傑(中國)諮詢有限公司) from January 2015 to February 2016. Ms. Cui served as the head of the legal and investment management office of SK China Enterprise from November 2016 to December 2024, and has been serving as the vice president of the investment management office since December 2024.

Ms. Cui received a bachelor’s degree in law from Beijing Institute of Technology (北京理工大學) in July 2002 and a master’s degree in law from Seoul National University in South Korea in August 2007.

Independent non-executive Directors

Mr. Wong Hin Wing, MH, JP (黃顯榮先生, 榮譽勳章, 太平紳士), aged 63, is our independent non-executive Director. He joined the Group on May 21, 2024 and was appointed as our independent non-executive Director.

Mr. Wong has extensive experience in corporate management and governance, investment management and advisory as well as accounting and finance. From July 1985 to September 1996, Mr. Wong worked successively as an auditor in an international audit firm for four years and the chief financial officer of a Hong Kong listed company for seven years. Subsequently in 1997, Mr. Wong co-founded Silk Road International Capital Limited (formerly known as Legend Capital Partners, Inc.), a licensed corporation under the SFO, and led the company as an executive director and the responsible officer for 23 years. Since 2020, Mr. Wong has been serving as the partner of Hermitage Capital HK Limited, a private equity firm licensed under the SFO.

At present, Mr. Wong serves as an independent non-executive director of the following companies: (i) Zhaoke Ophthalmology Limited (兆科眼科有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 06622) since April 2021; (ii) Kingmaker Footwear Holdings Limited (信星鞋業集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01170) since January 2023; (iii) YNBY International Limited (雲白國際有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00030) since November 2023; and (iv) China Pacific Insurance (Group) Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 2601) and the Shanghai Stock Exchange (stock code: 601601) since January 2026.

Mr. Wong served as an independent non-executive director of the following listed companies: (i) Wine’s Link International Holdings Limited (威揚酒業國際控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 08509) from December 2017 to March 2023; (ii) Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 900948) and delisted from the Hong Kong Stock Exchange in August 2023 (stock code: 03948) from May 2017 to May 2023; (iii) Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (廣州白雲山醫藥集團股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00874) and Shanghai Stock Exchange (stock code: 600332) from June 2017 to May 2023; (iv) Jiangxi Bank Co., Ltd. (江西銀行股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01916) from February 2018 to August 2024; and (v) C Cheng Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 01486) from April 2023 to July 2025. Mr. Wong also served as a non-executive director of C Cheng Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 01486) from July 2025 to October 2025.

DIRECTORS AND SENIOR MANAGEMENT

In addition to the above, Mr. Wong has been a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議安徽省委員會委員) since January 2013. He has also been a member of the Medical Council of Hong Kong since January 2021, and a member of Advisory Committee on Enhancing Self-Reliance Through District Partnership (ESR) Programme since July 2022. Mr. Wong has also been a member of the board of directors of Ocean Park Corporation since July 2022.

Mr. Wong received a master's degree in Executive Business Administration (EMBA) from the Chinese University of Hong Kong in Hong Kong in December 1996. Mr. Wong has been a fellow member of the Hong Kong Institute of Certified Public Accountants since July 1995, a fellow member of the Association of Chartered Certified Accountants since July 1992, a fellow member of the Institute of Chartered Accountants in England and Wales since March 2015, a fellow member of the Hong Kong Institute of Directors since April 2002, a member of the Chartered Governance Institute since June 1995, a member of the American Institute of Certified Public Accountants since February 1991, and a chartered member of Chartered Institute for Securities and Investment since March 2011. Mr. Wong was awarded the Medal of Honour and appointed Justice of the Peace by the Government of the Hong Kong Special Administrative Region in July 2021 and July 2024 respectively.

Dr. Yi Jiming (易繼明博士), aged 58, is our independent non-executive Director. He joined the Group on May 21, 2024 and was appointed as our independent non-executive Director.

Dr. Yi has extensive academic and legal experience. Dr. Yi was a professor at the faculty of law of Huazhong University of Science and Technology (華科技大學) in the PRC. He was also a visiting scholar and an Edwards Fellow of Columbia Law School in the United States from 2005 to 2006. Dr. Yi has been a professor at the faculty of law of Peking University (北京大學) since August 2011.

At present, Dr. Yi is serving and has served as an independent director of Huaneng Guicheng Trust Corp., Ltd. (華能貴誠信託有限公司) since May 2024 and Ping An Securities Company Limited (平安證券股份有限公司) since November 2022. Dr. Yi is currently serving as the Vice Chairman of the Fifth Council of China Trademark Association (中華商標協會) and Vice Chairman of the Eighth Council of the China Intellectual Property Research Society (中國知識產權研究會).

Dr. Yi received a master's degree in law and a doctorate degree in law from Peking University (北京大學) in the PRC in 1999 and 2002, respectively.

Dr. Yang, Simon Shi-Ning (楊士寧博士), aged 66, is our independent non-executive Director. He joined the Group on May 21, 2024 and was appointed as our independent non-executive Director.

Dr. Yang has extensive experience in the semiconductor industry. Dr. Yang is currently the chairman of the board of Wuhan Xinxin Integrated Circuit Manufacturing Holding Co., Ltd (武漢新芯集成電路股份有限公司). Prior to that, Dr. Yang served at a number of renowned semiconductor companies, including successively serving as the senior vice president of technology development and manufacturing, and the chief operating officer at Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司) (a company listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange, stock code: 00981 and stock code: 688981, respectively), and the chief technology officer and senior vice president of Chartered Semiconductor Manufacturing, Inc.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Yang received a bachelor's degree from Shanghai University of Science and Technology (上海科學技術大學) in the PRC and a doctoral degree from Rensselaer Polytechnic Institute in the United States.

Dr. Chan, Philip Ching Ho (陳正豪博士), aged 76, is our independent non-executive Director. He joined the Group on May 21, 2024 and was appointed as our independent non-executive Director.

Dr. Chan has extensive semiconductor-related academic research experience. He commenced his career in University of Illinois, Urbana-Champaign and served as a visiting assistant professor from 1978 to 1981. From 1981 to 1991, he worked at Intel Corporation, a company listed on the NASDAQ Stock Market (ticker symbol: INTC), where he last served as a principal engineer and senior project manager. Dr. Chan joined the Hong Kong University of Science and Technology in April 1991 and served as a professor and the head of the Department of Electronic and Computer Engineering, the director of Nanoelectronics Fabrication Facility and the dean of the School of Engineering. From March 2010 to February 2020, he served as a deputy president and provost at the Hong Kong Polytechnic University. From his retirement in September 2020 to August 2021, he served as a senior advisor to the president and provost of the Hong Kong Polytechnic University and has served as a senior advisor to the deputy president and provost of the Hong Kong Polytechnic University since September 2021. From April 2023 to August 2024, he has been a team leader (special duty) at the Innovation and Technology Commission of the Hong Kong Government. Since September 2024, he has been a chairman of board of Microelectronics Research and Development Institute of the Hong Kong Government.

At present, Dr. Chan serves as an independent non-executive director of Solomon Systech (International) Limited (晶門半導體有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 2878), since December 2020. He is also the founder and non-executive director of APT Electronics Co., Ltd. (廣東晶科電子股份有限公司) a company listed on the Hong Kong Stock Exchange (stock code: 2551).

Dr. Chan received a bachelor of science in electrical engineering from University of California at Davis in June 1973 in the United States, his master of science in electrical engineering and doctor in electrical engineering both from University of Illinois at Urbana-Champaign in the United States in October 1975 and October 1978, respectively. He has been a fellow member of the Hong Kong Institution of Engineers since December 1995. He was qualified as a fellow of the Institute of Electrical and Electronics Engineering in January 2007 and a fellow of the Hong Kong Academy of Engineering Sciences in December 2013. He was awarded the Bronze Bauhinia Star by the Hong Kong Government in Hong Kong in July 2013. From October 2008 to October 2016, Dr. Chan served as a director of the Hong Kong Applied Science and Technology Research Institute. He currently also serves as a professor emeritus at the Hong Kong Polytechnic University and the Hong Kong University of Science and Technology.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

For details of the biographies of Dr. Wu Jingang and Mr. Zhong Shan, see “-Executive Directors.”

Mr. Ni Jinghua (倪景華先生), aged 48, is our deputy general manager, responsible for R&D of the Group. Mr. Ni joined the Group in January 2023.

Mr. Ni has extensive experience in semiconductor technology industry. Prior to joining the Group, from June 2002 to June 2021, Mr. Ni served as the technical research and development director of Semiconductor Manufacturing (Shanghai) International Corporation (中芯國際集成電路製造(上海)有限公司). Mr. Ni served as the deputy general manager of process business department of Shandong Chanyan and Longshan Microelectronics from July 2021 to September 2022 and from September 2022 to December 2022, respectively.

Mr. Ni received a bachelor's degree in management engineering from Wuhan University of Technology (武漢理工大學) in June 2001, and a master's degree in software engineering from the Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2008.

Mr. Li Xinhua (李新華先生), aged 46, is our deputy general manager, responsible for manufacturing of the Group. Mr. Li joined the Group in May 2020 and served in various positions, including as the factory director of Inno Zhuhai from May 2020 to November 2022.

Mr. Li has extensive experience in semiconductor technology industry. Prior to joining the Group, Mr. Li served at Semiconductor Manufacturing (Beijing) International Corporation (中芯國際集成電路製造(北京)有限公司) from June 2006 to April 2014 and Semiconductor Manufacturing North China (Beijing) Corporation (中芯北方集成電路製造(北京)有限公司) from May 2014 to April 2020 with his last position as the senior manager.

Mr. Li received a bachelor's degree in material science and engineering from the Shanghai Jiao Tong University (上海交通大學) in the PRC in July 2002, and a master's degree in software engineering domain engineering from the Peking University (北京大學) in the PRC in January 2015.

Mr. Chen Yulin (陳鈺林先生), aged 45, is our deputy general manager, responsible for product operations of the Group. Mr. Chen joined the Group in November 2017 as the marketing and sales deputy general manager of the Group. Since May 2021, Mr. Chen has been and is currently serving as our deputy general manager of product applications department.

Mr. Chen has extensive experience in the semiconductor industry. Prior to joining the Group, Mr. Chen worked at a number of companies in the field of power semiconductors, including serving as a field application engineer (FAE) senior manager of Efficient Power Conversion Corporation (宜普電源轉換公司).

Mr. Chen received a bachelor's degree in electrical engineering and automation (remote learning) from Hebei University of Engineering (河北工程大學) in the PRC in June 2015.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. Yu Xiaotong (余曉桐先生), aged 36, is our joint company secretary. Mr. Yu joined the Group in February 2022 as a department manager of the Company, and was appointed as a joint company secretary of the Company in July 2025. From August 2019 to February 2022, Mr. Yu served as the manager of the investor relations center at Bank of Suzhou Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002966), and he was responsible for investor communication and information disclosure; from July 2015 to August 2019, he was in charge of corporate governance of Bank of Suzhou and assisted the bank in its listing on the Shenzhen Stock Exchange.

Mr. Yu obtained a Master of Laws from Fudan University in July 2015, and holds a Legal Professional Qualification Certificate and a Securities Industry Practitioner Qualification Certificate of the PRC.

Mr. Chung Ming Fai (鍾明輝先生), aged 47, is our joint company secretary. He has over 21 years of experience in corporate secretary, mergers and acquisitions, financial reporting and auditing. Mr. Chung served as an audit junior at Henny Wee & Co., CPA from March 2004 to October 2004, an audit semi-senior at K.W. Lau CPA Limited from November 2004 to January 2008. Mr. Chung then served at KPMG from January 2008 to August 2011 with his last position as an audit manager, and at Sandmartin International Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 00482), from September 2011 to October 2021 with his last position as the head of project management. Mr. Chung has been serving in the corporate secretarial department of SWCS Corporate Services Group (Hong Kong) Limited since June 2022, and is mainly responsible for managing the company secretarial and compliance work for companies listed on the Hong Kong Stock Exchange.

Mr. Chung is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He obtained his bachelor's degree in commerce from the Australian National University in December 2003.

DIRECTORS AND SENIOR MANAGEMENT

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Changes in Directors

Mr. Wong Hin Wing, MH, JP, ceased to be an independent non-executive director of C Cheng Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 01486) in July 2025, and served as a non-executive director of the company from July 2025 to October 2025. In addition, Mr. Wong has been appointed as an independent non-executive director of China Pacific Insurance (Group) Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 2601), and the Shanghai Stock Exchange (stock code: 601601) since January 2026.

Changes in Supervisors

As approved at the 2025 first extraordinary general meeting, the Company amended the Articles of Association and abolished the Supervisory Committee. With effect from July 9, 2025, Mr. Ke Shanyong, Dr. Huang Xi, Mr. Ren Weifeng, Mr. Peng Xingguo and Ms. Lai Guangyi ceased to serve as Supervisors of the Company.

Changes in Senior Management

During the Reporting Period, there was no change in the information of the senior management.

Save as disclosed in this annual report, during the Reporting Period and up to the Latest Practicable Date, there has been no change in the information of Directors, Supervisors and senior management required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Board hereby presents its report on corporate governance for the period from the Listing Date to December 31, 2025.

CORPORATE CULTURE

As the first company in the world to achieve mass production of 8-inch Gallium Nitride on Silicon (“GaN-on-Si”) wafers and the only company that offers a full voltage spectrum of GaN-on-Si semiconductor products on industrial scale, we believe that corporate culture is an essential foundation for our continued growth, technology innovation and advancement, and the consolidation of our leading position in the gallium nitride semiconductor industry. The Group is committed to building a sound corporate culture and ensuring that it is highly aligned with the objectives, values and strategies of the Group. In our daily operation, we have established a scientific and effective incentive mechanism, using quarterly and annual communication meetings as a vehicle to reward outstanding employees who have made outstanding contributions to the Company’s development and comply with the corporate culture. Through remuneration incentives and talent promotion, we make our employees feel that their efforts and contributions are recognized and valued. In terms of employee growth, we provide tailor-made learning and enhancement programmes and growth opportunities for employees during their employment, organize internal and external lecturers to teach and share, conduct regular training at the company and departmental levels, and organize tailor-made learning groups for specialized exchanges, so as to promote employees’ continuous learning and progress during their employment. It is one of the important guarantees for the Company’s long-term development for each employee to comply with legal requirements and ethical norms in the Company’s business practices. Taking honesty and trustworthiness as the principle of work practice, all employees of the Company have built an excellent enterprise as good as our products, to continue to provide customers with high-quality products and high standards of services, thus engaging every customer with sincerity and creating moments that resonate.

Compliance with the Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance to safeguard the interests of Shareholders and enhance corporate value and accountability. The Company has adopted the Corporate Governance Code, which sets out the principles of good corporate governance. To the best knowledge of the Directors, during the Reporting Period, the Company had complied with all applicable Code Provisions set out in Part 2 of the Corporate Governance Code.

The Board will continue to review and monitor the Company’s corporate governance practices to ensure that the Company complies with the Corporate Governance Code and maintains high standards of corporate governance practices.

CORPORATE GOVERNANCE REPORT

THE BOARD

Composition of the Board

As of December 31, 2025 and as at the Latest Practicable Date, the Board comprises 11 Directors, including 4 executive Directors, 3 non-executive Directors and 4 independent non-executive Directors. The Directors serve a term of three years and are eligible for re-election. The members of the Board are set out below:

Executive Directors

Dr. Weiwei Luo (*Chairperson of the Board*)

Mr. Jay Hyung Son

Dr. Wu Jingang (*Chief executive officer*)

Mr. Zhong Shan (*Chief financial officer*)

Non-executive Directors

Dr. Wang Can (*with a term ending July 30, 2026*)

Ms. Zhang Yanhong (*with a term ending July 30, 2026*)

Ms. Cui Mizi (*with a term ending July 30, 2026*)

Independent non-executive Directors

Mr. Wong Hin Wing, MH, JP

Dr. Yi Jiming

Dr. Yang, Simon Shi-Ning

Dr. Chan, Philip Ching Ho

Biographical details of the Directors are set out in the section headed “Directors and Senior Management” in this annual report.

There are no other relationships (including financial, business, family or other material/relevant relationships) among members of the Board.

CORPORATE GOVERNANCE REPORT

Primary Duties of the Board

According to the Articles of Association, the primary duties of the Board include convening the general meetings and reporting on its work to the general meetings; implementing the resolutions passed in the general meetings; deciding on the Company's business plans and investment proposals; formulating the Company's profit distribution proposals and loss recovery proposals; formulating proposals for the increase or reduction of the Company's registered capital and the issuance of corporate bonds; preparing plans for the merger, division, dissolution and change in the form of the Company; formulating the Company's basic management system; management of information disclosure matters of the Company; and exercising any other power under the Articles of Association or authorized by the general meetings.

The Board is responsible for the leadership and control of the Company and oversees the business, strategic decisions and performance of the Group, and is jointly responsible for directing and supervising the affairs of the Company with a view to promoting its successful development. The Board, directly and indirectly through its committees, formulates strategies and oversees their implementation, provides guidance and direction to the management, oversees the operational and financial performance of the Group and ensures internal control and risk management systems are well-established. The day-to-day management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are reviewed regularly by the Board. The management is required to obtain the approval of the Board before entering into any material transactions.

All Directors (including non-executive Directors and independent non-executive Directors) bring extensive and valuable experience, expertise and professionalism to the Board, enabling it to operate efficiently and effectively. All Directors have full and timely access to all information of the Company and may seek independent professional advice where appropriate upon request, and any expenses incurred by the Directors in discharging their duties to the Company shall be borne by the Company.

Chairperson of the Board and Chief Executive Officer

The chairperson of the Board and chief executive officer of the Company are held by different persons. The chairperson of the Board of the Company is Dr. Weiwei Luo and the chief executive officer is Dr. Wu Jingang. The chairperson of the Board leads the overall business development and strategic planning of the Group, as well as the day-to-day work of the Board, and supervises and reviews the implementation of Board resolutions, while the chief executive officer, under the leadership of the Board, presides over the overall business development and operation of the Group. The Articles of Association provides for a clear written division of responsibilities between the chairperson and the general manager. The Company has complied with provision C.2.1 of the Corporate Governance Code.

CORPORATE GOVERNANCE REPORT

Board Independence Mechanism

The Company recognizes the independence of the Board is essential to good corporate governance and the effective operation of the Board. The Board has put in place a mechanism to ensure that the independent views and suggestions of any Director are communicated to the Board to enhance the objectivity and effectiveness of decision-making.

Directors are free to express their views at Board meetings and important decisions are made only after thorough discussions. Where the Directors consider it necessary to seek advice from independent professional organizations, they may, in accordance with the procedures, engage independent professional organizations at the Company's expense. Where a Director has an interest in a matter proposed by the Board, the relevant Director is required to abstain from discussion and voting on the relevant resolution, and he/she shall not be counted in the quorum for voting on the resolution. In addition, the independent non-executive Directors are required to give objective and impartial independent opinions on matters discussed by the Company. As the independent non-executive Directors of the Company do not hold any positions other than directorships in the Company or have any relationships with the Company and its substantial Shareholders that may influence their independent and objective judgement, nor have any business or financial interests in the Company and its subsidiaries, the participation of the independent non-executive Directors effectively ensures that the Board has a strong and sufficient element of independence. Relevant provisions on the Board decision-making mechanism to avoid conflicts of interest are set out in the Articles of Association.

During the Reporting Period, the Board has complied with the above relevant requirements and the above mechanism has been effective in providing the Board with independent views and opinions. The Board will review the implementation and effectiveness of the above mechanism annually.

CORPORATE GOVERNANCE REPORT

Independence of Independent Non-executive Directors

The Company has received confirmation from each of the independent non-executive Directors that (i) he/she is independent in respect of each of the factors set out in Rules 3.13(1) to (8) of the Listing Rules; (ii) as of the Latest Practicable Date, he/she had no past or present financial or other interest in the business of the Company's former subsidiaries or any connection with any of the Company's core connected persons pursuant to the Listing Rules; and (iii) there are no other factors that may affect their independence at the time of their appointment. The Company considers that all the independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent.

Corporate Governance Functions

The Board is well aware of the importance of corporate governance and is responsible for performing the functions set out in code provision A.2.1 of the Corporate Governance Code, which include:

- (1) developing and reviewing the Company's policies and practices on corporate governance;
- (2) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (3) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (4) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and
- (5) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

The Board has performed the above corporate governance functions during the Reporting Period.

Directors' Training and Professional Development

Pursuant to code provision C.1.4 of the Corporate Governance Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The Company focuses on the continuous professional development of the Directors, and arranges adequate training programmes and encourages the Directors to participate in such training to ensure that they have a proper understanding of the business and operations of the Company as well as a full understanding of the duties and responsibilities of the Directors under the Listing Rules and relevant legal requirements.

During the Reporting Period, the Company organized training programmes given by qualified professionals/legal advisers to all Directors on topics including the duties and responsibilities of Directors and listing compliance, and all Directors attended the aforementioned training courses. In addition, the Company has provided relevant reading materials including the duties and responsibilities of Directors and the relevant regulations for Hong Kong listed companies to all Directors for their reference and learning.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS AND GENERAL MEETINGS

During the Reporting Period, the Company held 7 Board meetings, which mainly considered and approved resolutions such as further repurchases of H Shares under the mandate to repurchase H Shares, change of joint company secretaries, placing of shares on the Main Board of the Stock Exchange pursuant to the general mandate, supplemental conversion of partial Domestic Unlisted Shares into overseas listed shares and listing and trading on the Stock Exchange, and the establishment of a Hong Kong subsidiary; held 3 general meetings, which considered and approved resolutions including the 2024 annual financial report, 2024 final financial accounts report, the remuneration package of Directors and Supervisors for 2025, the remuneration of the auditor for 2024 and the appointment and remuneration of the auditor for 2025, the grant of a general mandate to issue shares, the grant of a general mandate to repurchase H Shares, the adoption of the 2025 Share Award Scheme, amendments to the Articles of Association and the abolishment of the Supervisory Committee, amendments to the rules of procedures of the general meetings and the rules of procedures of the Board, and application for business registration modification for company registered capital and filing of the Articles of Association.

The attendance record of each Director at the Board meetings, Board committee meetings and general meetings is as follows:

Name of Director	Number of Board meetings attended/required to attend	Number of Audit Committee meetings attended/required to attend	Number of Remuneration Committee meetings attended/required to attend	Number of Nomination Committee meetings attended/required to attend	Number of general meetings attended/required to attend
Dr. Weiwei Luo	7/7		1/1	1/1	3/3
Mr. Jay Hyung Son	7/7				3/3
Dr. Wu Jingang	7/7				3/3
Mr. Zhong Shan	7/7				3/3
Dr. Wang Can	7/7				3/3
Ms. Zhang Yanhong	7/7				3/3
Ms. Cui Mizi	7/7				3/3
Mr. Wong Hin Wing	7/7	2/2			3/3
Dr. Yi Jiming	7/7	2/2		1/1	3/3
Dr. Yang, Simon Shi-Ning	7/7		1/1	1/1	3/3
Dr. Chan Ching Ho	7/7	2/2	1/1		3/3

BOARD COMMITTEES

Our Company has formed three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authorities and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee consists of three Directors, namely Mr. Wong Hin Wing, MH, JP, Dr. Yi Jiming and Dr. Chan, Philip Ching Ho, all being independent non-executive Directors, and the chairperson of the committee is Mr. Wong Hin Wing, MH, JP. Mr. Wong Hin Wing, MH, JP holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee include, without limitation, the following:

- (a) to be responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to deal with any issues related to its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services;
- (d) to monitor the Company's internal audit systems and ensuring the implementation of such systems;
- (e) to facilitate communications between the internal audit department and the external auditor;
- (f) to review the financial information and relevant disclosures of the Company; and
- (g) to monitor the Company's financial reporting system, risk management and internal control systems.

The Audit Committee has reviewed the annual results and the annual report of the Company for 2025 and the audited consolidated financial statements for the year ended December 31, 2025 which was prepared in accordance with HKFRS Accounting Standards.

The Audit Committee held 2 meetings during the Reporting Period, and its primary work included the following: (1) reviewing the annual financial report, final financial accounts report and annual results announcement for the year ended December 31, 2024; (2) reviewing the interim report and interim results announcement for the half-year ended June 30, 2025; (3) engaging the external auditor to provide audit services to the Company and reviewing its remuneration; (4) continuously overseeing and monitoring the risk management and internal control systems of the Company, reviewing the scope, adequacy and effectiveness of the Company's corporate accounting and financial controls, risk management and internal control systems, as well as any relevant material findings relating to risks or disclosures, and considering recommendations for improvements to such controls. Further details on the annual review conducted by the Audit Committee are set out in the "Risk Management and Internal Control" section.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee consists of three Directors, namely Dr. Yang, Simon Shi-Ning, being an independent non-executive Director, Dr. Weiwei Luo, being an executive Director, and Dr. Chan, Philip Ching Ho, being an independent non-executive Director, and the chairperson of the committee is Dr. Yang, Simon Shi-Ning. Dr. Yang, Simon Shi-Ning serves as the chairperson of the Remuneration Committee. The primary duties of the Remuneration Committee include, without limitation, the following:

- (a) to consider the assessment criteria of the Company's Directors and senior management, and conduct annual performance appraisal;
- (b) to consider and review the remuneration policies and proposals of the Company's Directors and senior management in accordance with the corporate policies and objectives set by the Board and the positions, duties and scope of work of the Directors and senior management with reference to the remuneration levels of relevant positions in the same region, of the same industry or among the competitors;
- (c) to monitor specific implementation of the Company's remuneration proposals;
- (d) to make recommendations to the Board on the remuneration packages of individual executive directors, non-executive directors and senior management;
- (e) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and
- (f) to handle other matters authorized by the Board.

The Company offers our executive Directors and senior management members, who are also the Company's employees, compensation in the form of fees, salaries, retirement benefit scheme contributions, discretionary bonus, housing allowances and other benefits in kind. Our independent non-executive Directors receive compensation with reference to their respective positions and duties, including being a member or the chairperson of Board committees.

In respect of the remuneration of Directors and senior management, the Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management (adopting the model described in code provision E.1.2(c)(ii)).

The Remuneration Committee held 1 meeting during the Reporting Period, and its primary work included the following: (1) reviewing and examining the remuneration and remuneration policies of the Directors, Supervisors and senior management, and providing advice to the Board in this regard; (2) assessing the performance of duties by the Directors, Supervisors and senior management; and (3) considering matters such as the 2025 Share Award Scheme.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee consists of three Directors, namely Dr. Weiwei Luo, being an executive Director, Dr. Yi Jiming and Dr. Yang, Simon Shi-Ning, both being independent non-executive Directors, and the chairperson of the committee is Dr. Weiwei Luo. Dr. Luo serves as the chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, without limitation, the following:

- (a) to review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least annually, to assist the Board in the preparation of a Board skills matrix, and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (b) to identify suitably qualified candidates to become Board members and to select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (c) to assess annually the time commitment and contribution required of each Director and whether they are able to discharge their duties effectively, taking into account their professional qualifications and work experience, existing directorships in issuers listed on the Main Board or GEM and the time commitment involved in other material external affairs of that Director, and other factors or circumstances relevant to the Director's personality, character, independence and experience;
- (d) to assess the independence of independent non-executive Directors;
- (e) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular chairperson and chief executive officer); and
- (f) to review the board diversity policy and any measurable objectives that the Board may adopt from time to time for implementing the board diversity policy and progress on achieving the objectives, the Company's workforce diversity (including senior management) policy and its implementation, and make recommendations to the Board to improve its effectiveness and to create a diverse and inclusive work environment;
- (g) to support the Company in regularly assessing the performance of the Board;
- (h) to handle other matters authorized by the Board.

The nomination procedures for Directors of the Company are: The Nomination Committee identifies suitable, qualified candidates for Directors and nominates them to the Board. In evaluating suitable candidates, the Nomination Committee considers established criteria, including cultural and educational background and work experience, as well as how the candidates complement the structure, size and composition of the Board (including in terms of skills, knowledge, experience and diversity). The Nomination Committee shall make recommendations to the Board regarding Director candidates for consideration and approval. Following the Nomination Committee's recommendations, the Board approves such nominations before they are submitted to the general meeting for election.

The Nomination Committee held 1 meeting during the Reporting Period, and its primary work included the following: (1) reviewing and examining the structure, size, composition and diversity policy of the Board; (2) assessing the independence of the independent non-executive Directors, and the mechanism for the Board to obtain independent views and opinions; (3) reviewing the Board nomination and succession needs and policies, etc.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, the Board and the Nomination Committee will give due consideration to a number of factors in assessing, selecting and recommending one or more candidates for appointment or re-appointment as Directors and maintain transparency in respect of diversity.

These criteria include but are not limited to: (a) diversity of perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, regional and industry experience, ethnicity, knowledge and length of service; (b) qualifications, including achievements, experience and other professional qualifications in the relevant industries in which the Company operates; (c) commitment in respect of available time commitment for the duties of the Board; (d) reputation for character and integrity; (e) the contribution that the candidate can bring to the Board; and (f) one or more plans for the orderly succession of the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. Other criteria include but are not limited to: (a) direct experience in the core markets of the Company; (b) the ability to devote sufficient time and energy to the affairs of the Company; (c) the ability to make a positive contribution to the development of the Company's strategies and policies by expressing independent, constructive and informed opinions; (d) participation in meetings to exercise independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and codes of conduct.

In addition, the Company specifically recognizes the importance of gender diversity. In order to build and maintain a pipeline of potential director successors that can achieve gender diversity, the Company will opportunistically increase the proportion of female members from time to time when selecting and recommending suitable candidates for the Board, to continuously strive to enhance the gender diversity of the Board.

For the purpose of implementation of the board diversity policy, we have the following measurable objectives:

1. at least one third of the Directors shall be independent non-executive Directors;
2. at least one Director is female; and
3. the Nomination Committee must include at least one director of a different gender.

Our Board currently consists of eight male members and three female members, with four executive Directors, three non-executive Directors and four independent non-executive Directors, of ages ranging from 42 to 76. We consider that our Board has a balanced mix of skill-set including AI technology, healthcare, management, mathematics, accounting etc., experience, expertise, and diversity which enhances decision-making capability and the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value. In addition, our senior management team currently consists of two male members and one female member. For the year ended December 31, 2025, all the measurable objectives, including the measurable objectives on gender, have been fulfilled.

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 continued effectiveness, and when necessary, make any revisions that may be required and recommend such revisions to our Board for consideration and approval.

CORPORATE GOVERNANCE REPORT

WORKFORCE DIVERSITY

As of the end of the Reporting Period, the gender diversity of the Group's employees (including senior management) was generally balanced in the industry, with the gender ratio of 28.7% female to 71.3% male. The Group is committed to a fair, respectful and inclusive work environment, and strives to increase the proportion of female employees to 50%.

Our decisions regarding hiring, training, promotion, dismissal and retirement policies do not consider age, gender, race, national origins, international origins, religion, marital status, family status or any other non-job-related factors. We will continue to strive to achieve the proper balance of diversity in our workforce. We pay attention to the mental health and development of every employee, as well as the physical and mental health of female employees and special groups, and organize a rich variety of social activities so as to enhance teamwork, communication and exchange and improve work efficiency and collective cohesion. We have established open and diversified communication channels and feedback mechanisms, set up feedback mailboxes, organized employee seminars, and conducted one-to-one interviews and satisfaction surveys, so that employees can freely express their ideas and suggestions. We have also established diversified employee succession channels, and will continue to attach importance to the cultivation of female talents, promote gender diversity when recruiting mid-level to senior-level employees, and provide more development opportunities for female employees.

During the Reporting Period, there were no unfavorable factors or circumstances that made it more challenging or impractical to achieve gender diversity in the workforce, including the Board, senior management and other employees.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct for securities transactions by Directors. Having made specific enquiry by the Company, all Directors confirmed that they had complied with the Model Code during the Reporting Period.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2025. The statement of the auditors regarding their responsibility for the financial statements is set out in the Independent Auditor's Report of this annual report.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The remuneration of KPMG, the Company's external auditor, for the year ended December 31, 2025 is as follows:

Type of services	Fees paid/payable (RMB in thousands)
Audit services	2,490.00
Audit related services	510.00
Total	3,000.00

Audit related services were interim review services for the period ended June 30, 2025.

SHAREHOLDERS' RIGHTS

The general meeting of the Company consists of all Shareholders. The general meeting is the organ of authority of the Company, and the Shareholders exercise their powers through the general meetings.

Convening of General Meetings

Shareholders individually or jointly holding more than 10% of the Shares of the Company shall have the right to request the Board to convene an extraordinary general meeting and to include any proposed resolutions in the agenda of the meeting, which shall be submitted in writing to the Board. The Board shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, provide its feedback in writing on whether or not it agrees to convene the extraordinary general meeting within 10 days upon receipt of such request. If the Board agrees to convene the extraordinary general meeting, a notice of the general meeting shall be given within 5 days after a resolution of the Board is approved, and any changes to the original request set out in the notice shall be subject to the consent of relevant Shareholders. If the Board disagrees to convene the extraordinary general meeting or fails to provide feedback within 10 days upon receipt of such request, Shareholders individually or jointly holding more than 10% of the shares of the Company shall have the right to propose to the Audit Committee to convene the extraordinary general meeting, and shall submit the request in writing to the Audit Committee.

If the Audit Committee agrees to convene the extraordinary general meeting, a notice of the general meeting shall be given within 5 days upon receipt of such request, and any changes to the original request set out in the notice shall be subject to the consent of relevant Shareholders. If the Audit Committee fails to give a notice of the general meeting within the prescribed period, the Audit Committee shall be deemed to be failing to convene and preside over the general meeting, and Shareholders individually or jointly holding more than 10% of the Shares of the Company for more than 90 consecutive days may convene and preside over the meeting on their own.

CORPORATE GOVERNANCE REPORT

PROPOSALS AT GENERAL MEETINGS

Shareholders individually or jointly holding more than 1% of the Shares of the Company may put forward an interim proposal and submit it in writing to the convener no later than 10 days prior to the date of the general meeting. The convener shall issue a supplemental notice of the general meeting within 2 days upon receipt of such proposal to announce the content of the interim proposal, and submit the interim proposal to the general meeting for consideration; except where the interim proposal violates laws, administrative regulations or the provisions of the Articles of Association, or does not fall within the scope of authority of the general meeting. In the event that the general meeting has to be postponed due to the issuance of the supplemental notice of the general meeting in accordance with the securities regulatory rules of the place where the Company's Shares are listed, the general meeting shall be postponed in accordance with the securities regulatory rules of the place where the Company's Shares are listed.

SHAREHOLDERS' ENQUIRIES

Shareholders may also at any time send their written enquiries by post together with their contact details, such as receiving address or email address, to the Company's registered office at No. 98 Xinli Road, Beishe, Lili Town, Wujiang District, Suzhou City, Jiangsu Province, the PRC, or by email to the Company via its email address at boardoffice@innoscience.com.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies.

The Company discloses information and publishes periodic reports and announcements to the public on the Stock Exchange's website in a timely manner in accordance with the Listing Rules, the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and does not contain any material omission, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions.

The Company has established a Shareholders' communication policy and the policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board shall review it on a regular basis to ensure its effectiveness. The Company communicates with the Shareholders and/or potential investors mainly in the following ways: (i) the Company has set up an investor relations section on its website, where investors can make timely enquiries on the regular reports and announcements of the Company, and be updated with the business dynamics and major developments of the Company; (ii) the Company has also set up a special mailbox boardoffice@innoscience.com to receive enquiries from investors and provides timely feedback on its business development information; and (iii) the management and investor relations department of the Company maintain smooth communication with Shareholders through regular results analysis meetings, investor researches and other communication activities.

During the Reporting Period, the Company actively carried out various forms of shareholder exchange activities, received minority shareholders to visit the production lines of the Company, and organized offline exchange meetings. At the same time, the Company responded to investors' concerns in a timely and positive manner through channels such as online mailboxes and telephones, and continued to maintain smooth communication with investors.

CORPORATE GOVERNANCE REPORT

The Board reviews the shareholders' communication and investor relations policy on an annual basis and makes any changes it considers necessary to ensure the effectiveness of the policy and that the legitimate rights and interests of shareholders and investors are fully safeguarded.

The Company has reviewed the implementation of the Shareholders' communication policy during the Reporting Period. Having considered the above communication channels with investors, the measures taken and the events organized by the Company, the Company considers that the Shareholders' communication policy has been effectively implemented.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Given that the Company (1) was listed and commenced trading on the Main Board of the Hong Kong Stock Exchange on December 30, 2024, completing the issuance of H Shares and the over-allotment of shares on January 27, 2025; (2) completed the first H Share placing on July 28, 2025, actually issuing 13,584,000 H Shares and listing and trading them on the Hong Kong Stock Exchange; and (3) completed the second H Share placing on October 17, 2025, actually issuing 20,700,000 H Shares and listing and trading them on the Hong Kong Stock Exchange, the Company made corresponding changes to the provisions of the Articles of Association relating to the issuance of shares and registered capital. Details of such amendments are set out in the Company's announcements dated July 28, 2025 and October 17, 2025, and the circular dated October 27, 2025.

In addition, in order to fully implement and carry out the "Arrangements for the Transitional Period Relating to the Implementation of the New Ancillary Systems and Rules", the "Guidelines for the Articles of Association of Listed Companies" and relevant laws and regulations, the Company amended the Articles of Association based on its actual situation, and at the same time abolished the Supervisory Committee, with the Audit Committee exercising the functions and powers of the Supervisory Committee stipulated in the "Company Law". Details of the amendments are set out in the Company's notice dated May 21, 2025 and the circular dated June 19, 2025.

The Articles of Association is available at the Company's website and the website of Hong Kong Stock Exchange.

RISK MANAGEMENT AND INTERNAL CONTROL

We have in place a robust risk management and internal control system. We adopted and continually improve our internal control mechanisms to ensure the compliance of our business operations. Furthermore, the Board acknowledges it is responsible for the risk management and internal control systems and reviewing the adequacy and effectiveness of the risk management and internal control systems of the Company, which are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, facilitate effective and efficient operations, provide reasonable assurance regarding the reliability of financial reporting and compliance with applicable laws and regulations and safeguard the assets of the Company. The Board can only give reasonable and not absolute assurance against material misrepresentation or loss. We regularly and at least annually review and examine the implementation of risk management policies and internal controls to ensure that they are effective and adequate.

We are dedicated to upholding the legal compliance of our operations and management, safeguarding assets and ensuring the accuracy and completeness of financial reports and related information. Our commitment extends to enhancing operational efficiency and effectiveness, thereby fostering the achievement of the Company's strategic development goals. We established an internal audit department tasked with independent audit and supervision of the business operations and internal control of the Company and its subsidiaries in accordance with laws, rules and regulations and the Articles of Association, and under the principles of objectivity, impartiality and prevention.

CORPORATE GOVERNANCE REPORT

To monitor the ongoing implementation of our risk management policies and identify, assess and manage significant risks, the Audit Committee reviews and oversees our financial reporting process and internal control systems on an ongoing basis to ensure that our internal control systems are effective in identifying, managing and mitigating the risks involved in our business operations. Our internal audit department is responsible for reviewing the effectiveness of internal controls and reporting on issues identified, and continually identifying internal control failures and deficiencies to improve our internal control systems and procedures. The internal audit department reports any significant issues identified to the Audit Committee and the Board in a timely manner.

For the purpose of the Reporting Period, the Board, through the Audit Committee, conducted a review of the risk management and internal control systems of the Company. During the Reporting Period and up to the Latest Practicable Date, the Board believes that the effectiveness of the internal control of the Company needs to be further improved for the following matters:

1. On April 8, 2025 and November 24, 2025, the Group subscribed for large-denomination CDs with China Resources Bank in the amount of RMB15 million and RMB1,150 million, respectively, and such large-denomination CDs are interest-bearing wealth management products with fixed interest rates. Pursuant to Rule 14.22 of the Listing Rules, such subscriptions constitute a discloseable transaction of the Company and are subject to the reporting, announcement and annual review requirements, but are exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules. However, due to inadvertent oversight and mistakenly believing that large-denomination CDs are similar in nature to time deposits, lacking of experience and awareness of relevant operational staff in handling transactions under the post-listing regulatory framework, and insufficient reporting and verification mechanisms regarding the subscription of wealth management products within the Company's internal control structure, therefore, the Company failed to comply with relevant provisions under Listing Rules in a timely manner;
2. During the Reporting Period and the first quarter of 2026, the Group used the proceeds from the Global Offering, proceeds from the First H Share Placing, and proceeds from the Second H Share Placing (collectively, the "**Proceeds**") to purchase large-denomination CDs and structured deposits from 11 licensed banks in the PRC. The subscription of such wealth management products using the Proceeds aims to maximize the return on surplus cash generated, and the Company expects that such wealth management products can earn a better rate of return than the prevailing time deposit interest rates generally offered by commercial banks while guaranteeing the principal. However, due to inadvertent oversight and insufficient understanding of the classification of wealth management products, the Company mistakenly believed that such wealth management products were similar in nature to time deposits, resulting in a deviation from the original usage of the Proceeds. Upon learning of the violations, the Group has taken immediate action and will complete the transfer or withdrawal of such wealth management products as soon as possible.

To prevent the recurrence of similar situations in the future, the Company has conducted a comprehensive review and self-examination of the purchases of wealth management products, and will issue a supplemental announcement on the transactions of purchasing financial products that should have been disclosed but were previously undisclosed in accordance with the requirements of the Listing Rules, and make an announcement and explanation regarding the use of the Proceeds to purchase wealth management products; the Company has also circulated detailed guidelines regarding notifiable transactions under the Listing Rules and will organize regularly legal counsel and internal control consultants to commence training to remind responsible employees, senior management and Directors, thereby enhancing and consolidating their existing relevant knowledge of notifiable transactions and the management of proceeds and their ability to identify potential issues at an early stage; furthermore, the Company is in the process of improving and updating its financial control and internal control systems and enhancing the communication, coordination and reporting arrangements among relevant departments, including the finance department and the Board office.

CORPORATE GOVERNANCE REPORT

The Board and the Audit Committee will further strengthen the development and oversight of the Company's risk management and internal control systems. Specifically, regarding the monitoring of notifiable transactions, the Audit Committee will take the lead, with the finance department and the internal company secretary jointly conducting reviews, and review the application of documents such as the Guidelines on Size Test Standards on a semi-annual basis to ensure the real-time updating of core parameters including market capitalization, assets, revenue and profit ratio, and prevent omissions or misjudgments resulting from outdated assessment criteria or unclear internal responsibilities. Meanwhile, the Audit Committee shall submit special reports to the Board at least twice a year on the implementation of internal control measures, and strengthen the independent verification of the effectiveness of corrective actions by external auditors and the internal audit function, thereby establishing a closed-loop supervision mechanism from process design, system allocation to dynamic feedback. Through regular review of the Audit Committee's working papers, review of the annual internal control effectiveness assessment report and conducting compliance training for Directors in due course, the Board ensures that oversight responsibilities are effectively delegated, thereby achieving true penetrating management and full process control over the proceeds and notifiable transactions.

Operational Risk Management

Operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures or external events. We have established a series of internal procedures to manage such risk.

We take a comprehensive approach with regard to operational risk management and implement a mechanism with detailed and decentralized responsibilities and clear rewards and punishment systems. Our information technology, human resources, finance and operations departments are collectively responsible to ensure the compliance of our operations with internal procedures. In the event of a material adverse event, the matter will be escalated to our chief executive officer to take appropriate measures. Through effective operational risk management, we expect to control operational risks within a reasonable range by identifying, measuring, monitoring and containing operational risks to reduce potential losses.

Compliance Risk Management

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of our failure to comply with relevant laws, regulations, rules and guidelines.

Compliance risk management refers to the dynamic management processes by which we effectively identify and manage compliance risks and proactively prevent the occurrence of risk events. We have established sound compliance risk management procedures to achieve effective identification and management of compliance risk, and ensure that our operations are in compliance with applicable laws and regulations.

In accordance with such procedures, our legal department carefully reviews the contracts we enter into with customers and suppliers. Before entering into any contracts or business arrangements, our legal department reviews the contract terms and examines related documents, including all necessary due diligence materials and licenses and permits obtained by the other party to fulfill its obligations under the relevant contract.

In addition, we continually monitor changes in relevant laws and regulations as well as the regulatory environment to ensure compliance in our business operations. We delegate the responsibility of monitoring compliance in specific business areas to representatives from those areas. In addition, we have an internal control department that continuously supervises compliance efforts within departments and reports to our chief executive officer. We also have an internal audit department that regularly evaluates and supervises our compliance efforts and reports to our general manager and the Board.

CORPORATE GOVERNANCE REPORT

Intellectual Property Risk Management

As a knowledge and technology-intensive company, we have been and may continue to be subject to claims from companies holding patents or other intellectual property rights, alleging infringement of such rights or otherwise asserting their rights and urging us to obtain licenses in the course of our operations. To ensure proper management of our intellectual property and avoid litigation concerning intellectual property infringement, we have implemented various internal policies and established an internal intellectual property management system:

- We have developed and enacted robust internal policies for the management of intellectual property rights. These include the measures on the management of intellectual property acquisition and maintenance, the measures on the management of intellectual property implementation, licensing and transfer, the measures on the management of intellectual property information research, as well as the requirements and job responsibilities for positions related to intellectual property management. These policies delineate the responsibilities of each department in safeguarding intellectual property rights, thereby enhancing our capability to protect our intellectual property rights effectively. In addition, we routinely conduct comprehensive reviews of the existing intellectual property system to ascertain its ongoing pertinence and efficacy.
- To facilitate effective management of our intellectual property, we utilize an internal intellectual property management system for the full lifecycle management of our proprietary intellectual property. This system is used for, among others, patent application, maintenance and valuation.
- To safeguard against potential infringements on both our intellectual property rights and those of others, our legal department, responsible for intellectual property management, conducts thorough searches and analyses of our R&D outcomes upon the completion of scientific research projects and technology development. This process includes determining any possible infringements and preparing detailed inspection reports to ensure compliance and prevent infringement.
- We require employees to adhere to confidentiality obligations for technical secrets, sign confidentiality contracts and non-compete agreements, and follow an internal confidentiality system outlining specific employee responsibilities. Additionally, new employees are required to sign an export control employment compliance commitment letter and a declaration confirming no conflicts of interest or non-competition issues. They also complete a self-check form to ensure they are not involved in patented technologies with infringement risks.

Investment Risk Management

We invest in or acquire businesses that are complementary to our business and aligned with our overall growth strategies, such as businesses that can expand our service offerings and strengthen our technological capabilities. In general, we intend to hold our investments for the long term in forms of preferred shares or ordinary shares with preference rights. In order to manage potential risks associated with investments, we generally obtain minority protection rights from our investment portfolio companies.

Our investment department is primarily responsible for our investment project sourcing, screening, execution and post-investment monitoring. The investment department searches for investment projects based on our business strategy, and conducts thorough due diligence with the finance and legal departments to assess the risks and potential of the investment projects.

CORPORATE GOVERNANCE REPORT

Information Security and Data Privacy Risk Management

In recent years, data privacy and cybersecurity have emerged as critical governance priorities for companies worldwide. This is particularly pertinent as the PRC legislature and government authorities regularly introduce new cybersecurity, data security and privacy laws and regulations. Consequently, our practices regarding the collection, use, storage, disclosure and transmission of various types of data may come under increased administrative scrutiny.

In the course of our business operations, we collect, store and process business data and transaction data. Given that we only make transactions with enterprises, our business generally does not involve the collection or processing of customers' personal information.

We develop our information security management systems in compliance with the requirements of ISO/IEC 27001 standard for information security management systems, so as to achieve our commitment to maintaining the integrity, availability and confidentiality of data.

To reinforce our data security and protection measures, we established comprehensive internal policies. These policies facilitate our data management and provide detailed requirements in relation to the classification, storage, access, transmission, encryption and disposal of data.

Moreover, we implemented a robust information backup management system, which sets forth the guiding principles, detailed procedures and mechanisms for data recovery. In addition, we formulated a manual on information security management to set out the general guidance and principles of our information security management, under which we established a series of policies and procedures, including among others, policies on system operation management, password management and corporate trade secret protection and procedures on document control and confidentiality management. These systems, policies and procedures collectively form a solid framework that safeguards our data and upholds our stringent standards for information security.

Anti-corruption Risk Management

Anti-corruption risk refers to the risk of using cheating, bribery or other illegal means for (i) the pursuit of improper personal benefits at the expense of our Company's economic interests and (ii) the pursuit of improper interests of the Company. We have established anti-corruption risk management policies prohibiting any corruption activities by our employees, either for the pursuit of improper personal benefits or improper interests of the Company. We have maintained a whistleblower mechanism for employees to anonymously report any incidents of bribery and corruption to the Audit Committee (or any designated committee comprising a majority of independent non-executive Directors). Our internal audit department bears the sole responsibility for the audit and anti-corruption endeavors of the Company and provides regular reports to the Audit Committee of the Board. We will impose corresponding administrative disciplinary sanctions on persons responsible for corruption incidents. Suppliers, distributors and customers found to engage in corruption incidents shall receive formal warnings, face restrictions on supply or sales, and, where deemed necessary, be placed on a prohibited list. We provide internal training to our employees and ensure that our stakeholders, including customers, distributors, suppliers and shareholders, are informed of our anti-corruption policies and practices.

CORPORATE GOVERNANCE REPORT

DISCLOSURE OF INSIDE INFORMATION

With regard to the procedures and internal controls for the handling and dissemination of inside information, the Group has strict internal policies and procedures prohibiting the unauthorized use of inside information and has informed all employees of the same; the Board is aware of its obligation to disclose any inside information in accordance with the Listing Rules and make reference to the “Guidelines on Disclosure of Inside Information” issued by the Securities and Futures Commission of Hong Kong in June 2012 in discharging its obligations on the disclosure of inside information. In addition, only Directors and appointed officers may act as spokespersons for the Group and respond to external enquiries on the affairs of the Group.

DIVIDEND POLICY

The declaration and payment of dividends of the Company will be determined by the Board and shall be subject to the Articles of Association and the PRC Company Law, and will depend on a number of factors including, but not limited to, the Group’s profitability and financial position, operating requirements, capital requirements and any other conditions that the Directors may deem relevant. In any event, we will pay dividends out of our profit after tax only after we have made the following allocations:

- (a) recovery of accumulated losses, if any;
- (b) allocation to the statutory common reserve fund an amount of 10% of our profit after tax, as determined under the Accounting Standards for Business Enterprises issued by the Ministry of Finance (the “**PRC GAAP**”) until such fund has reached more than 50% of our registered capital; and
- (c) allocation, if any, to a discretionary common reserve fund an amount approved by the Shareholders in a general meeting.

Payment of dividends is subject to PRC laws. Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are our net profit, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make.

JOINT COMPANY SECRETARIES

Mr. Yu Xiaotong and Mr. Chung Ming Fai are joint company secretaries of the Company. Mr. Yu Xiaotong is the primary contact person of Mr. Chung Ming Fai internally within the Company, and Mr. Chung Ming Fai cooperates and communicates with Mr. Yu Xiaotong on the corporate governance matters of the Company. To assist the Directors in the proper discharge of their duties, all Directors may seek advice from the joint company secretaries.

For the year ended December 31, 2025, Mr. Yu Xiaotong and Mr. Chung Ming Fai have undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules. The biographies of Mr. Yu Xiaotong and Mr. Chung Ming Fai are set out in the section headed “Directors and Senior Management” of this annual report.

DIRECTORS' REPORT

The Board is pleased to present the Directors' Report and the audited consolidated financial statements of the Group for the year ended December 31, 2025.

LIST OF DIRECTORS

The Directors of the Company during the Reporting Period and up to the Latest Practicable Date are as follows:

Dr. Weiwei Luo (*Executive Director and chairperson of the Board*)

Mr. Jay Hyung Son (*Executive Director*)

Dr. Wu Jingang (*Executive Director and chief executive officer*)

Mr. Zhong Shan (*Executive Director and chief financial officer*)

Dr. Wang Can (*Non-executive Director*)

Ms. Zhang Yanhong (*Non-executive Director*)

Ms. Cui Mizi (*Non-executive Director*)

Mr. Wong Hin Wing, MH, JP (*Independent non-executive Director*)

Dr. Yi Jiming (*Independent non-executive Director*)

Dr. Yang, Simon Shi-Ning (*Independent non-executive Director*)

Dr. Chan, Philip Ching Ho (*Independent non-executive Director*)

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

PRINCIPAL ACTIVITIES

As a world-leading third-generation semiconductor Si-based GaN power device IDM enterprise, the Company is committed to the development, design, manufacturing and sales of full voltage spectrum products, covering core areas such as chip design, epitaxial growth, wafer manufacturing, packaging and testing. Centered on 8-inch wafer mass production technologies, the Company focuses on high-voltage and high-power as well as medium and low-voltage and high-frequency products, which are widely applied in high-growth sectors such as automotive electronics, data centers, humanoid robots and consumer electronics. With the largest capacity and industrial stability in the world, the Company continues to empower downstream intelligent and energy-saving transformation, and promote the deep penetration of GaN technology in efficient energy conversion and global green technology revolution.

BUSINESS REVIEW AND ANALYSIS OF KEY INDICATORS OF FINANCIAL PERFORMANCE

The review of the Group's business during the Reporting Period and the discussion on the future business development are set out in the "Chairperson's Statement" and "Management Discussion and Analysis – Business Outlook" in this annual report, and the description of the principal risks and uncertainties that the Group may face and the Group's response policies and potential opportunities are set out in the "Management Discussion and Analysis – Risk Management" in this annual report. The analysis of the material events after the reporting period and the Group's performance during the year using financial key performance indicators are set out in the "Management Discussion and Analysis" in this annual report. The investor relations of the Group are set out in the "Corporate Governance Report" in this annual report.

DIRECTORS' REPORT

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group maintains a good relationship with its employees, customers and suppliers.

We collaborate with a broad base of reputable domestic and international customers across various applications, including consumer electronics, renewable energy and industrial applications, automotive electronics and data centers. Our customers comprise leading providers of semiconductor manufacturing services, high-tech companies specializing in renewable energy technology as well as Tier-1 suppliers of automotive OEMs. According to Frost & Sullivan, we have achieved breakthroughs in multiple subfields of GaN applications, positioning us as one of the leading Chinese GaN semiconductor chip companies with supply collaborations with major companies worldwide. During the year ended December 31, 2025, we provided our GaN products to approximately 113 customers in China and overseas, primarily including Asia and Europe, with revenue from our top five customers accounting for 48.35% of our revenue during the period, and revenue from our single largest customer accounting for 31.71% of our revenue during the period.

We procure from suppliers a variety of materials necessary for the manufacturing of our GaN products, including monocrystalline silicon substrates, photoresists, cleaning fluids, sputtering targets and special gases. In order to maintain the stability of our supply chain, we started to procure more raw materials from domestic suppliers due to their cost-effectiveness. We typically engage experienced and reputable suppliers to ensure the quality of our products. Factors that may affect our selection mainly include technological expertise, infrastructure and equipment, product quality, qualifications and credentials, reputation and price. We require our raw material suppliers to obtain ISO9001 certifications in relation to quality management systems. Additionally, in our commitment to meet the IATF16949 standards for automotive-grade quality and safety management system, we consistently oversee the advancement of our suppliers' quality management systems. During the year ended December 31, 2025, purchases from our top five suppliers accounted for 72.28% of our total purchases during the period, and purchases from our single largest supplier accounted for 55.2% of our total purchases during the period.

During the Reporting Period, none of our Directors or (to the knowledge of our Directors) their respective close associates or any Shareholders who own more than 5% of our issued share capital (excluding Treasury Shares) has any interest in any of our top five customers or suppliers.

SEGMENT INFORMATION

An analysis of the results of the Group during the year by business segment is set out in note 4 to the financial statements.

RESULTS

The results of operations of the Group for the Reporting Period are set out in the consolidated statement of profit or loss on page 87 of this annual report.

DIVIDENDS

No dividend had been paid or declared by us during the year ended December 31, 2025.

DIRECTORS' REPORT

RESERVES

During the year ended December 31, 2025, details of the movements in the reserves of the Group and the Company are set out in note 27 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As of December 31, 2025, the Group has no distributable reserves.

PROPERTY, PLANT AND EQUIPMENT

During the year ended December 31, 2025, details of the movements in the property, plant and equipment of the Company and the Group are set out in note 11 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at December 31, 2025 are set out in note 23 to the financial statements.

DEBENTURE ISSUED

During the year ended December 31, 2025, the Group did not issue any debentures.

SECURITIES ISSUANCE AND LISTING

IPO and Over-allotment

On December 30, 2024, the 489,592,787 H Shares issued by the Company (before the exercise of the over-allotment option) were listed and commenced trading on the Main Board of the Hong Kong Stock Exchange. On January 22, 2025, the over-allotment option (the **"Over-allotment Option"**) described in the Prospectus was partially exercised by the stabilizing manager (for itself and on behalf of the over-allotment underwriters) in respect of an aggregate of 1,664,400 H Shares, representing approximately 3.67% of the total number of offer shares initially available under the Global Offering before any exercise of the Over-allotment Option. The over-allocated shares were issued and allotted by the Company at HK\$30.86 per share (exclusive of 1.0% brokerage commission, 0.0027% SFC transaction levy, 0.00015% FRC transaction levy and 0.00565% SEHK trading fee). The over-allotment shares were used to facilitate the delivery of part of the offer shares to cornerstone investors who have agreed to delay the delivery of their relevant offer shares subscribed under the Global Offering. The over-allotment shares were listed and commenced trading on the Stock Exchange of Hong Kong on 27 January 2025. After deducting the estimated offering expenses payable by the Company in connection with the partial exercise of the over-allotment option, the Company received additional net proceeds of approximately HK\$49.5 million from the issue and allotment of the over-allocated shares. The additional net proceeds were used on a pro rata basis for the purposes set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Please refer to the section headed "Use of Proceeds from Listing" in this annual report for details of its utilization during the Reporting Period.

DIRECTORS' REPORT

First H Share Placing

In order to capture market opportunities, the Company urgently needs to accelerate the speed of product iteration and continuously increase R&D investment to optimize product performance and fully leverage the advantages of GaN technology, thereby consolidating its competitive market position. It is worth noting that emerging application fields such as humanoid robots, on-board chargers (OBC), Bitcoin and stablecoin server power supplies have shown a trend of rapid growth, which has increased the market demand for GaN chips produced by the Company. These emerging business areas not only bring new business growth points to the Company, but also correspondingly increase the demand for R&D projects and capital investment. On 22 July 2025 (before trading hours on the Stock Exchange of Hong Kong), the Company entered into a placing agreement (the **"First H Share Placing Agreement"**) with CLSA Limited and Haitong International Securities Company Limited (collectively the **"First H Share Placing Agents"**). Pursuant to the agreement, the First H Share Placing Agents have conditionally and severally (but not jointly or jointly and severally) agreed to act as agents for the Company to procure, on a best-effort basis, not less than six placees to purchase a total of 13,584,000 new H shares (the **"First H Share Placing"**). The closing price per H Share as quoted on the Stock Exchange on the last trading day (i.e., 21 July 2025) and the date on which the placing price was determined was HK\$44.45. On 28 July 2025, the First H Share Placing was completed. A total of 13,584,000 new H shares were successfully placed to not less than six placees at the placing price of HK\$40.50 per H Share, in accordance with the terms and subject to the conditions set out in the First H Share Placing Agreement.

The total nominal value of the new H shares issued under the First H Share Placing was HK\$550.152 million. After deducting commissions and estimated expenses, the net proceeds from the First H Share Placing amounted to approximately HK\$543.55 million, representing a net issue price of approximately HK\$40.01 per placing share. Further details regarding the use of proceeds during the reporting period are set out in the section headed "Use of Proceeds from the First H Share Placing" in this annual report.

For details of the First H Share Placing, please refer to the announcements of the Company dated July 22, 2025 and July 28, 2025 respectively (the **"First H Share Placing Announcements"**).

Second H Share Placing

In order to further strengthen the financial strength, market competitiveness and comprehensive strength of the Group, and promote the long-term healthy and sustainable development of the Group, on October 10, 2025 (before trading hours of the Stock Exchange), the Company entered into a placing agreement (the **"Second H Share Placing Agreement"**) with CLSA Limited and Haitong International Securities Company Limited (collectively, the **"Second H Share Placing Agents"**). Pursuant to the agreement, the Second H Share Placing Agents have conditionally and severally (but not jointly or jointly and severally) agreed to act as agents for the Company to procure, on a best-effort basis, not less than six placees to purchase a total of 20,700,000 new H shares (the **"Second H Share Placing"**). The closing price per H Share as quoted on the Stock Exchange on the last trading day (i.e., 9 October 2025) and the date on which the placing price was determined was HK\$82.05. On 17 October 2025, the Second H Share Placing was completed. A total of 20,700,000 new H shares were successfully placed to not less than six placees at the placing price of HK\$75.58 per H Share, in accordance with the terms and subject to the conditions set out in the Second H Share Placing Agreement.

DIRECTORS' REPORT

The total nominal value of the new H shares issued under the Second H Share Placing was HK\$1,564.506 million. After deducting commissions and estimated expenses, the net proceeds from the Second H Share Placing amounted to approximately HK\$1,550.425 million, representing a net issue price of approximately HK\$74.90 per placing share. Further details regarding the use of proceeds during the reporting period are set out in the section headed "Use of Proceeds from the Second H Share Placing" in this annual report.

For details of the Second H Share Placing, please refer to the announcements of the Company dated October 10, 2025 and October 17, 2025 respectively (the **"Second H Share Placing Announcements"**).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Reference is made to the announcements of the Company dated November 5, 2025, November 21, 2025 and January 22, 2026 in relation to the purchase of H Shares of the Company from the secondary market by the trustee of the Company under the 2025 Share Award Scheme. On 5 November 2025, the trustee of the 2025 Share Award Scheme, pursuant to the terms and conditions thereof, purchased a total of 239,000 H Shares of the Company from the market at a total consideration of approximately HK\$17,271,717.4, representing approximately 0.0261% of the total issued shares at that time. During the period from 10 November 2025 to 21 November 2025, the trustee purchased a total of 357,300 H Shares from the market at a total consideration of approximately HK\$25,662,677.9, representing approximately 0.0390% of the total issued shares at that time. On 21 January 2026, the trustee further purchased a total of 1,260,000 H Shares of the Company from the market at a total consideration of approximately HK\$79,525,152, representing approximately 0.1377% of the total issued shares at that time. The trustee holds such shares in trust. For the avoidance of doubt, the Company has not purchased, sold or redeemed any H Shares itself.

Save as disclosed above, during the Reporting Period and up to the Latest Practicable Date, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company (including sale or transfer of Treasury Shares). As at December 31, 2025, the Company or its subsidiaries did not hold any Treasury Shares.

DIRECTORS' REPORT

USE OF PROCEEDS FROM LISTING

On December 30, 2025, the H shares of the Company were listed on the Main Board of the Stock Exchange. After deducting underwriting fees, commissions, and other offering expenses, the net proceeds from the global offering and the exercise of the over-allotment option (for details, please refer to the over-allotment announcement of the Company dated January 22, 2025) (the “**Net Proceeds**”) amounted to approximately HK\$1,351.96 million. The Net Proceeds will be utilized in accordance with the plans disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, namely:

Item	Percentage	Allocation of Net Proceeds (HK\$ million)	Unutilized proceeds as of December 31, 2024 (HK\$ million)	Utilized proceeds during the Reporting Period (HK\$ million)	Unutilized proceeds as of December 31, 2025 (HK\$ million)	Expected timetable for the full utilization of unutilized proceeds
Expand our production capacity of the 8-inch GaN wafer (from 12,500 wafers per month as of June 30, 2024 to 70,000 wafers per month over the next five years), purchase and upgrade equipment and machinery for production and recruit manufacturing personnel	60.0%	811.18	781.48	240.47	570.71	By the end of 2029
R&D and expansion of our product portfolio to increase the penetration rate of GaN products in end markets, such as consumer electronics, renewable energy and industrial applications, automotive electronics and data center	20.0%	270.39	260.49	60.08	210.31	By the end of 2029
Expand the global distribution network of our GaN products	10.0%	135.20	130.25	24.75	110.45	By the end of 2029
Working capital and other general corporate purposes	10.0%	135.19	135.19	135.19	0.00	By the end of 2029
Total	100%	1,351.96	1,307.41	460.49	891.47	

In order to improve capital utilization efficiency, make reasonable use of the proceeds from the Global Offering, maximize the return on surplus cash generated therefrom and safeguard the interests of shareholders, during the Reporting Period, the Group used the proceeds from the Global Offering to purchase large-denomination negotiable CDs and structured deposits totalling RMB75 million from licensed banks in the PRC, all of which are interest-bearing wealth management products. Owing to an inadvertent oversight and insufficient understanding of the classification of wealth management products, the Company mistakenly believed that such wealth management products were similar in nature to time deposits, resulting in a deviation from the intended use of the proceeds from the Global Offering. The Group will complete the transfer or withdrawal of such wealth management products as soon as possible by June 2026, and place them together with the unutilized Net Proceeds in short-term interest-bearing accounts with licensed commercial banks and/or other authorized financial institutions, and will gradually apply the amount unutilized in accordance with the intended purposes as stated in the Prospectus. We will comply with the PRC laws in relation to foreign exchange registration and remittance of proceeds.

DIRECTORS' REPORT

Use of Proceeds from the First Placing of H Shares

After deducting commissions and estimated expenses, the net proceeds from the First H Share Placing amounted to approximately HK\$543.55 million, which will be applied by the Company in accordance with the proposed uses set out in the First H Share Placing Announcements. During the reporting period, the proposed uses and actual utilization of the net proceeds from the First H Share Placing are set out below:

Intended use of net proceeds from the First H Share Placing		Allocation of net proceeds from the First H Share Placing (HK\$ million)	Approximate percentage of total net proceeds from the First H Share Placing	Utilized proceeds during the Reporting Period (HK\$ million)	Unutilized proceeds as of December 31, 2025 (HK\$ million)	Expected timetable for the full utilization of unutilized proceeds
(1)	Support the Group's product upgrade and iteration, expand technological R&D for new product applications to enhance product competitiveness, and increase the penetration rate of GaN products in end markets	271.78	50%	71.96	199.82	On or before December 31, 2028
(2)	Repayment of existing interest-bearing bank liabilities	135.89	25%	135.89	0.00	On or before December 31, 2026
(3)	Supplementing working capital and general corporate purposes	135.89	25%	135.89	0.00	On or before December 31, 2025
Total		543.55	100%	343.73	199.82	

Note: Amounts have been rounded to the nearest two decimal places. Any discrepancies between the total shown and the sum of the amounts listed in the table are due to rounding.

In order to improve capital utilization efficiency, make reasonable use of the proceeds from the First H Share Placing, maximize the return on surplus cash generated therefrom and safeguard the interests of shareholders, during the Reporting Period, the Group used the proceeds from the First H Share Placing to purchase large-denomination negotiable CDs and structured deposits totalling RMB420 million from licensed banks in the PRC, all of which are interest-bearing wealth management products. Owing to an inadvertent oversight and insufficient understanding of the classification of wealth management products, the Company mistakenly believed that such wealth management products were similar in nature to time deposits, resulting in a deviation from the intended use of the proceeds from the First H Share Placing. As of the Latest Practicable Date, all such wealth management products have been redeemed upon maturity and placed in short-term interest-bearing accounts with licensed commercial banks and/or other authorized financial institutions, and the Group will gradually apply the amount unutilized in accordance with the intended purposes as stated in the First H Share Placing Announcements. We will comply with the PRC laws in relation to foreign exchange registration and remittance of proceeds.

DIRECTORS' REPORT

Use of Proceeds from the Second Placing of H Shares

After deducting commissions and estimated expenses, the net proceeds from the Second H Share Placing amounted to approximately HK\$1,550.425 million, which will be applied by the Company in accordance with the proposed uses set out in the Second H Share Placing Announcements. During the reporting period, the proposed uses and actual utilization of the net proceeds from the Second H Share Placing are set out below:

Intended use of net proceeds from the Second H Share Placing	Allocation of net proceeds from the Second H Share Placing (HK\$ million)	Approximate percentage of total net proceeds from the Second H Share Placing	Utilized proceeds during the Reporting Period (HK\$ million)	Unutilized proceeds as of December 31, 2025 (HK\$ million)	Expected timetable for the full utilization of unutilized proceeds
(1) Capacity expansion	482.26	31%	0.00	482.26	On or before December 31, 2028
(2) Repayment of interest-bearing liabilities	376.24	24%	88.42	287.82	On or before December 31, 2028
(3) Working capital and general corporate purposes	691.93	45%	234.37	457.56	On or before December 31, 2028
a. Salaries, social insurance, housing provident funds and other human resources expenses	202.15	13%	54.21	147.94	On or before December 31, 2028
b. Payments to suppliers and service providers	289.78	19%	180.15	109.63	On or before December 31, 2028
c. Potential onshore and offshore investments	200.00	13%	0.00	200.00	On or before December 31, 2026
Total	1,550.43	100%	322.78	1,227.64	

Note: Amounts have been rounded to the nearest two decimal places. Any discrepancies between the total shown and the sum of the amounts listed in the table are due to rounding.

In order to improve capital utilization efficiency, make reasonable use of the proceeds from the Second H Share Placing, maximize the return on surplus cash generated therefrom and safeguard the interests of shareholders, during the Reporting Period, the Group used the proceeds from the Second H Share Placing to purchase large-denomination negotiable CDs and structured deposits totalling RMB1,099 million from licensed banks in the PRC, all of which are interest-bearing wealth management products. Owing to an inadvertent oversight and insufficient understanding of the classification of wealth management products, the Company mistakenly believed that such wealth management products were similar in nature to time deposits, resulting in a deviation from the intended use of the proceeds from the Second H Share Placing. The Group will complete the transfer or withdrawal of such wealth management products as soon as possible by June 2026, and place them together with the unutilized net proceeds from the Second H Share Placing in short-term interest-bearing accounts with licensed commercial banks and/or other authorized financial institutions, and will gradually apply the amount unutilized in accordance with the intended purposes as stated in the Second H Share Placing Announcements. We will comply with the PRC laws in relation to foreign exchange registration and remittance of proceeds.

DIRECTORS' REPORT

EMPLOYEE SHARE INCENTIVE SCHEME

Pre-IPO Share Plan

The Group adopted an employee share incentive scheme prior to the listing (the “**Pre-IPO Share Plan**”).

The Company granted and allotted to qualified participants an aggregate of 50,559,342 Shares under the Pre-IPO Share Plan, representing approximately 5.75% of the share capital in issue of the Company upon its initial public offering. No further Shares will be granted by the Company under the Pre-IPO Share Plan after listing and the terms of the Pre-IPO Share Plan are not subject to the provisions of Chapter 17 of the Listing Rules. For further details on the Pre-IPO Share Plan, please refer to the Prospectus.

The following is a summary of the principal terms of the Pre-IPO Share Plan as amended and approved by us on April 7, 2024.

Purposes: The purposes of the Pre-IPO Share Plan are to promote the Company's core value of “growth and sharing”, establish an excellent value distribution system, and motivate and regulate the Group's employees. This enables employees to share in the benefits of the Company's growth and strengthens team cohesion.

Types of awards: The Pre-IPO Share Plan governs the award of restricted share units (the “**Awards**”).

Participants: Persons eligible to participate in the Pre-IPO Share Plan (the “**Participants**”) include key management personnel, core staff, and other significant employees who have major value and impact on the Group's development, as well as other individuals who have made significant contributions to the Group's growth.

Maximum number of Shares: The maximum number of Shares underlying the Pre-IPO Share Plan is 71,678,760 Shares, representing approximately 7.83% of the share capital in issue of the Company as at the Latest Practicable Date. No further Awards will be granted by the Company under the Pre-IPO Share Plan after listing.

Administration: The Pre-IPO Share Plan is managed by an internal department or candidate (the “**Administrator**”) authorized by the Board of the Company. The Administrator has the power, among other things, (i) to interpret, revise, alter, or abolish the terms and implementation of the Pre-IPO Share Plan; (ii) to identify individuals with significant value and contribution to the development of the Group as the Participants under the Pre-IPO Share Plan; and (iii) to determine the allocation, grant, unlock, exercise, or termination of any incentive shares, along with their terms and conditions.

Service Period: In order to be eligible to participate in the Pre-IPO Share Plan, a Participant shall have at least served in the Group for no less than four years from the date on which the Participant signs the labor contract with the Group (the “**Service Period**”).

Vesting Schedule: The Awards granted to a Participant will vest within four years from the date of his/her joining the Company, of which 75% will vest at the end of the third year and 25% will vest at the end of the fourth year, or vest in the year following the completion of the Company's initial public offering, whichever is later.

DIRECTORS' REPORT

Non-transferability of the Awards: Except as otherwise provided by the Administrator, no Award shall be transferred by a Participant. Without the prior written consent of the Administrator, a Participant shall not sell, transfer, assign, pledge, mortgage, gift, or otherwise dispose of incentive shares obtained and held under the Pre-IPO Share Plan (whether vested or not).

Lapse of the Awards: In the event of resignation, dismissal, retirement, death, disability, or other change in circumstances, the Administrator shall have the right (but not an obligation) to repurchase any Awards granted in accordance with the terms of the Pre-IPO Share Plan. The Administrator shall have the right (but not an obligation) to purchase, either on its own account or by a designated third-party employee, the employee's share of the employee shareholding platform under the terms of the Pre-IPO Share Plan if: (i) the employee resigns voluntarily, the Group requires termination of the employment relationship, the employment contract expires and is not renewed, or the employee and the Group mutually agree to terminate the employment contract; (ii) the employee resigns or is dismissed due to misconduct; or (iii) the employee is unable to continue working for the Group due to death, disability, or retirement before the listing.

Details of the Awards Granted: As at December 31, 2025, an aggregate of 8,342,535 shares of the Awards remain unvested. The following table sets out the share of Awards not vested as at January 1, 2025 and December 31, 2025 under the Pre-IPO Share Plan, and the movement in such share during the Reporting Period:

Name of the grantees	Position held in our Group	Date of complete grant of Awards	Awards not vested as at January 1, 2025	Granted during the Reporting Period	Vested during the Reporting Period ⁽²⁾	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Awards not vested as at December 31, 2025
Dr. Wu Jingang	Executive Director and chief executive officer	January 1, 2024	10,001,142	0	7,500,857	0	0	2,500,285
Mr. Yang Zhen	Director of the Company's subsidiary	September 8, 2023	80,000	0	80,000	0	0	0
Mr. Wu Lei	Director of the Company's subsidiary	July 8, 2023	400,000	0	300,000	0	0	100,000
Subtotal of employee Participants other than Directors ⁽⁴⁾			20,058,200	0	14,050,950	0	265,000 ⁽³⁾	5,742,250
Total			30,539,342	0	21,931,807	0	265,000	8,342,535

Notes:

- (1) The purchase price of the Awards under the Pre-IPO Share Plan is RMB1 per Share.
- (2) During the Reporting Period, the relevant Awards were vested as the Participants had met the corresponding service period conditions.
- (3) During the Reporting Period, there were cases of resignation of the incentive targets. According to the rules of the Pre-IPO Share Plan, the Administrator repurchased and lapsed 265,000 shares.
- (4) As the Company has abolished the Supervisory Committee, Mr. Ke Shanyong and Ms. Lai Guangyi ceased to serve as Supervisors, and changes in the Awards held by them have been classified under employee Participants other than Directors. For details, please refer to the section "Changes in Supervisors" in this annual report.

DIRECTORS' REPORT

2025 Share Award Scheme

The Shareholders of the Company approved the adoption of the 2025 Share Award Scheme at the 2025 first extraordinary general meeting held on July 9, 2025. A summary of the principal terms of the 2025 Share Award Scheme is set out below.

Purposes of the Scheme: The purpose of the 2025 Share Award Scheme is to motivate the employees of the Company by awarding shares, to enhance their work enthusiasm and loyalty, and to promote the long-term stable development of the Company. It aims to enable employees to share the benefits brought by the growth of the Company through granting shares of the Company to them, to strengthen the employees' sense of responsibility and mission for the development of the Company, and at the same time to attract and retain outstanding talents to enhance the core competitiveness of the Company.

Validity Period: Subject to any early termination as may be determined by the Board pursuant to the rules of the 2025 Share Award Scheme, the 2025 Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date, and no further awards shall be made upon the expiration of the validity period. As of the date of this annual report, the remaining validity period is approximately nine years and two months.

Source of Funds: The source of funds for the 2025 Share Award Scheme shall be the internal funds of the Company; and/or the amount payable by the incentive targets to the Company (or such other person as the Board and/or the authorized person may direct) in order to obtain the awarded shares in accordance with the terms of the grant letter and/or the scheme rules.

Source of Shares: The source of H Shares under the 2025 Share Award Scheme shall be the H Shares to be acquired and/or new H Shares to be issued to the Trustee (including Treasury Shares, if any) using the funds of the 2025 Share Award Scheme by the trustee pursuant to the trust deed and in accordance with the instructions of the Company and the relevant provisions of the rules of the 2025 Share Award Scheme.

Scheme Mandate Limit: As of the Latest Practicable Date, the mandate limit of the 2025 Share Award Scheme shall not exceed 49,125,718 H Shares, representing approximately 5.37% of the issued share capital of the Company (excluding Treasury Shares) as of the date of this annual report.

Eligible Participants: Persons entitled to participate in the 2025 Share Award Scheme are all employee participants, including senior management, core technical personnel and business backbones who have made outstanding contributions to the development of the Company.

Grant of Share Awards and Purchase Price: The Board or the chairperson (authorized by the Board) shall have the right (but shall not be bound) to grant awards out of the share pool to any eligible participant at any time during the continuation of the 2025 Share Award Scheme pursuant to the 2025 Share Award Scheme. Whether such H Shares are fully paid or credited as fully paid shall be determined by the Board or the chairperson (authorized by the Board) pursuant to the 2025 Share Award Scheme. The eligibility of any eligible participant to an award shall be determined by the Board or the chairperson (authorized by the Board) from time to time on the basis of their opinion as to his/her contribution and/or future contribution to the development and growth of the Group. Subject to the requirements of the Listing Rules, the purchase price (if any) of any award shall be determined at the sole discretion of the Board or the chairperson (authorized by the Board) at the time of the grant of the relevant award (and stated in the grant notice), taking into account factors such as the current closing price of H Shares, the purpose of the scheme, and the characteristics and background of the relevant participant.

DIRECTORS' REPORT

Vesting of Share Awards: The vesting date of any award shall not be less than 12 months from the date of grant. The awarded shares will be vested in tranches in the agreed proportion after the selected participant satisfies the corresponding vesting conditions, and the vesting period and vesting schedule are as follows:

Vesting arrangement	Vesting date	Vesting proportion
First vesting date	The first trading day after 12 months from the date of grant	25%
Second vesting date	The first trading day after 24 months from the date of grant	25%
Third vesting date	The first trading day after 36 months from the date of grant	25%
Fourth vesting date	The first trading day after 48 months from the date of grant	25%

Provided that the labor contract between the selected participant and the Company is valid and unexpired, and none of the circumstances specified in Article 39 of the Labor Contract Law of the People's Republic of China has occurred in the past 12 months, the trustee shall transfer the legal and beneficial ownership of the awarded shares to any selected participant as soon as practicable after the latest of the following dates in accordance with the provisions of the 2025 Share Award Scheme: (a) the vesting date in accordance with the vesting schedule above; (b) the date on which the trustee receives the necessary information and documents required by the trustee within the prescribed period; and (c) where applicable, the date on which the conditions and/or performance targets (if any) to be attained or paid by such selected participant have been attained or paid and notified to the trustee in writing by the Board or the chairperson (authorized by the Board).

Among them, the performance targets (if any) will be formulated according to the specific circumstances of the relevant selected participant. Depending on the specific circumstances, performance targets may include but are not limited to: (i) the annual results and performance of the Group or a member company of the Group; (ii) whether milestone nodes of major projects of the Group have been achieved; (iii) the key performance indicators of the department and/or business unit to which the selected participant belongs; and (iv) the position of the selected participant and their annual appraisal results. The Board or the chairperson (authorized by the Board) or the Remuneration Committee will conduct a comparative assessment at the end of the performance period of the relevant performance targets and determine at its sole discretion whether the relevant performance targets have been achieved.

As of the Latest Practicable Date, no award of the Company has been granted, vested, cancelled or lapsed under the 2025 Share Award Scheme. At the beginning and at the end of the Reporting Period, the awarded shares that can be granted under the 2025 Share Award Scheme were 49,125,718 H Shares.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2025, the interests and short positions in the Shares, underlying Shares and debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO) held by the following Directors and chief executive of the Company which shall be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which shall be recorded in the register required to be kept by our Company under Section 352 of the SFO, or which shall be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code are as follows:

				As of December 31, 2025	
				Approximate percentage of shareholding in the relevant class of Shares ⁽²⁾ (%)	Approximate percentage of shareholding in the total share capital of our Company ⁽²⁾ (%)
Name	Position in our Company	Nature of interest	Number of Shares held ⁽¹⁾		
Domestic Unlisted Shares					
Dr. Luo	Founder, chairperson of the Board, executive Director	Beneficial owner	24,604,652 (L)	6.32	2.69
		Interests in controlled corporations ⁽³⁾	96,300,985 (L)	24.72	10.52
		Others ⁽⁴⁾	22,818,868 (L)	5.86	2.49
Mr. Son	Executive Director	Beneficial owner ⁽⁴⁾	22,818,868 (L)	5.86	2.49
Mr. Wu Jingang	Executive Director and chief executive officer	Beneficial owner ⁽⁵⁾	5,000,571 (L)	1.28	0.55
Mr. Zhong Shan	Executive Director and chief financial officer	Beneficial owner ⁽⁵⁾	4,600,000 (L)	1.18	0.50
H Shares					
Dr. Luo	Founder, chairperson of the Board, executive Director	Beneficial owner	24,604,653 (L)	4.68	2.69
		Interests in controlled corporations ⁽³⁾	96,300,986 (L)	18.32	10.52
		Others ⁽⁴⁾	22,818,868 (L)	4.34	2.49
Mr. Son	Executive Director	Beneficial owner ⁽⁴⁾	22,818,868 (L)	4.34	2.49
Mr. Wu Jingang	Executive Director and chief executive officer	Beneficial owner ⁽⁵⁾	5,000,571 (L)	0.95	0.55
Mr. Zhong Shan	Executive Director and chief financial officer	Beneficial owner ⁽⁵⁾	4,600,000 (L)	0.88	0.50

DIRECTORS' REPORT

Notes:

- (1) "L" denotes long positions.
- (2) As at December 31, 2025, the Company had 389,559,466 Domestic Unlisted Shares and 525,541,187 H Shares, with a total of 915,100,653 Shares in issue.
- (3) Dr. Luo is (i) the controller of Inno Holding, (ii) the ultimate general partner of Innocore, (iii) the controller of Inno HK, (iv) the ultimate general partner of Inno Youpeng, and (v) the general partner of Xinsheng Dapeng. Therefore, Dr. Luo is deemed to be interested in a total of 96,300,985 Domestic Unlisted Shares and 96,300,986 H Shares through Inno Holding, Innocore, Inno HK, Inno Youpeng and Xinsheng Dapeng for the purpose of the SFO.
- (4) Dr. Luo and Mr. Son agreed on the written voting rights arrangement and voting rights proxy agreement on October 15, 2024 and November 24, 2024, respectively (the "**Voting Rights Arrangements**"). Mr. Son agreed, among others, to have acted and will continue to act pursuant to Dr. Luo's direction for all actions in relation to the voting rights attached to the shares of our Company and Inno Holding, in which he was or has been interested directly or indirectly pursuant to a written voting rights arrangement entered into between Dr. Luo and Mr. Son on October 15, 2021. Further, pursuant to the voting rights proxy agreement (the "**Voting Rights Proxy Agreement**") entered into between Dr. Luo and Mr. Son on November 24, 2024, Mr. Son confirmed that he has appointed and will appoint Dr. Luo as his true and lawful proxy to vote all shares of our Company and Inno Holding that Mr. Son has been and will be interested at any and all meetings of shareholders of our Company and Inno Holding (as the case may be), and on any and all actions taken by written consent of shareholders of our Company and Inno Holding (as the case may be). Prior to the Voting Rights Proxy Agreement, Mr. Son has acted pursuant to Dr. Luo's direction for all actions in relation to the voting rights attached to the shares of our Company and Inno Holding, in which he was or has been interested directly or indirectly. The Voting Rights Arrangements will remain valid until termination with mutual written consent of both parties.
- (5) All Shares held by Mr. Wu Jingang and Mr. Zhong Shan are Shares granted under the Pre-IPO Share Plan.

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

During the Reporting Period, none of the Directors and chief executive of the Company (including their spouses or children under the age of 18) were authorized by the Company the rights to subscribe for any Shares or debentures of the Company or any associated corporations.

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2025, so far as the Directors are aware, the following persons (other than Directors or the chief executive of our Company) had the interests or short positions in the Shares or underlying Shares of our Company which shall be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which shall be recorded in the register required to be kept by our Company under Section 336 of the SFO:

			As of December 31, 2025	
			Approximate percentage of shareholding in the relevant class of Shares ⁽²⁾	Approximate percentage of shareholding in the total share capital of our Company ⁽²⁾
Name of Shareholders	Nature of interest	Number of Shares held ⁽¹⁾	(%)	(%)
Domestic Unlisted Shares				
Inno Holding	Beneficial owner	43,001,465 (L)	11.04	4.70
Shenzhen CMB Growth No.17 Equity Investment Fund L.P. (深圳市招銀成長拾柒號股權投資基金合夥企業(有限合夥))	Beneficial owner ⁽³⁾	48,902,412 (L)	12.55	5.34
China Merchants Bank Co., Ltd. (招商銀行股份有限公司)	Interests in controlled corporations ⁽³⁾	65,880,676 (L)	16.91	7.20
CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理(深圳)有限公司)	Interests in controlled corporations ⁽³⁾	65,880,676 (L)	16.91	7.20
CMB International Capital Holdings Corporation Limited (招銀國際金融控股有限公司)	Interests in controlled corporations ⁽³⁾	65,880,676 (L)	16.91	7.20
CMB International Capital Corporation Limited (招銀國際金融有限公司)	Interests in controlled corporations ⁽³⁾	65,880,676 (L)	16.91	7.20
CMB Finance Holding (Shenzhen) Co., Ltd. (招銀金融控股(深圳)有限公司)	Interests in controlled corporations ⁽³⁾	65,880,676 (L)	16.91	7.20
Suzhou Wujiang Industrial Investment Co., Ltd. (蘇州市吳江產業投資有限公司)	Beneficial owner ⁽⁴⁾	44,749,893 (L)	11.49	4.89
Suzhou Wujiang Dongfang State-owned Capital Investment and Management Co., Ltd. (蘇州市吳江東方國有資本投資經營有限公司)	Interests in controlled corporations ⁽⁴⁾	44,749,893 (L)	11.49	4.89

DIRECTORS' REPORT

Name of Shareholders	Nature of interest	Number of Shares held ⁽¹⁾	As of December 31, 2025	
			Approximate percentage of shareholding in the relevant class of Shares ⁽²⁾ (%)	Approximate percentage of shareholding in the total share capital of our Company ⁽²⁾ (%)
State-owned Assets Supervision and Administration Office of Wujiang District Government of Suzhou (蘇州市吳江區人民政府國有資產監督管理辦公室)	Interests in controlled corporations ⁽⁴⁾	44,749,893 (L)	11.49	4.89
Shenzhen Huaye Tiancheng Investment Co., Ltd. (深圳華業天成投資有限公司)	Beneficial owner ⁽⁵⁾	33,967,323 (L)	8.72	3.71
Sun Yelin (孫業林)	Interests in controlled corporations ⁽⁵⁾	33,967,323 (L)	8.72	3.71
H Shares				
Inno Holding	Beneficial owner	43,001,466 (L)	8.18	4.70
Shenzhen CMB Growth No.17 Equity Investment Fund L.P. (深圳市招銀成長拾柒號股權投資基金合夥企業(有限合夥))	Beneficial owner ⁽³⁾	48,902,412 (L)	9.31	5.34
China Merchants Bank Co., Ltd. (招商銀行股份有限公司)	Interests in controlled corporations ⁽³⁾	65,880,674 (L)	12.54	7.20
CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理(深圳)有限公司)	Interests in controlled corporations ⁽³⁾	65,880,674 (L)	12.54	7.20
CMB International Capital Holdings Corporation Limited (招銀國際金融控股有限公司)	Interests in controlled corporations ⁽³⁾	65,880,674 (L)	12.54	7.20
CMB International Capital Corporation Limited (招銀國際金融有限公司)	Interests in controlled corporations ⁽³⁾	65,880,674 (L)	12.54	7.20
CMB Finance Holding (Shenzhen) Co., Ltd. (招銀金融控股(深圳)有限公司)	Interests in controlled corporations ⁽³⁾	65,880,674 (L)	12.54	7.20
SK China Company Limited	Beneficial owner ⁽⁶⁾	48,479,039 (L)	9.22	5.30
SK Inc.	Interests in controlled corporations ⁽⁶⁾	48,479,039 (L)	9.22	5.30

DIRECTORS' REPORT

Notes:

- (1) All interests are long positions.
- (2) As at December 30, 2025, the Company had 389,559,466 Domestic Unlisted Shares and 525,541,187 H Shares, with a total of 915,100,653 Shares in issue.
- (3) Each of the general partners of Shenzhen CMB Growth No.17 Equity Investment Fund L.P. (深圳市招銀成長拾柒號股權投資基金合夥企業(有限合夥)) ("**CMB Growth No.17**"), Shenzhen CMB No.1 Equity Investment L.P. (深圳市招銀壹號股權投資合夥企業(有限合夥)) ("**CMB No.1**") and Shenzhen CMB Langyao Growth Equity Investment Fund L.P. (深圳市招銀朗曜成長股權投資基金合夥企業(有限合夥)) ("**CMB Langyao**") is CMB Shenzhen, which is ultimately controlled by China Merchants Bank Co., Ltd. (招商銀行股份有限公司). CMB Growth No.17, CMB No.1 and CMB Langyao (collectively, the "**CMB Investors**") are therefore considered as a group of shareholders. Therefore, China Merchants Bank Co., Ltd. is deemed to be interested in the interests of our Company through CMB Growth No.17, CMB No.1 and CMB Langyao for the purpose of the SFO.
- (4) Suzhou Wujiang Industrial Investment Co., Ltd. (蘇州市吳江產業投資有限公司) is a wholly-owned subsidiary of Suzhou Wujiang Dongfang State-owned Capital Investment and Management Co., Ltd. (蘇州市吳江東方國有資本投資經營有限公司), which is wholly-owned by the State-owned Assets Supervision and Administration Office of Wujiang District Government of Suzhou (蘇州市吳江區人民政府國有資產監督管理辦公室). Therefore, the State-owned Assets Supervision and Administration Office of Wujiang District Government of Suzhou is deemed to be interested in the interests of Suzhou Wujiang Industrial Investment Co., Ltd. in our Company for the purpose of the SFO.
- (5) Each of the general partners of Shenzhen Tongchuang Zhuoyue Investment L.P. (深圳同創卓越投資合夥企業(有限合夥)) ("**Tongchuang Zhuoyue**"), Hunan Huaye Tiancheng Venture Capital Investment L.P. (湖南華業天成創業投資合夥企業(有限合夥)) ("**Huaye Tiancheng**"), Xiamen Huaye Qirong Venture Capital Partnership L.P. (廈門華業啟融創業投資合夥企業(有限合夥)) ("**Huaye Qirong**") and Shenzhen Gongchuang Future Investment Partnership L.P. (深圳共創未來投資合夥企業(有限合夥)) ("**Gongchuang Future**") is ultimately managed by Shenzhen Huaye Tiancheng Investment Co., Ltd. ("**Huaye Investment**"), which is ultimately controlled by Mr. Sun Yelin (孫業林). Therefore, each of Mr. Sun Yelin and Huaye Investment is deemed to be interested in the interests of Tongchuang Zhuoyue, Huaye Tiancheng, Huaye Qirong and Gongchuang Future in our Company for the purpose of the SFO.
- (6) SK China Company Limited is ultimately controlled by SK Inc. Therefore, SK Inc. is deemed to be interested in the interests of SK China in our Company for the purpose of the SFO.

Save as disclosed above, as at December 31, 2025, the Directors were not aware of any other person (other than Directors or the chief executive of our Company) who had the interests or short positions in the Shares or underlying Shares of our Company which shall be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which shall be recorded in the register required to be kept by our Company under Section 336 of the SFO.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2025, none of the Directors or their respective associates has an interest in any business which competes or is likely to compete (whether directly or indirectly) with the business of the Group, which would require disclosure under Rule 8.10 of the Listing Rules.

INTERESTS OF DIRECTORS IN TRANSACTION, ARRANGEMENT OR CONTRACT

During the year ended December 31, 2025, no Director or any entity connected with them had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Company to which the Company or any of its subsidiaries or fellow subsidiaries was a party.

RIGHTS OF DIRECTORS AND CHIEF EXECUTIVE TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed in the section headed "Share Incentive Scheme" above, none of the Company, its holding company or any of its subsidiaries was a party to any arrangement enabling the Directors and chief executive to acquire benefits by means of the acquisition of shares or debt securities (including debentures) of the Company or any other body corporate at any time during the Reporting Period.

REMUNERATIONS OF DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of remunerations of Directors, senior management and the five highest paid individuals are set out in note 8 and note 9 to the consolidated financial statements respectively.

According to code provision E.1.5 of the Corporate Governance Code, the remuneration for members of the senior management for the year ended December 31, 2025 within the following bands is set out below:

	Number of individuals
Below RMB1,000,000	0
RMB1,000,000 to RMB2,000,000 (inclusive of RMB2,000,000)	2
RMB2,000,000 to RMB3,000,000 (inclusive of RMB3,000,000)	1
Above RMB3,000,000	2
Total	5

None of the Directors waived or agreed to waive any remuneration and there were no remunerations paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into any service contract with the Company or its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions

The Company has conducted the following transactions in the ordinary and usual course of business, which will constitute continuing connected transactions of the Company subject to the annual reporting, announcement and independent Shareholders' approval (as the case may be) requirements under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (where applicable).

1. Financial Services Framework Agreement

On December 10, 2024, our Company entered into a financial services framework agreement (the “**Financial Services Framework Agreement**”) with China Merchants Bank Co., Ltd. Suzhou Branch (招商銀行股份有限公司蘇州分行) (“**CMB Suzhou**”), the branch company of CM Bank. CM Bank is a licensed bank regulated by the China Banking and Insurance Regulatory Commission and headquartered in Shenzhen, the PRC. It has branches and sub-branches (the “**Branch Banks**”) in different locations in PRC where it operates and provides financial and commercial banking services. As at the Latest Practicable Date, Shenzhen CMB Growth No.17 Equity Investment Fund L.P. (深圳市招銀成長拾柒號股權投資基金合夥企業(有限合夥)), Shenzhen CMB No.1 Equity Investment L.P. (深圳市招銀壹號股權投資合夥企業(有限合夥)) and Shenzhen CMB Langyao Growth Equity Investment Fund L.P. (深圳市招銀朗曜成長股權投資基金合夥企業(有限合夥)) (collectively, the “**CMB Investors**”) were interested in a total of approximately 14.99% of our Company's issued share capital. CMB Suzhou is a branch company of CM Bank. CM Bank is the holding company of CMB Shenzhen, which is the general partner of each of the CMB Investors. Therefore, CMB Suzhou is an associate of the CMB Investors, therefore our Company's connected person. The initial term of the Financial Services Framework Agreement shall commence on the Listing Date until December 31, 2026, subject to renewal by mutual consent.

Pursuant to the Financial Services Framework Agreement, from time to time, the Branch Banks will provide the following services to our Group:

- (a) **Deposits with Branch Banks:** Our Group may from time to time deposit cash into Branch Banks. In return, Branch Banks will provide deposit services and pay deposit interest to our Group on such deposits. The deposit interest to be paid by the Branch Banks to our Company shall not be lower than the deposit interest rate of the same level as promulgated by the People's Bank of China;

DIRECTORS' REPORT

- (b) **Loan services and other commercial banking services:** Branch Banks may provide loan services and other commercial banking services including but not limited to foreign exchange, payment settlement, receivables collection and letter of guarantee to our Group while our Group will pay loan interests and service fees to Branch Banks. In accordance with the relevant law and regulations as well as the internal rules, Branch Banks will support the application of loans and other commercial banking services by our Group. These services will be provided at interest and fee rates on normal commercial terms or better to our Group; and
- (c) **Wealth management products:** Our Group may purchase wealth management products placed at Branch Banks and may receive investment return. The investment return and consideration in respect of the wealth management products to be purchased from the Branch Banks will be determined and calculated pursuant to the contractual terms of such products.

Reasons for the transactions

Leveraging on CM Bank's broad geographical coverage and its sound market reputation, Branch Banks could provide stable and consistent services to our subsidiaries located in different locations in PRC. Our Group has been cooperating with Branch Banks since the establishment of our Company to satisfy our needs in the ordinary and usual course of business. The Group and Branch Banks have established a long-term and stable business relationship, and Branch Banks have acquired a comprehensive understanding of our business and operational requirements. Taking into consideration above, we believe it is in the best interest of the Group and our shareholders to enter into the Financial Services Framework Agreement.

Pricing Policies

Any deposit, loan, financial services and products made with Branch Banks under the Financial Services Framework Agreement will bear the same interest or service fee rate, adopt the same pricing mechanism and be on the same terms and conditions as would apply to a similar deposit, loan, financial service and/or products made by any other customer of Branch Banks.

Listing Rules Implications

In respect of the Financial Services Framework Agreement, as the highest applicable percentage ratio for each of the three years ending December 31, 2024, 2025 and 2026 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5% on an annual basis, it shall be subject to the annual reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

DIRECTORS' REPORT

Implementation of such continuing connected transaction during the Reporting Period

During the Reporting Period, the proposed annual caps as of December 31, 2025 and the actual total transaction amount incurred under the Financial Services Framework Agreement are as follows:

	Proposed annual caps for the year ended December 31, 2025 (RMB in millions)	Actual transaction amount for the year ended December 31, 2025 (RMB in millions)
Deposits with Branch Banks		
Maximum daily balance of the deposit	2,360.13	726.74
Deposit interest (excluding investment return of wealth management products)	39.68	3.15
Loan services and other commercial banking services		
Maximum daily balance of loan	763.67	63.67
Loan interest and service fee	27.73	1.14
Wealth management products		
Maximum daily balance of the principal of the products	500.00	160.00
Investment return	15.00	0.55

For details of the above transactions, please refer to the section headed "Connected Transactions" in the Prospectus.

DIRECTORS' REPORT

2. Product, Service and Equipment Sales Framework Agreement

On March 28, 2025, the Company entered into a product, service and equipment sales framework agreement (the **"Product, Service and Equipment Sales Framework Agreement"**) with StarK Semiconductor (Wuhan) Co., Ltd. (**"StarK Semiconductor"**). Pursuant to this agreement, the Group agreed to provide GaN epitaxial wafers, outsourced testing services such as failure analysis, as well as equipment and machines such as epitaxial growth equipment to StarK Semiconductor for a term of three years commencing from January 1, 2025 to December 31, 2027 (both days inclusive). StarK Semiconductor is ultimately controlled by Dr. Luo, a member of the Controlling Shareholders Group of the Company. Therefore, StarK Semiconductor constitutes a connected person of the Company under Chapter 14A of the Listing Rules, and the Product, Service and Equipment Sales Framework Agreement and the transactions contemplated thereunder will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Reasons for the transactions

As the first enterprise in the world to achieve large-scale mass production of 8-inch GaN-on-Si wafers, the Group, leveraging on its comprehensive production capabilities, is able to provide relevant products and services to StarK Semiconductor to meet the standards and production time requirements of StarK Semiconductor and its upstream and downstream supply chain customers. Entering into the Product, Service and Equipment Sales Framework Agreement will help to increase the revenue of the Group, of which the sale of relevant equipment and machines to StarK Semiconductor will also help the Group to effectively manage underutilized equipment.

Pricing Policies

The Company and StarK Semiconductor shall reach a consensus through arm's length negotiation on general commercial terms, and determine the unit price of each transaction for the products and related services under the Product, Service and Equipment Sales Framework Agreement in accordance with the following principles: (1) where there is a government-set price, the government-set price shall apply; (2) where there is a government-guided price, the government-guided price shall apply; (3) with reference to industry-guided prices; (4) with reference to market prices; and (5) under identical or comparable conditions, the prices shall be no more favorable than those charged by the Company to other independent third party customers.

Listing Rules Implications

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the highest proposed annual caps under the Product, Service and Equipment Sales Framework Agreement is more than 0.1% but less than 5%, the Product, Service and Equipment Sales Framework Agreement and the transactions contemplated thereunder and the proposed annual caps are only subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirement.

DIRECTORS' REPORT

Implementation of such continuing connected transaction during the Reporting Period

During the Reporting Period, the proposed annual caps for the year ended December 31, 2025 and the actual total transaction amount incurred under the Product, Service and Equipment Sales Framework Agreement are as follows:

	Proposed annual caps for the year ended December 31, 2025 (RMB)	Actual transaction amount for the year ended December 31, 2025 (RMB)
GaN EPI Wafers purchased by StarK Semiconductor from the Group	6,240,000	5,690,679
Outbound testing services such as FA purchased by StarK Semiconductor from the Group	600,000	213,595
Epitaxial growth equipment and machinery purchased by StarK Semiconductor from the Group	16,373,900	12,291,356

For details of the above transactions, please refer to the announcement of the Company dated March 28, 2025.

CONFIRMATION BY INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above non-exempt continuing connected transactions, and confirmed that such continuing connected transactions have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and the proposed annual caps for such non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DIRECTORS' REPORT

AUDITOR'S LETTER

In accordance with Rule 14A.56 of the Listing Rules, the Company has engaged its auditor, KPMG, to report on the Group's continuing connected transactions in accordance with Hong Kong Standards on Assurance Engagements 3000 (Revised) and with reference to Practice Note 740 (Revised) issued by the Hong Kong Institute of Certified Public Accountants. Based on its work, KPMG has provided the Board with a letter confirming that, with respect to the aforesaid continuing connected transactions:

- (a) nothing has come to KPMG's attention that causes it to believe that such disclosed continuing connected transactions have not been approved by the Board;
- (b) in relation to the transactions involving products and services supplied by the Group, nothing has come to KPMG's attention that causes it to believe that such transactions have not followed the Group's pricing policy in any material aspect;
- (c) nothing has come to KPMG's attention that causes it to believe that such transactions have not been carried out in any material aspect in accordance with the agreements relating to such transactions; and
- (d) in relation to the aggregate amounts for each of the aforesaid continuing connected transactions, nothing has come to KPMG's attention that causes it to believe that the amount of such continuing connected transactions has exceeded the annual cap determined by the Company.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2025, save as disclosed in the section headed "Connected Transactions" in this annual report, none of the related party transactions as disclosed in note 31 to the financial statements constituted a non-exempt connected transaction under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PERMITTED INDEMNITY PROVISION

The Company has taken out Directors' liability insurance to protect the Directors of the Company against any loss they may incur as a result of their factual or alleged misconduct.

During the Reporting Period and up to the Latest Practicable Date, permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) was and is being in force to provide appropriate insurance cover for the Directors.

CONTRIBUTION RETIREMENT PLANS

Details of the contribution retirement plans are set out in note 6(b)(i) to the financial statements.

DIRECTORS' REPORT

MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group was not engaged in any litigation or arbitration that would have a material effect on its operating activities.

PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, as of the Latest Practicable Date, the Company has maintained public float in compliance with the relevant requirements of the Listing Rules.

MAJOR SUBSIDIARIES

Details of the names, principal places of business, places of incorporation and issued share capital of the Company's major subsidiaries are set out in note 15 to the financial statements.

ENVIRONMENTAL PROTECTION

The Company's business operations comply with the Law of the People's Republic of China on the Prevention and Control of Air Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on Energy Conservation and various present laws and regulations on environmental protection promulgated by the government of the PRC which have material effects on our operations.

The Company adheres to environmental policies that emphasize earth care, energy saving, consumption reduction, clean production and green environmental protection. The Company complies with laws and regulations and are committed to continual improvement, with the aim of minimizing the negative impact of its operating activities on the environment and ensuring that its environmental protection efforts are legal and compliant. The Company adopted the Environmental Health and Safety Management Manual as the foundational document for its environmental and occupational health and safety management, guiding its internal environmental management practices and signifying its commitment to external stakeholders. The Company also formulated a suite of internal environmental protection management guidelines, including the Control Procedure for Environmental Operation, the Control Procedures for Identification and Assessment of Environmental Factors, the Management Procedures for Environment Monitoring and Measurement and the Planning and Management Procedures for the Realization of Environmental and Occupational Health and Safety Objectives. Inno Zhuhai and Inno Suzhou, our subsidiaries, obtained the ISO14001 environmental management system certification.

DIRECTORS' REPORT

During the Reporting Period, the Company employed a set of metrics, targets and measures to assess and manage the environmental risks impacting our business. These efforts are aimed at reducing the consumption of electricity, water, and natural gas, thereby mitigating the environmental footprint of our operations.

During the Reporting Period, in terms of electricity consumption and density, the Company's electricity consumption and density per million revenue were 114.48 million kWh and 0.09 million kWh/million revenue, respectively. While electricity consumption increased by 5.94 million kWh compared to 2024, the electricity consumption density was 0.04 million kWh/million revenue lower than the 2024 level, successfully achieving the target of a 5% reduction in electricity consumption per million revenue compared to 2024. To achieve this target, the Company has initiated several energy-saving projects, including the reduction of speed in Fan Filter Units ("**FFU**"), improvements in air-cooled chillers, and the implementation of energy-saving lighting protocols. Additionally, the Company utilized SAP, BPM, and PCCS systems for intelligent online material management to enhance warehouse operations, thereby reducing operational time and increasing efficiency. The Company also optimized operational procedures to lower energy consumption, and enforced measures such as maintaining optimal air conditioning temperatures, rational use of lifts, and promoting the use of energy-efficient appliances.

During the Reporting Period, in terms of water consumption and density, the Company's water consumption and density per million revenue were 789.43 thousand tonnes and 0.65 thousand tonnes/million revenue, respectively. While water consumption increased by 31.91 thousand tonnes compared to 2024, the water consumption density was 0.26 thousand tonnes/million revenue lower than the 2024 level, successfully achieving the target of a 5% reduction in water consumption per million revenue compared to 2024. To achieve this target, the Company has implemented water-saving projects and utilized storage systems to recycle and reuse water. A dedicated wastewater recycling system has been established by the Company to treat water from acid and alkali pools, which is then reused in cooling towers. Additionally, the Company also turned off water valves in less frequented public areas, and posted water-saving signs to encourage reduced water usage.

During the Reporting Period, in terms of natural gas consumption and density, the Company's natural gas consumption per million revenue were 254.82 thousand m³ and 0.21 thousand m³/million revenue, respectively, representing a decrease of 2.79 thousand m³ and 0.1 thousand m³/million revenue compared to 2024 levels, successfully achieving the target of a 5% reduction in natural gas consumption per million revenue compared to 2024. To meet this target, the Company has adjusted the temperature and humidity control methods of Make-up Air Units ("**MAU**") to reduce natural gas consumption. The Company also optimized heat usage without affecting ammonia nitrogen wastewater discharge standards and enhanced equipment maintenance to improve natural gas efficiency and prevent gas leaks.

For further details regarding the Group's environmental policies and performance, please refer to the Company's 2025 Environmental, Social and Governance Report.

DIRECTORS' REPORT

HUMAN RESOURCES AND REMUNERATION POLICY

Human resources are particularly important to achieve the long-term sustainable development of the Company. We uphold the principle of valuing moral character as the foremost quality, alongside competence and integrity. We are committed to creating a diverse, equal, personality-respecting, positive and self-transcending work environment and development platform for our employees.

We offer our executive Directors and senior management members, who are also the Company's employees, compensation in the form of fees, salaries, retirement benefit scheme contributions, discretionary bonus, housing allowances and other benefits in kind in accordance with industry practice and their result performance. Our independent non-executive Directors receive compensation with reference to their respective positions and duties, including being a member or the chairperson of Board committees.

As required under PRC laws and regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity and unemployment benefit plans, under which we make contributions at specific percentages of the salaries of our employees.

Our Company grants share options as incentives and rewards to eligible participants who contribute to the success of our operations. Our employees (including Directors) receive remuneration in the form of such share-based payments, whereby employees render services in exchange for equity instruments.

In addition to salaries and benefits, we generally provide performance-based bonuses for our full-time employees. We have established a comprehensive system for employee training and development, including general trainings covering corporate culture, employee rights and responsibilities, workplace safety, data security and other logistics aspects, as well as specific trainings that improve employee knowledge and expertise in certain important areas related to our business. We are committed to making continual efforts to provide an engaging working environment for our employees. The Group also adopted the Pre-IPO Share Plan prior to the listing. For further details on the Pre-IPO Share Plan, please see the section headed "Share Incentive Scheme" in this annual report.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, during the year ended December 31, 2025, the Company did not enter into any contract in respect of the management or administration of the whole or significant part of the business of the Company nor any such contract subsisted.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption to the holders of any securities of the Company as a result of their holding of such securities.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the PRC which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" in this annual report, during the Reporting Period, (i) no contract of significance was entered into by, and/or subsisted between the Company or any of its subsidiaries with its controlling shareholder or any of its subsidiaries; and (ii) there is no contract of significance in relation to provision of services by the controlling shareholder or any of its subsidiaries to the Group.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2025.

AUDITOR

During the year ended December 31, 2025, the Company's independent auditor is KPMG. The financial statements set out in this annual report have been audited by KPMG. There has been no change in auditor of the Company in the preceding three years and since the Listing Date.

DONATION

During the year ended December 31, 2025, the donation expenditure of the Group was RMB2.83 million.

COMPLIANCE WITH LAWS AND REGULATIONS

The business operated by the Company is primarily regulated by the laws, rules and regulations of the PRC. During the Reporting Period, the Company has complied with the relevant laws, rules and regulations that have a material impact on the Company.

SUBSEQUENT EVENTS

Save as disclosed in this annual report, there were no significant subsequent events occurred to the Group since December 31, 2025 up to the Latest Practicable Date.

On behalf of the Board
InnoScience (Suzhou) Technology Holding Co., Ltd.
Dr. Weiwei Luo
Chairperson of the Board and Executive Director

Hong Kong, China, 27 March 2026

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the shareholders of InnoScience (Suzhou) Technology Holding Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of InnoScience (Suzhou) Technology Holding Co., Ltd. ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 87 to 154, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("**the Code**"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Revenue recognition

Refer to Note 4 to the consolidated financial statements and the accounting policies on pages 106 to 107.

The Key Audit Matter

The Group's revenue principally comprises sales of GaN Discrete Chips and GaN ICs, GaN Wafers and GaN Modules.

The Group recognises revenue from sales of GaN Discrete Chips and GaN ICs, GaN Wafers and GaN Modules at the point in time when control of the goods is transferred to the customer, which is the point when the goods are accepted by customers.

We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and there is an inherent risk that revenue may be recognised in the incorrect period or manipulated by management to meet targets or expectations.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of revenue included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of Group's key internal controls in relation to revenue recognition;
- inspecting, on a sample basis, customers contracts to identify terms and conditions and assessing the appropriateness of the Group's recognition of revenue with reference to the requirements of the prevailing accounting standards;
- inspecting, on a sample basis, sales contracts, invoices and underlying documents of control transfer ("**underlying documentation**") for revenue transactions recorded during the current year to assess whether the related revenue was recognised in accordance with the Group's revenue recognition accounting policies;
- inspecting, on a sample basis, underlying documentation for revenue transactions recorded before and after the financial year-end date to assess whether the related revenue had been recognised in the appropriate financial period;
- Inspecting sales returns after the financial year-end to assess whether the sales returns had been recognised in the appropriate financial period; and
- Inspecting underlying documentation for journal entries relating to revenue which meet specific risk-based criteria.

INDEPENDENT AUDITOR'S REPORT

Valuation of inventories

Refer to Note 16 to the consolidated financial statements and the accounting policies on page 102.

The Key Audit Matter

As at 31 December 2025, the carrying amount of the Group's inventories was RMB897,493,000, where inventories write-down of RMB180,234,000 was recognised as at 31 December 2025.

Inventories are stated at the lower of cost and net realisable value.

The Group maintains its inventories level based on customer orders and forecast demand. There is a risk that the net realisable value of inventories may fall below their costs due to changes in customer demand, product iteration and the consequent overstocking of inventories at the end of the reporting period.

The estimation of inventory write-down involves significant management judgments based on consideration of key factors such as assessment of the physical condition of inventories, inventory aging, future sales projection, and the estimation of the net realisable value of the inventories.

We identified the valuation of inventories as a key audit matter because inventories are significant to the consolidated financial statements and there is significant degree of management judgement involved in determining the write-down of inventories.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of inventories included the following:

- obtaining an understanding of and evaluating the design and implementation of the Group's key internal controls over the inventories write-down and write-down assessment process;
- assessing whether the inventories write-down policy is appropriate with reference to the requirements of the prevailing accounting standards;
- performing a retrospective review on the inventories write-down by comparing the actual sales of written down inventories during the year with the forecast made in the previous year, in order to assess if there is any indicator of management bias;
- observing physical condition of inventories, on a sample basis, during attendance of inventory count to identify slow moving, damaged, or obsolete inventories, and inspecting the inventory financial records to ascertain whether write-down had been recognised for those inventories;
- assessing, on a sample basis, whether items in the inventory ageing reports were classified within the appropriate ageing bucket by comparing individual items with goods received notes and stock-in reports;
- assessing the reasonableness of the key parameters and assumptions used in the inventories write-down adopted by the management, taking into account the ageing for the inventories, the historical write-down rate and the Group's current circumstances; in addition, for the net realisable value of inventories, comparing, on a sample basis, with sales prices subsequent to the end of the reporting period; and
- recalculating the inventories write-down based on the Group's inventories write-down policy.

INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon as part of our engagement to audit the consolidated financial statements. We have performed an assurance engagement on the disclosed continuing connected transactions that form part of the other information and provided a separate assurance practitioner's conclusion thereon that is included within the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shum Man Kwong Alex (practising certificate number: P04672).

KPMG

Certified Public Accountants

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

27 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

(Expressed in RMB'000)

		Years Ended 31 December	
	Note	2025 RMB'000	2024 RMB'000
Revenue	4	1,213,273	828,459
Cost of sales		(1,124,509)	(989,876)
Gross profit/(loss)		88,764	(161,417)
Other net income	5	113,101	72,233
Selling and marketing costs		(109,971)	(97,905)
Administrative expenses		(470,396)	(451,160)
Research and development costs		(374,239)	(323,028)
Loss from operations		(752,741)	(961,277)
Finance costs	6(a)	(87,258)	(84,065)
Loss before taxation	6	(839,999)	(1,045,342)
Income tax	7(a)	(514)	(335)
Loss for the year attributable to equity shareholders of the Company		(840,513)	(1,045,677)
Loss per share			
Basic and diluted (RMB)	10	(0.95)	(1.28)
Other comprehensive income for the year (after tax and reclassification adjustments)			
Item that is or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
– financial statements of overseas subsidiaries		(1,033)	(1,723)
Other comprehensive income for the year		(1,033)	(1,723)
Total comprehensive income for the year attributable to equity shareholders of the Company		(841,546)	(1,047,400)

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

(Expressed in RMB'000)

		As at 31 December	
	Note	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	11	2,372,038	2,741,887
Right-of-use assets	12	116,474	116,841
Intangible assets	13	118,351	197,720
Other non-current assets	14	130,936	30,860
		2,737,799	3,087,308
Current assets			
Inventories	16	897,493	444,293
Trade and other receivables	17	776,237	484,388
Financial assets measured at fair value through other comprehensive income ("FVOCI")	18	1,636,738	–
Pledged bank deposits	19	7,798	6,306
Time deposits	20	135,483	–
Cash and cash equivalents	21	878,955	1,524,954
		4,332,704	2,459,941
Current liabilities			
Trade and other payables	22	472,431	462,401
Loans and borrowings	23	336,102	522,426
Lease liabilities	24	11,034	11,157
		819,567	995,984

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

(Expressed in RMB'000)

		As at 31 December	
	Note	2025 RMB'000	2024 RMB'000
Net current assets		3,513,137	1,463,957
Total assets less current liabilities		6,250,936	4,551,265
Non-current liabilities			
Loans and borrowings	23	1,893,606	1,401,470
Lease liabilities	24	61,372	59,342
Deferred income	25	85,367	119,435
		2,040,345	1,580,247
NET ASSETS		4,210,591	2,971,018
Share capital	27(c)	915,100	879,152
Reserves	27(d)	3,295,491	2,091,866
TOTAL EQUITY		4,210,591	2,971,018

Approved and authorised for issue by the Board of Directors on 27 March 2026.

Weiwei Luo
Director

Zhong Shan
Director

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

(Expressed in RMB'000)

		Attribute to equity shareholders of the Company						
		Share capital	Share premium	Capital reserve	Share Award Scheme	Exchange reserve	Accumulated losses	Total equity
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 27(c))	(Note 27(d)(i))	(Note 27(d)(ii))	(Note 27(c)(iv))	(Note 27(d)(iii))		
Balance at 1 January 2024		800,711	9,727,026	448,706	–	3,150	(9,015,670)	1,963,923
Loss for the year		–	–	–	–	–	(1,045,677)	(1,045,677)
Other comprehensive income		–	–	–	–	(1,723)	–	(1,723)
Total comprehensive income		–	–	–	–	(1,723)	(1,045,677)	(1,047,400)
Issue of ordinary shares by initial public offering, net of issuance costs		45,364	1,201,514	–	–	–	–	1,246,878
Capital injection from shareholders		33,077	607,600	–	–	–	–	640,677
Equity-settled share-based transactions	26	–	–	166,940	–	–	–	166,940
Balance at 31 December 2024 and at 1 January 2025		879,152	11,536,140	615,646	–	1,427	(10,061,347)	2,971,018
Loss for the year		–	–	–	–	–	(840,513)	(840,513)
Other comprehensive income		–	–	–	–	(1,033)	–	(1,033)
Total comprehensive income		–	–	–	–	(1,033)	(840,513)	(841,546)
Issue of new ordinary shares, net of issuance costs	27(c)	35,948	1,920,360	–	–	–	–	1,956,308
Shares held for Share Award Scheme	27(c)	–	–	–	(39,351)	–	–	(39,351)
Equity-settled share-based transactions	26	–	–	164,162	–	–	–	164,162
Balance at 31 December 2025		915,100	13,456,500	779,808	(39,351)	394	(10,901,860)	4,210,591

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2025

(Expressed in RMB'000)

	Note	Years Ended 31 December	
		2025 RMB'000	2024 RMB'000
Operating activities:			
Cash used in operations	21(b)	(805,917)	(336,011)
Income tax paid		(514)	(335)
Net cash used in operating activities		(806,431)	(336,346)
Investing activities:			
Payment for the purchase of property, plant and equipment and intangible assets		(210,617)	(171,753)
Payments for acquisition of financial assets measured at FVPL		(452,513)	(338,019)
Payments for acquisition of financial assets measured at FVOCI		(1,833,000)	(451,158)
Payment for purchase of time deposits with maturity over 3 months		(135,483)	–
Proceeds from disposal of property, plant and equipment		5,907	17,648
Proceeds from disposal of financial assets measured at FVPL		452,753	359,567
Proceeds from disposal of financial assets measured at FVOCI		200,000	451,158
Interest of financial assets measured at FVOCI received		161	3,691
Net cash used in investing activities		(1,972,792)	(128,866)
Financing activities:			
Capital element of lease rentals paid	21(c)	(11,133)	(9,028)
Interest element of lease rentals paid	21(c)	(2,422)	(1,480)
Proceeds from loans and borrowings	21(c)	1,415,795	392,763
Repayment of loans and borrowings	21(c)	(1,116,514)	(521,501)
Interest on loans and borrowings paid	21(c)	(68,662)	(87,753)
Capital contributions by investors	27(c)	–	640,677
Payment for the purchase of shares held for Share Award Scheme	27(c)	(39,351)	–
Proceeds from issuance of new ordinary shares, net of issuance costs	27(c)	1,956,308	1,247,956
Net cash generated from financing activities		2,134,021	1,661,634
Net (decrease)/increase in cash and cash equivalents		(645,202)	1,196,422
Effect of foreign exchange rate changes		(797)	(446)
Cash and cash equivalents at 1 January	21(a)	1,524,954	328,978
Cash and cash equivalents at 31 December	21(a)	878,955	1,524,954

The accompanying notes form part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

InnoScience (Suzhou) Technology Holding Co., Ltd. (the “**Company**”) (英諾賽科(蘇州)科技股份有限公司) was incorporated in Suzhou, Jiangsu Province, People’s Republic of China (the “**PRC**”) on 21 July 2017 as a limited liability company. In September 2023, the Company was converted from a limited liability company into a joint stock limited liability company. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 30 December 2024 (the “**Listing**”).

The Company and its subsidiaries (together, “**the Group**”) are principally engaged in design, research and development and manufacture of various types of Gallium Nitride (“**GaN**”) power semiconductor products.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new or amended HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out in Note 2(e).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (Continued)

The preparation of financial statements in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

The Group has applied amendments to HKAS 21, The effects of changes in foreign exchange rates – Lack of exchangeability issued by the HKICPA to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

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

(e) Other investments in securities

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

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 28(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(s)(ii)). Any gain or loss on derecognition is recognised in profit or loss.
- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in other comprehensive income. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment

Property, plant and equipment, are stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(i)(ii)). If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(u)).

Any gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. The estimated useful lives for the current and comparative periods are as follows:

– Plant and buildings	5 – 20 years
– Equipment and machinery	5 – 10 years
– Vehicles	5 years
– Office equipment and furniture	3 – 5 years
– Leasehold improvements	Shorter of useful lives or lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see Note 2(i)(ii)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(i)(ii)).

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful life for non-patented technology and software were decided with reference to the shortest period among the expected service life, the expected beneficial life and the effective life stipulated by the applicable law. The estimated useful lives for the current and comparative periods are as follows:

Non-patented technology	10 years
Software	5 – 10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value items which, for the Group are primarily vehicles and staff dormitories. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets (Continued)

(i) As a lessee (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(iii)). Depreciation is calculated using the straight-line method over the unexpired term of lease.

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see Notes 2(e)(i), 2(s)(ii) and 2(i)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**"), if such modification is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (“**ECLs**”) on financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits, trade and other receivables).

Other financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

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

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and
- variable-rate financial assets: current effective interest rate.

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

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

ECLs are measured on the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

(i) Credit losses from financial instruments (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(i)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Inventories

Inventories are measured at the lower of cost and net realisable value.

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(s)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 2(l)).

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. All receivables are subsequently stated at amortised cost (see Note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2(i)(i).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Loans and borrowings

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

(ii) Share-based payments

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

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

Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the options or restricted share units, the total estimated fair value of the options or restricted share units is expensed over the vesting period, taking into account the probability that the options or restricted share units will vest. During the vesting period, the number of share options or restricted share units that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve.

On vesting date, the amount recognised as an expense is payment expenses to reflect the actual number of equity-settled share-based payments award that vest (with a corresponding adjustment to the capital reserve).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (Continued)

(ii) Share-based payments (Continued)

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

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

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in separate financial statements of the Company.

(iii) Termination benefits

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

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income (“OCI”).

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(r) Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of products that are sourced externally. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

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

(i) Sale of goods and provision of services

Sales of the Group's products are recognised as follows:

- Sale of GaN power semiconductor products

Revenue is recognised when the customer takes possession of and accepts the products and/or services.

- Revenue from rendering of services

Revenue from rendering of services is recognised over time by measuring the progress of that performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(s) Revenue and other income (Continued)

(ii) Interest income

Interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(iii) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised as income in the profit or loss on a straight-line basis over the useful life of the related asset.

(t) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss. The income and expenses of foreign operations are translated into RMB at the exchange rates at the rates that approximate the spot exchange rates. Foreign currency differences are recognised in OCI and accumulated in the exchange reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(v) Related parties (Continued)

(b) (Continued)

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 26 and 28(e) contains information about the assumptions and risk factors relating to fair value of equity-settled share-based transactions and other financial assets. Other key sources of estimation uncertainty are as follows:

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Special consideration is given to estimations of the selling price of those technically obsolete and/or slow-moving inventory items.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(ii) Useful life of intangible assets and property, plant and equipment

Intangible assets are amortised and property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the respective assets, after taking into account the estimated residual values. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during the reporting period. The useful lives are based on the industry experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(iii) Impairment of intangible assets and property, plant and equipment

Internal and external sources of information are reviewed at the end of each reporting period to assess whether there is any indication that property, plant and equipment and intangible assets may be impaired. If any such indication exists, the recoverable amount of the related assets is estimated. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future.

(iv) Principal versus agent considerations

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised goods or services before it transfers the goods or services to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

The Group engages third-party subcontractors to assemble and test GaN modules to be sold by providing subcontractors with the Group's chips, designs as well as substantial involvement in the critical decisions of the assembly and testing activities of the subcontractors. While one of the Group's subcontractors was a subsidiary of the Group's customer of GaN modules, the Group has determined that the nature of its performance obligation has always been sales of GaN modules regardless of whichever subcontractor it chooses and that it has the ability to direct the critical decisions involved in the assembly and testing activities of the subcontractors in view of the nature of the designs and the frequent upgrade cycles of the products. The Group is fully exposed to the fulfilment risks related to sales of GaN modules considering the payment terms and pricing bases with the relevant parties. As a result, the Group recognises revenue on a gross basis, recognising the corresponding subcontracting fees as costs of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

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

	Years Ended 31 December	
	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
– Sales of GaN Discrete Chips and GaN ICs	510,061	360,761
– Sales of GaN Wafers	253,390	280,499
– Sales of GaN Modules	446,243	183,946
– Others	3,579	3,253
	1,213,273	828,459

Disaggregation of the Group's revenue from contracts with customers by the timing of revenue recognition is set out below:

	Years Ended 31 December	
	2025 RMB'000	2024 RMB'000
Point-in-time	1,211,045	826,950
Over-time	2,228	1,509
	1,213,273	828,459

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

HKFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. The Group's chief operating decision maker is the chief executive officer of the Group who reviews the Group's consolidated results of operations in assessing performance of and making decisions about allocations to this segment. On this basis, the Company has determined that it only has one operating segment.

(i) Geographic 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 location at which the products were sold.

	Years Ended 31 December	
	2025 RMB'000	2024 RMB'000
Chinese Mainland	1,096,411	702,073
Overseas	116,862	126,386
	1,213,273	828,459

(ii) Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the year is set out below:

	Years Ended 31 December	
	2025 RMB'000	2024 RMB'000
Customer A	384,657	181,885

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 OTHER NET INCOME

	Years Ended 31 December	
	2025 RMB'000	2024 RMB'000
Bank interest income	33,821	2,694
Interest income from financial assets measured at FVOCI	3,899	3,691
Net gain on disposal of property, plant and equipment	18,816	10,772
Net gains on financial assets measured at FVPL	240	1,474
Government grants (Note)	68,960	48,549
Net foreign exchange (loss)/gain	(10,640)	4,877
Others	(1,995)	176
	113,101	72,233

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

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs:

	Years Ended 31 December	
	2025 RMB'000	2024 RMB'000
Interest on		
– loans and borrowings	84,836	85,814
– lease liabilities	2,422	1,480
Less: interest expense capitalised into construction in progress	–	(3,229)
Total interest expense	87,258	84,065

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 LOSS BEFORE TAXATION (CONTINUED)

(b) Staff costs:

Years Ended 31 December			
	Note	2025 RMB'000	2024 RMB'000
Salaries, wages and other benefits		445,150	400,712
Contributions to defined contribution retirement plans		28,084	23,063
Equity-settled share-based payment expenses	26	164,162	166,940
		637,396	590,715

(i) Defined contribution retirement plans

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

The Group's contributions made to the defined contribution retirement scheme are non-refundable and cannot be used to reduce the future or existing level of contribution of the Group should any forfeiture be resulted from the schemes.

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

(c) Other items:

Years Ended 31 December			
	Note	2025 RMB'000	2024 RMB'000
Cost of inventories	16(b)	1,124,509	989,494
Depreciation:			
– owned property, plant and equipment	11	424,570	425,514
– right-of-use assets	12	13,304	9,915
Research and development expenses (i)		374,239	323,028
Amortisation of intangible assets	13	79,461	80,519
Auditors' remuneration		2,490	2,160

(i) During the years ended 31 December 2025, research and development expenses include staff costs, depreciation and amortisation expenses of RMB309,481,000 (2024: RMB277,526,000), of which the amounts are also included in the respective total amounts disclosed separately above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Years Ended 31 December	
	2025 RMB'000	2024 RMB'000
Current tax:		
Provision for PRC income tax for the year	514	335
Deferred tax:		
Origination and reversal of temporary differences	—	—
	514	335

- (b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Years Ended 31 December	
	2025 RMB'000	2024 RMB'000
Loss before taxation	(839,999)	(1,045,342)
Notional tax on loss before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	(205,922)	(258,007)
Effect of preferential tax rate (ii)	51,276	62,412
Effect of additional deduction on research and development expenses (iii)	(43,161)	(31,576)
Tax effect of non-deductible share-based payment expenses	30,306	29,881
Tax effect of other non-deductible expenses	983	181
Effect of deferred tax assets in respect of temporary differences and tax losses not recognised	167,032	197,444
Actual tax expense	514	335

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates: (Continued)

- (i) Pursuant to the Enterprise Income Tax (the “EIT”) Law of the PRC (the “EIT Law”), the Company and its subsidiaries established and operated in the PRC are liable to EIT at a rate of 25% unless otherwise specified.

The Company's subsidiary Innoscience Korea Inc. incorporated in South Korea is liable to South Korea Profits tax at progressive tax rates from 9% to 24% of annual taxable profits. The Company's subsidiary Innoscience America Inc. incorporated in the United States is liable to the federal corporate tax at a rate of 21% and the state income tax at a rate from 8% to 8.87%. The Company's subsidiary Innoscience Europe NV incorporated in Belgium is liable to the Belgium Profits tax at a rate of 25%.

- (ii) According to the EIT Law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. The Company's subsidiaries Innoscience (Zhuhai) Technology Co., Ltd. and Innoscience (Suzhou) Semiconductor Co., Ltd. are qualified high-technology enterprise and are subject to income tax rate at 15% in 2025.

- (iii) Under the PRC EIT Law and its relevant regulations, 100% additional tax deduction is allowed for qualified research and development costs in the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

2025	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Weiwei Luo	–	3,101	729	161	3,991
Jay Hyung Son	–	1,855	518	–	2,373
Jingang Wu (吳金剛)	–	3,705	1,698	53	5,456
Shan Zhong (鐘山)	–	1,667	675	48	2,390
Non-executive directors					
Can Wang (汪燦)	–	–	–	–	–
Yanhong Zhang (張彥紅)	–	–	–	–	–
Mizi Cui (崔米子)	–	–	–	–	–
Independent non-executive directors					
Hin Wing Wong (黃顯榮)	498	–	–	–	498
Jiming Yi (易繼明)	498	–	–	–	498
Simon Shi-Ning Yang (楊士寧)	498	–	–	–	498
Philip Ching Ho Chan (陳正豪)	498	–	–	–	498
Supervisors (i)					
Xingguo Peng (彭星國) (resigned as a supervisor in July 2025)	–	–	–	–	–
Xi Huang (黃喜) (resigned as a supervisor in July 2025)	–	–	–	–	–
Weifeng Ren (任衛峰) (resigned as a supervisor in July 2025)	–	–	–	–	–
Guangyi Lai (賴廣禕) (resigned as a supervisor in July 2025)	–	340	44	34	418
Shanyong Ke (柯善勇) (resigned as a supervisor in July 2025)	–	880	454	56	1,390
	1,992	11,548	4,118	352	18,010

- (i) Pursuant to the Transitional Period Arrangements for the Implementation of the Rules of the Supporting Systems of the New Company Law and the Guidelines for the Articles of Association of Listed Companies issued by the China Securities Regulatory Commission, the Company's extraordinary general meeting resolved to cancel the Supervisory Committee on 9 July 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 DIRECTORS' EMOLUMENTS (CONTINUED)

2024	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Weiwei Luo	–	1,847	660	19	2,526
Jay Hyung Son	–	1,842	658	–	2,500
Jingang Wu (吳金剛)	–	3,400	1,400	48	4,848
Shan Zhong (鐘山)	–	1,575	660	46	2,281
Non-executive directors					
Can Wang (汪燦)	–	–	–	–	–
Yanhong Zhang (張彥紅)	–	–	–	–	–
Mizi Cui (崔米子)	–	–	–	–	–
Independent non-executive directors					
Hin Wing Wong (黃顯榮)	40	–	–	–	40
Jiming Yi (易繼明)	40	–	–	–	40
Simon Shi-Ning Yang (楊士寧)	40	–	–	–	40
Philip Ching Ho Chan (陳正豪)	40	–	–	–	40
Supervisors					
Xingguo Peng (彭星國)	–	–	–	–	–
Xi Huang (黃喜)	–	–	–	–	–
Weifeng Ren (任衛峰)	–	–	–	–	–
(appointed in May 2024)	–	–	–	–	–
Guangyi Lai (賴廣禕)	–	309	32	30	371
(appointed in May 2024)	–	309	32	30	371
Shanyong Ke (柯善勇)	–	671	300	51	1,022
(appointed in May 2024)	–	671	300	51	1,022
	160	9,644	3,710	194	13,708

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 DIRECTORS' EMOLUMENTS (CONTINUED)

Note:

During the year, there were no amounts paid or payable by the Company to the directors or any of the five highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Company or as compensation for loss of office.

Certain directors and supervisors of the Company were granted with restricted share units ("RSUs") under the Company's restricted share unit scheme. The details of the RSUs, including the principal arrangements are disclosed in Note 26. The value of these RSUs is measured according to the Group's accounting policy for share-based payment transactions as set out in Note 2(p)(ii). The related equity-settled share-based payment expenses for the years ended 31 December 2024 and 2025 were as follows:

	2025 RMB'000	2024 RMB'000
Jingang Wu (吳金剛)	67,386	59,447
Guangyi Lai (賴廣禕)	–	201
Shanyong Ke (柯善勇)	–	929

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, One (2024: one) is a director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other four (2024: four) individuals are as follows:

	Years Ended 31 December	
	2025 RMB'000	2024 RMB'000
Salaries, allowance and benefits in kind	5,742	7,771
Discretionary bonuses	1,428	622
Retirement scheme contributions	368	390
Equity-settled share-based payments	21,665	17,965
	29,203	26,748

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

The emoluments of the individuals who are not director and with the highest emoluments are within the following bands:

	Years Ended 31 December	
	2025 Number of individuals	2024 Number of individuals
HK\$		
5,000,001 – 5,500,000	–	1
5,500,001 – 6,000,000	1	–
6,000,001 – 6,500,000	–	–
6,500,001 – 7,000,000	–	1
7,000,001 – 7,500,000	–	1
7,500,001 – 8,000,000	1	–
8,000,001 – 8,500,000	–	–
8,500,001 – 9,000,000	–	–
9,000,001 – 9,500,000	1	1
9,500,001 – 10,000,000	1	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB840,513,000 (2024: RMB1,045,677,000) and the weighted average of 881,025,000 ordinary shares (2024: 819,216,000 shares) in issue or deemed to be in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	Years Ended 31 December	
	2025 '000	2024 '000
Ordinary shares in issue/deemed to be in issue at 1 January	879,152	800,711
Effect of ordinary shares issued under capital injection from shareholders	–	24,395
Effect of ordinary shares issued under initial public offering (Note 27(c))	–	124
Effect of issuance of new ordinary shares (Note 27(c))	11,600	–
Effect of shares repurchased (Note 27(c))	(79)	–
Effect of unvested restricted share units (Note 26)	(9,648)	(6,014)
Weighted average number of ordinary shares at 31 December	881,025	819,216

(b) Diluted loss per share

For the year ended 31 December 2025 and 2024, restricted share units as disclosed in Note 26 were not included in the calculation of diluted loss per share, as their effect would have been anti-dilutive. Accordingly, diluted loss per share were the same as basic loss per share for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and Buildings RMB'000	Equipment and machinery RMB'000	Office equipment and furniture RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost:							
1 January 2024	1,682,370	2,041,132	76,230	4,009	330,520	42,580	4,176,841
Additions	8,875	742	242	265	98,586	3,733	112,443
Transfer	259,821	66,035	7,484	–	(320,688)	(12,652)	–
Disposals	(16,633)	(15,667)	(199)	–	–	–	(32,499)
Exchange adjustments	–	(154)	(7)	–	–	(53)	(214)
At 31 December 2024 and 1 January 2025	1,934,433	2,092,088	83,750	4,274	108,418	33,608	4,256,571
Additions	–	7,777	78	657	62,979	123	71,614
Transfer	6,115	59,972	3,434	–	(69,521)	–	–
Disposals	–	(43,684)	(11)	(1,552)	–	–	(45,247)
Exchange adjustments	–	(63)	(81)	–	–	(2)	(146)
At 31 December 2025	1,940,548	2,116,090	87,170	3,379	101,876	33,729	4,282,792
Accumulated depreciation:							
At 1 January 2024	(246,452)	(809,800)	(34,156)	(2,754)	–	(22,274)	(1,115,436)
Charge for the year	(88,926)	(330,096)	(13,269)	(484)	–	7,261	(425,514)
Written back on disposals	13,818	12,210	170	–	–	–	26,198
Exchange adjustments	–	54	8	–	–	6	68
At 31 December 2024 1 January 2025	(321,560)	(1,127,632)	(47,247)	(3,238)	–	(15,007)	(1,514,684)
Charge for the year	(92,785)	(309,793)	(13,607)	(414)	–	(7,971)	(424,570)
Written back on disposals	–	27,234	11	1,247	–	–	28,492
Exchange adjustments	–	1	7	–	–	–	8
At 31 December 2025	(414,345)	(1,410,190)	(60,836)	(2,405)	–	(22,978)	(1,910,754)
Net book value:							
At 31 December 2025	1,526,203	705,900	26,334	974	101,876	10,751	2,372,038
At 31 December 2024	1,612,873	964,456	36,503	1,036	108,418	18,601	2,741,887

Property, plant and equipment with net book value of RMB1,606,837,000 was pledged as security for bank loans (see Note 23(c)(i)) as at 31 December 2025 (2024: RMB1,830,085,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 RIGHT-OF-USE ASSETS

	Land use rights (a) RMB'000	Office building (b) RMB'000	Equipment and machinery RMB'000	Passenger vehicles RMB'000	Total RMB'000
Cost:					
At 1 January 2024	58,154	17,196	35,321	750	111,421
Additions	–	7,208	34,902	–	42,110
Disposals	–	(323)	–	(750)	(1,073)
Exchange adjustments	–	(12)	–	–	(12)
At 31 December 2024 and 1 January 2025	58,154	24,069	70,223	–	152,446
Additions	–	12,775	265	–	13,040
Disposals	–	(16,513)	–	–	(16,513)
Exchange adjustments	–	(212)	–	–	(212)
At 31 December 2025	58,154	20,119	70,488	–	148,761
Accumulated depreciation:					
At 1 January 2024	(7,848)	(9,968)	(8,240)	(339)	(26,395)
Charge for the year	(1,358)	(4,932)	(3,589)	(36)	(9,915)
Written back on disposals	–	323	–	375	698
Exchange adjustments	–	7	–	–	7
At 31 December 2024 and 1 January 2025	(9,206)	(14,570)	(11,829)	–	(35,605)
Charge for the year	(1,358)	(4,838)	(7,108)	–	(13,304)
Written back on disposals	–	16,513	–	–	16,513
Exchange adjustments	–	109	–	–	109
At 31 December 2025	(10,564)	(2,786)	(18,937)	–	(32,287)
Net book value:					
At 31 December 2025	47,590	17,333	51,551	–	116,474
At 31 December 2024	48,948	9,499	58,394	–	116,841

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 RIGHT-OF-USE ASSETS (CONTINUED)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	(1,358)	(1,358)
Properties leased for own use	(4,838)	(4,932)
Plant, machinery and equipment	(7,108)	(3,625)
	(13,304)	(9,915)
Interest on lease liabilities (Note 6(a))	2,422	1,480
Expense relating to short-term leases	2,967	1,984

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Notes 21(d), 24 and 28(b), respectively.

(a) Land use rights

The Group's land use rights are all located in the PRC with a lease period of 30 to 50 years when granted.

Land use rights with net book value of RMB47,590,000 are pledged as security for bank loans (see Note 23(c)(i)) as at 31 December 2025 (2024: RMB48,948,000).

(b) Properties leased for own use

The Group has obtained the right to use properties through tenancy agreements. The leases typically run for an initial period of 2 to 10 years.

Some leases include an option to terminate the lease before the end of the contract term. The Group considers it reasonably certain not to exercise the option to early terminate at lease commencement date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS

	Non-patented technology RMB'000	Software RMB'000	Total RMB'000
Cost:			
At 1 January 2024	700,000	58,194	758,194
Additions	–	5,599	5,599
At 31 December 2024 and 1 January 2025	700,000	63,793	763,793
Additions	–	92	92
At 31 December 2025	700,000	63,885	763,885
Accumulated amortisation:			
At 1 January 2024	(466,667)	(18,887)	(485,554)
Charge for the year	(70,000)	(10,519)	(80,519)
At 31 December 2024 and 1 January 2025	(536,667)	(29,406)	(566,073)
Charge for the year	(70,000)	(9,461)	(79,461)
At 31 December 2025	(606,667)	(38,867)	(645,534)
Net book value:			
At 31 December 2025	93,333	25,018	118,351
At 31 December 2024	163,333	34,387	197,720

14 OTHER NON-CURRENT ASSETS

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Prepayments for property, plant and equipment	130,936	20,002
Deposits for leaseback assets	–	10,858
	130,936	30,860

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Company name	Place and date of incorporation/ establishment	Particulars of registered and paid-up capital	Proportion of ownership interest		Principal activities/ Place of Principal business
			Directly held by the Company	Indirectly held by the Company	
Innoscence (Suzhou) Semiconductor Co., Ltd.* 英諾賽科(蘇州)半導體有限公司	The PRC, limited liability company 23 October 2017	RMB4,400,000,000/ RMB4,400,000,000	100.00%	–	Design, manufacture, research and development of Wafer/the PRC
Innoscence (Zhuhai) Technology Co., Ltd.* 英諾賽科(珠海)科技有限公司	The PRC, limited liability company 17 December 2015	RMB3,640,000,000/ RMB3,640,000,000	100.00%	–	Design, manufacture, research and development of Wafer/the PRC
Innoscence (Shanghai) Technology Semiconductor Co., Ltd.* 英諾賽科(上海)半導體科技有限公司	The PRC, limited liability company 13 July 2017	RMB207,000,000/ RMB207,000,000	100.00%	–	Design, research and development of technology/the PRC
Suzhou Xuyao Technology Co., Ltd.* 蘇州煦垚科技有限公司	The PRC, limited liability company 7 December 2021	RMB35,000,000/ RMB35,000,000	100.00%	–	Investment holding/the PRC
Innoscence (Nanjing) Technology Co., Ltd.* 英諾賽科(南京)科技有限公司	The PRC, limited liability company 23 November 2023	RMB20,000,000/ RMB20,000,000	100.00%	–	Distribution of Chip and development of application/ the PRC
Shuidi (Guangzhou) Semiconductor Co., Ltd.* 水滴(廣州)半導體有限公司	The PRC, limited liability company 30 December 2022	RMB15,000,000/ Nil	100.00%	–	No substantial business activities
Innoscence (Shenzhen) Semiconductor Co., Ltd.* 英諾賽科(深圳)半導體有限公司	The PRC, limited liability company 9 November 2020	RMB70,000,000/ RMB70,000,000	100.00%	–	Distribution of Chip and development of application/ the PRC
Innoscence (Wuhan) Technology Co., Ltd.* 英諾賽科(武漢)科技有限公司	The PRC, limited liability company 29 March 2024	RMB20,000,000/ RMB5,000,000	100.00%	–	Design, manufacture, research and development of Wafer/the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Company name	Place and date of incorporation/ establishment	Particulars of registered and paid-up capital	Proportion of ownership interest		Principal activities/ Place of Principal business
			Directly held by the Company	Indirectly held by the Company	
Innoscence America Inc.	United States, limited company 1 July 2021	USD29,909,989.40/ USD27,817,379.39	–	100.00%	Distribution of Chip/United States
Innoscence Korea Inc.	Korea, limited company 14 January 2022	USD7,700,000/ USD6,900,000	–	100.00%	Distribution, research and development of Chip/Korea
Innoscence Europe NV	Belgium, limited company 21 October 2021	EUR400,000/ EUR400,000	–	100.00%	Distribution of Chip/Europe
Innoscence Technology Limited	Hong Kong 4 September 2025	USD5,000,000/ Nil	–	100.00%	Distribution of Chip and development of application/ the PRC

Note:

- * The English translation of all above companies is for reference only. The official names of the companies established in the PRC are in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVENTORIES

(a) Inventories in the statements of financial position comprise:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Raw materials	30,817	25,766
Semi-finished products and WIP	253,838	270,128
Finished products	612,838	148,399
	897,493	444,293

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Carrying amount of inventories used	1,185,711	873,344
(Reversal of write-down)/write-down of inventories	(61,202)	116,150
	1,124,509	989,494

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Trade receivables, net of loss allowance	559,016	356,778
Bills receivable	17,159	476
Bills receivable, measure at FVOCI	12,918	5,065
Prepayments	56,994	76,399
VAT recoverable	106,882	36,175
Other receivables and deposits, net of loss allowance	23,268	9,495
	776,237	484,388

All of trade and other receivables are due from third parties and are expected to be recovered or recognised as expenses within one year.

As of the end of each reporting period, the ageing analysis of trade receivables based on the invoice date and net of loss allowance, is as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Within 1 year	557,385	356,778
Over 1 year but less than 2 years	1,631	–
	559,016	356,778

Details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 28(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 FINANCIAL ASSETS MEASURED AT FVOCI

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Negotiable certificates of deposit with banks	1,636,738	–

The Group invested in certain negotiable certificates of deposit with banks in the PRC. The negotiable certificates of deposit were transferable and carried at fixed interest rates ranging from 0.09% to 2.10% per annum. The directors of the Group determine such negotiable certificates of deposit are mainly for the purpose of short-term fund management to collect contractual payments, which could also be sold in the secondary market within one year, depending on the cash needs. Therefore, these negotiable certificates of deposit are classified as current financial assets at FVOCI.

19 PLEDGED BANK DEPOSITS

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Pledged bank deposits	7,798	6,306

20 TIME DEPOSITS

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Time deposits	135,483	–

Time deposits are fixed deposits issued by banks with initial maturity over 3 months at acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Cash at bank and on hand	878,955	1,524,954

(b) Reconciliation of loss before taxation to cash generated from operations:

	Note	Years Ended 31 December	
		2025 RMB'000	2024 RMB'000
Loss before taxation		(839,999)	(1,045,342)
Adjustments for:			
– Depreciation of property, plant and equipment	6(c)	424,570	425,514
– Depreciation of right-of-use assets	6(c)	13,304	9,915
– Amortisation of intangible assets	6(c)	79,461	80,519
– Net gain on disposal of property, plant and equipment	5	(18,816)	(10,772)
– Finance costs	6(a)	87,258	84,065
– Interest income from financial assets measured at FVOCI	5	(3,899)	(3,691)
– Net gains on financial assets measured at FVPL	5	(240)	(1,474)
– Equity-settled share-based transactions		164,162	166,940
Changes in working capital:			
Increase in inventories		(453,200)	(27,505)
(Increase)/decrease in pledged bank deposits		(1,492)	2,522
Increase in trade and other receivables		(262,185)	(144,338)
Increase in trade and other payables		39,227	133,719
Decrease in deferred income		(34,068)	(6,083)
Cash used in operations		(805,917)	(336,011)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) **Reconciliation of liabilities arising from financing activities:**

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's cash flow statement as cash flows from financing activities.

	Years Ended 31 December		
	Loans and borrowings RMB'000 (Note 23)	Lease liabilities RMB'000 (Note 24)	Total RMB'000
At 1 January 2025	1,923,896	70,499	1,994,395
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(11,133)	(11,133)
Interest element of lease rentals paid	–	(2,422)	(2,422)
Proceeds from loans and borrowings	1,415,795	–	1,415,795
Repayment of loans and borrowings	(1,116,514)	–	(1,116,514)
Interest on loans and borrowings paid	(68,662)	–	(68,662)
Total changes from financing cash flows	230,619	(13,555)	217,064
Other changes:			
Increase in lease liabilities from entering into new leases during the year (Note 12)	–	13,040	13,040
Decrease in security deposits in relation to leaseback transactions	(9,643)	–	(9,643)
Interest expenses (Note 6(a))	84,836	2,422	87,258
Total other changes	75,193	15,462	90,655
At 31 December 2025	2,229,708	72,406	2,302,114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities: (Continued)

	Years Ended 31 December		
	Loans and borrowings RMB'000 (Note 23)	Lease liabilities RMB'000 (Note 24)	Total RMB'000
At 1 January 2024	2,054,573	37,417	2,091,990
Changes from financing cash flows:			
Capital element of lease rentals paid	—	(9,028)	(9,028)
Interest element of lease rentals paid	—	(1,480)	(1,480)
Proceeds from loans and borrowings	392,763	—	392,763
Repayment of loans and borrowings	(521,501)	—	(521,501)
Interest on loans and borrowings paid	(87,753)	—	(87,753)
Total changes from financing cash flows	(216,491)	(10,508)	(226,999)
Other changes:			
Increase in lease liabilities from entering into new leases during the year (Note 12)	—	42,110	42,110
Interest expenses (Note 6(a))	85,814	1,480	87,294
Total other changes	85,814	43,590	129,404
At 31 December 2024	1,923,896	70,499	1,994,395

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	Years Ended 31 December	
	2025 RMB'000	2024 RMB'000
Within operating cash flows	2,967	1,984
Within financing cash flows	13,555	10,508
	16,522	12,492

These amounts are related to lease rentals paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 TRADE AND OTHER PAYABLES

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Trade payables	176,544	122,248
Accrued payroll	89,145	74,917
Tax payable	22,590	20,601
Payables for property, plant and equipment	63,929	93,121
Contract liabilities	19,038	16,871
Other payables	101,185	134,643
Trade and other payables	472,431	462,401

- (a) All trade and other payables are due to third parties expected to be settled or recognised as income within one year or are repayable on demand.
- (b) As of the end of each reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Within 3 months	172,665	117,056
After 3 months but within 6 months	1,034	362
After 6 months but within 12 months	136	2,688
After 12 months	2,709	2,142
	176,544	122,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 LOANS AND BORROWINGS

(a) Loans and borrowings comprise:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Bank loans	2,229,708	1,884,096
Other loans	—	39,800
	2,229,708	1,923,896

(b) As of the end of each reporting period, loans and borrowings were repayable as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Within 1 year or on demand	336,102	522,426
After 1 year but within 2 years	429,432	460,591
After 2 years but within 5 years	1,241,535	901,779
More than 5 years	222,639	39,100
	1,893,606	1,401,470
	2,229,708	1,923,896

(c) As of the end of each reporting period, loans and borrowings were secured as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Secured bank loans (i)	1,427,151	1,632,110
Unsecured bank loans	802,557	291,786
	2,229,708	1,923,896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 LOANS AND BORROWINGS (CONTINUED)

(c) **As of the end of each reporting period, loans and borrowings were secured as follows:**
(Continued)

(i) Loans and borrowings of the Group were secured by the following assets of the Group:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Property, plant and equipment	1,606,837	1,830,085
Right-of-use assets	47,590	48,948
	1,654,427	1,879,033

As at 31 December 2025, the Group's non-current bank borrowings amounting to RMB665,389,000 (2024: RMB1,179,853,000) are subject to the fulfilment of covenants relating to certain financial ratios, such as debt-to-asset ratio, current ratio for each fiscal year, which are commonly found in lending arrangements with financial institutions. Failure to achieve the requirements may cause the lenders to demand immediate repayment of the loans.

As at 31 December 2025, none of the covenants relating to drawn down facilities had been breached.

24 LEASE LIABILITIES

As of the end of each reporting period, the lease liabilities were repayable as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Within 1 year	11,034	11,157
After 1 year but within 2 years	11,482	9,573
After 2 years but within 5 years	30,633	23,750
After 5 years	19,257	26,019
	61,372	59,342
	72,406	70,499

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 DEFERRED INCOME

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Government grants	85,367	119,435

Government grants are related to assets which were obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets in relation to research and development projects.

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 1 January 2023, the shareholders of the Company approved an option scheme and authorised the Board of Directors and Chairman of the Board for further implementation. 54,861,000 share options were issued to employees of the Group on the date of respective employees joining the Group from 2016 until the end of 2023.

In February 2024, the Group adopted a RSU scheme ("**the Scheme**") to replace the share options schemes for purpose of providing incentives to eligible employees of the Group, all the 42,092,000 outstanding share options as at 31 December 2023 were replaced with 42,092,000 restricted share units of the Company. And this replacement was deemed as a modification as the type of equity instrument granted was modified from share options to RSU, the exercise price was increased and the service condition was revised as detailed below. The participants of the RSU Scheme invested in the Company by the way of acquiring share capital of the Company from the existing shareholder through an employee share purchase platform (the "**Platform**").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

The Scheme contains certain service conditions and non-market performance conditions. The RSUs shall vest over four years with 75% at the end of the third year and 25% at the end of the fourth year or vest over the years before the completion of initial public offering (“IPO”) of the Company subject to the later one of the two. If employment relationship of the grantees is terminated before the RSUs become vested, these employees have to transfer out their equity interests to the person designed by the general partner of the Platform at the initial purchase price paid by the grantees. Such term is a non-market condition and represents a service period over three or four years respectively.

The number and weighted average subscription prices of RSUs under the Scheme are as follows:

	2025		2024	
	Weighted average subscription price	Number of RSUs	Weighted average subscription price	Number of RSUs
Outstanding at the beginning of the year	RMB1.00	30,539,342	—	—
Share options replaced by RSUs during the year	—	—	RMB1.00	42,092,200
Granted during the year	—	—	RMB1.00	10,451,142
Vested during the year	RMB1.00	(21,931,807)	RMB1.00	(20,020,000)
Forfeited during the year	RMB1.00	(265,000)	RMB1.00	(454,000)
Cancelled during the year	—	—	RMB1.00	(1,530,000)
Outstanding at the end of the year	RMB1.00	8,342,535	RMB1.00	30,539,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

Note	Attribute to equity shareholders of the Company					Total equity RMB'000
	Share capital RMB'000 (Note 27(c))	Share premium RMB'000 (Note 27(d)(i))	Capital reserve RMB'000 (Note 27(d)(ii))	Share Award Scheme RMB'000 (Note 27(c)(iv))	Accumulated losses RMB'000	
Balance at 1 January 2024	800,711	9,727,026	409,064	–	(3,686,741)	7,250,060
Loss for the year	–	–	–	–	(199,450)	(199,450)
Total comprehensive income	–	–	–	–	(199,450)	(199,450)
Issue of ordinary shares by initial public offering, net of issuance costs	45,364	1,201,514	–	–	–	1,246,878
Capital injection from shareholders	33,077	607,600	–	–	–	640,677
Equity-settled share-based transactions	26	–	633	–	–	633
Balance at 31 December 2024 and 1 January 2025	879,152	11,536,140	409,697	–	(3,886,191)	8,938,798
Loss for the year	–	–	–	–	(117,121)	(117,121)
Total comprehensive income	–	–	–	–	(117,121)	(117,121)
Issue of new ordinary shares, net of issuance costs	27(c)	35,948	1,920,360	–	–	1,956,308
Shares held for Share Award Scheme	27(c)	–	–	(39,351)	–	(39,351)
Equity-settled share-based transactions	26	–	936	–	–	936
Balance at 31 December 2025	915,100	13,456,500	410,633	(39,351)	(4,003,312)	10,739,570

(b) Dividends

No dividends were paid or declared by the Company or any of its subsidiaries during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

Issued and fully paid:

	2025		2024	
	Numbers of ordinary shares '000	Share capital RMB'000	Numbers of ordinary shares '000	Share capital RMB'000
Issued and fully paid				
At 1 January	879,152	879,152	800,711	800,711
Issue of ordinary shares by initial public offering, net of issuance costs (i)	—	—	45,364	45,364
Capital injection from shareholders	—	—	33,077	33,077
Issue of ordinary shares by over-allotment option, net of issuance costs (ii)	1,664	1,664	—	—
Placing of new H shares under general mandate, net of issuance costs (iii)	34,284	34,284	—	—
At 31 December	915,100	915,100	879,152	879,152

(i) On 30 December 2024, the Company issued 45,364,000 H shares with par value of RMB1 each at a price of HK\$30.86 per share by initial public offering. The proceeds of RMB45,364,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of RMB1,201,514,000 (net of issuance costs) was recognized in share premium.

(ii) On 22 January 2025, the Company issued 1,664,000 H shares with par value of RMB1.00 each at a price of HK\$30.86 per share pursuant to the IPO over-allotment option. The proceeds of RMB1,664,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of RMB43,902,000 (net of issuance costs) was recognised in share premium.

(iii) On 22 July 2025, the Company issued 13,584,000 H Shares with a par value of RMB1.00 each at an issue price of HK\$40.50 per Share by way of placing of new H shares. An amount of RMB13,584,000, representing the aggregate par value of such H Shares, was credited to the Company's share capital. The remaining net proceeds of RMB481,323,000 (after deducting issuance expenses) was credited to the Company's share premium.

On 10 October 2025, the Company issued 20,700,000 H Shares with a par value of RMB1.00 each at an issue price of HK\$75.58 per Share by way of placing of new H shares. An amount of RMB20,700,000, representing the aggregate par value of such H Shares, was credited to the Company's share capital. The remaining net proceeds of RMB1,393,133,000 (after deducting issuance expenses) was credited to the Company's share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (Continued)

(iv) Shares held for Share Award Scheme

	Number of shares	2025	
		Amount HK\$'000	Amount RMB'000
Shares held for Share Award Scheme	596,300	42,941	39,351

These shares of the Company were acquired and held by the Trustee of Share Award Scheme for the purpose of granting shares under the Share Award Scheme adopted by the Company. Total amount of HK\$37,417,000 (2024: Nil) was paid to the Trustee, with a balance of unutilised cash of RMB591,000 as restricted cash as at 31 December 2025 (2024: Nil).

(d) Nature and purpose of reserves

(i) Share premium

Under PRC rules and regulations, share premium is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

(ii) Capital reserve

The capital reserve mainly comprises the following:

- the fair value of restricted share units;
- the excess of the net contributions from the shareholders of the Company over the total paid-in capital issued;

(iii) Exchange reserve

The exchange reserve comprises the foreign exchange differences arising from the translation of the financial statements of foreign operations.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (Continued)

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Group monitors its capital structure on the basis of a debt-to-asset ratio. This ratio is calculated as total liabilities divided by total assets. As at 31 December 2025, the debt-to-asset ratios of the Group was 40.45% (2024: 46.44%).

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, pledged bank deposits and negotiable certificates of deposit is limited because the counterparties are banks and financial institutions with good credit standing for which the Group considers to have low credit risk. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The trade receivables from the Group's five largest customers as at 31 December 2025 represented 42% (2024: 37%) of the total trade receivables respectively, while 20.46% (2024: 15.91%) of the total trade receivables were due from the largest single customer respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	Expected loss rate %	2025 Gross carrying amount RMB'000	Loss allowance RMB'000
Within 1 year	1%	563,105	5,634
Over 1 year but less than 2 years	5%	1,631	86
		564,736	5,720

	Expected loss rate %	2024 Gross carrying amount RMB'000	Loss allowance RMB'000
Within 1 year	1%	360,389	3,611
Over 1 year but less than 2 years	5%	–	–
		360,389	3,611

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Balance at 1 January	3,611	2,067
Impairment losses recognised during the year	2,109	1,544
	5,720	3,611

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Other receivables and deposits

Credit risk in respect of other receivables and deposits is limited since the balance mainly includes deposits to suppliers.

The Group measures loss allowances for other receivables and deposits at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for other receivables and deposits as at 31 December 2024 and 2025.

(b) Liquidity risk

The Group's policy is to regularly monitor liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As disclosed in Note 23(c), some of the Group's banking facilities are subject to the fulfilment of covenants. Some of those relating to the Group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the related loans would become payable on demand, The Group did not identify any difficulties complying with the covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay.

	As at 31 December 2025					Balance sheet carrying amount RMB'000
	Contractual undiscounted cash outflow				Total RMB'000	
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000		
Loans and borrowings	390,643	474,619	1,275,980	229,452	2,370,694	2,229,708
Trade and other payables	469,722	2,709	–	–	472,431	472,431
Lease liabilities	13,680	13,551	34,113	20,469	81,813	72,406
	874,045	490,879	1,310,093	249,921	2,924,938	2,774,545

	As at 31 December 2024					Balance sheet carrying amount RMB'000
	Contractual undiscounted cash outflow				Total RMB'000	
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000		
Loans and borrowings	544,656	522,058	932,176	39,242	2,038,132	1,923,896
Trade and other payables	462,401	–	–	–	462,401	462,401
Lease liabilities	12,115	10,052	26,207	27,996	76,370	70,499
	1,019,172	532,110	958,383	67,238	2,576,903	2,456,796

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from cash at bank, pledged bank deposits and loans and borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest-bearing financial instruments at variable rates as at 31 December 2025 and 2024 are primarily the cash at bank and loans and borrowings, and the cash flow interest rate risk arising from the change of market interest rate.

The Group's interest rate profile as monitored by management is set out below.

The Group's loans and borrowings, lease liabilities, pledged bank deposits and cash and cash equivalents and interest rates at the end of each reporting period are set out as follows:

	As at 31 December			
	2025 Effective interest rate	RMB'000	2024 Effective interest rate	RMB'000
Fixed rate instruments				
Time deposits	4.00% – 4.75%	135,483	–	–
Bank loans	–	–	3.50% – 3.85%	(105,000)
Lease liabilities	3.60% – 4.65%	(72,406)	3.60% – 4.65%	(70,499)
		63,077		(175,499)
Variable rate instruments				
Pledged bank deposits	0.05% – 1.6 %	7,798	0.10%	6,306
Cash and cash equivalents	0.35% – 4.35%	878,955	0.05% – 1.15%	1,524,954
Loans and borrowings	2.34% – 3.15%	(2,229,708)	2.75% – 4.75%	(1,818,896)
		(1,342,955)		(287,636)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (Continued)

(i) Sensitivity analysis

At 31 December 2025 and 2024, it is estimated that a general decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased the Group's losses after tax and accumulated losses or retained profits as follows.

	Increase/ (decrease) in basis points	Increase/ (Decrease) in loss after tax for the year RMB'000	Increase/ (Decrease) in accumulated losses for the year RMB'000
At 31 December 2024			
Basis points	100	2,876	2,876
Basis points	(100)	(2,876)	(2,876)
At 31 December 2025			
Basis points	100	13,430	13,430
Basis points	(100)	(13,430)	(13,430)

(d) Currency risk

The Group is exposed to currency risk primarily through purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

	2025		2024	
	USD RMB'000	HKD RMB'000	USD RMB'000	HKD RMB'000
Trade and other receivables	85,636	–	43,168	–
Time deposits	–	135,486	–	–
Cash and cash equivalents	590,294	1,585	48,610	1,248,123
Trade and other payables	(19,355)	(9)	(72,969)	(357)
	656,575	137,059	18,809	1,247,766

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (Continued)

(i) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after tax and accumulated losses RMB'000
At 31 December 2024		
	3%	564
US\$ (against RMB)	-3%	(564)
	3%	37,433
HKD (against RMB)	-3%	(37,433)
At 31 December 2025		
	3%	19,697
US\$ (against RMB)	-3%	(19,697)
	3%	4,112
HKD (against RMB)	-3%	(4,112)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team performing valuations for the financial instruments categories into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. Valuation assessment with analysis of changes in fair value measurement is prepared by the team at each reporting date and is reviewed and approved by the chief financial officer.

	Fair value at 31 December 2025		Fair value measurements as at 31 December 2025 categorised into		
	RMB'000		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000

Recurring fair value measurement

Financial assets at FVOCI:

– Negotiable certificates of deposit				
with banks	1,636,738	–	1,636,738	–
– Bills receivable, measure at FVOCI	12,918	–	12,918	–

During years ended 31 December 2024 and 2025, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur. The Wealth management products have been fully redeemed in 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (Continued)

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2025 and 2024.

29 COMMITMENTS

Capital commitments outstanding at 31 December 2025 and 2024 not provided for in the financial statements were as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Contracted for acquisition of property, plant and equipment	159,144	39,844

30 CONTINGENT LIABILITIES

As at 31 December 2025, certain subsidiaries of the Group are respondents in several legal dispute cases-EPC California Case, Infineon California Case and Infineon Germany Case in relation to claims of alleged infringement of intellectual property rights. While the arbitrations are still ongoing and the future development cannot be estimated with certainty, the directors of the Company, having given due consideration to the legal advice and the relevant facts and circumstances, are of the opinion that the Group is more likely than not to prevail in those cases and it is not probable that the Group will need to make payments to the claimants. Therefore, no provision has been made in respect of those cases as at 31 December 2025.

As at 31 December 2025, except for the aforementioned contingencies associated with those legal dispute cases, the Group did not have any material contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) **Names and relationship of the related parties that had material transactions with the Group during the year**

Name of related parties	Relationship
Anhui Starksemi Semiconductor Co., Ltd. 安徽星鑰半導體有限公司	Entity controlled by one of the Company's shareholders
Starksemi Semiconductor (Wuhan) Co., Ltd. 星鑰半導體(武漢)有限公司	Entity controlled by one of the Company's shareholders

(b) **Transactions with related parties**

	Years ended 31 December	
	2025 RMB'000	2024 RMB'000
Sales of products and provision of services	6,601	—
Disposal of equipment and machineries	11,594	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balance with related parties

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Trade related:		
Trade and other receivables	17,504	–

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Years Ended 31 December	
	2025 RMB'000	2024 RMB'000
Salaries, wages and other benefits	16,070	16,435
Discretionary bonuses	5,048	4,000
Contributions to defined contribution retirement plan	630	503
Equity-settled share-based payment expenses	89,051	77,412
	110,799	98,350

Total remuneration is included in staff costs (see Note 6(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

As at 31 December			
	Note	2025 RMB'000	2024 RMB'000
Non-current assets			
Intangible assets		871	1,509
Investments in subsidiaries	15	8,559,752	7,707,479
Other non-current assets		–	22,976
		8,560,623	7,731,964
Current assets			
Prepayments and other receivables		59,910	75,925
Pledged bank deposits		–	11
Financial assets measured at FVOCI		1,577,977	–
Time deposits		135,483	–
Cash and cash equivalents		588,129	1,283,316
		2,361,499	1,359,252
Current liabilities			
Other payables		182,552	152,418
Net current assets		2,178,947	1,206,834
Total assets less current liability		10,739,570	8,938,798
NET ASSETS		10,739,570	8,938,798
Share capital	27(c)	915,100	879,152
Reserves	27(d)	9,824,470	8,059,646
TOTAL EQUITY		10,739,570	8,938,798

33 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 31 December 2025 which would materially affect the Group's operating results and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures – Contracts referencing nature-dependent electricity</i>	1 January 2026
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

HKFRS 18, *Presentation and disclosure in financial statements*

HKFRS 18 will replace HKAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.