

BUSINESS

OVERVIEW

Who We Are

We are an IDM company in the magnetic sensor industry. We are among the few companies worldwide with a complete magnetic sensing technology portfolio and full vertical integration across the entire industry value chain. This has enabled us to provide one-stop magnetic sensor solutions to leading customers across diverse industries globally. According to Frost & Sullivan, we ranked sixth globally among magnetic sensor IDM companies and tenth among all magnetic sensor companies in terms of revenue in 2024, with a market share of 0.6%.

We operate under an integrated IDM operating model that delivers complete control and optimization across the entire value chain, from chip design and wafer manufacturing through module design and manufacturing, offering end-to-end solutions to our customers. Our IDM operations maintain an international footprint spanning advanced wafer manufacturing in Germany and comprehensive operations across China, enabling us to capture domestic opportunities with our Sinomags brand and serve international markets through our established Sensitec brand for comprehensive market coverage. Unlike fabless models that must procure chips externally, our IDM approach enables us to offer magnetic sensors in both chip and module forms, providing greater flexibility and enhanced value to our customers through improved supply reliability and control. This vertical integration, combined with our significant technical breakthroughs in core materials and mastery of all mainstream magnetic sensing technologies including Hall effect and xMR technologies, has created substantial competitive advantages for us.

We have mastered all mainstream magnetic sensing technologies and have built an all-route technology portfolio that encompasses Hall effect technologies and all subtypes of xMR technologies including AMR, GMR, and TMR. We specialize particularly in xMR sensors which have significant advantages in sensitivity, power consumption, response speed, accuracy and stability in extreme environments, making them increasingly sought after for high-end and more demanding applications. Our early recognition of this trend, especially on chip-level innovation, has given us a significant competitive edge. According to Frost & Sullivan, we ranked fifth globally in terms of revenue derived from xMR sensors in 2024, with a market share of 1.4%.

Our technological achievements and integrated approach translate directly into our product portfolio. We offer a broad range of magnetic sensor solutions, primarily including current sensors and motion sensors of varying specifications and features. According to Frost & Sullivan, in terms of revenue in 2024, our current sensor products ranked third globally, with a market share of 3.4%. Additionally, in 2024, we have delivered approximately 100 million motion sensor chips — including bare die on wafers, individual chips, and modules — to leading customers in various industries across Europe and Asia. With our product portfolio, we have established strong acceptance in several downstream sectors, including in green energy, NEVs and automotive, and industrial automation and robotics, capitalizing on major trends including energy transformation, carbon neutrality initiatives and industrial digitization. As technology frontiers continue to expand, we collaborate closely with global industry leaders to identify emerging opportunities driven by technological advances such as those in third-generation semiconductor power devices and are strategically expanding into high-growth sectors including embodied intelligence, advanced medical devices and AI computing.

Our Business Model

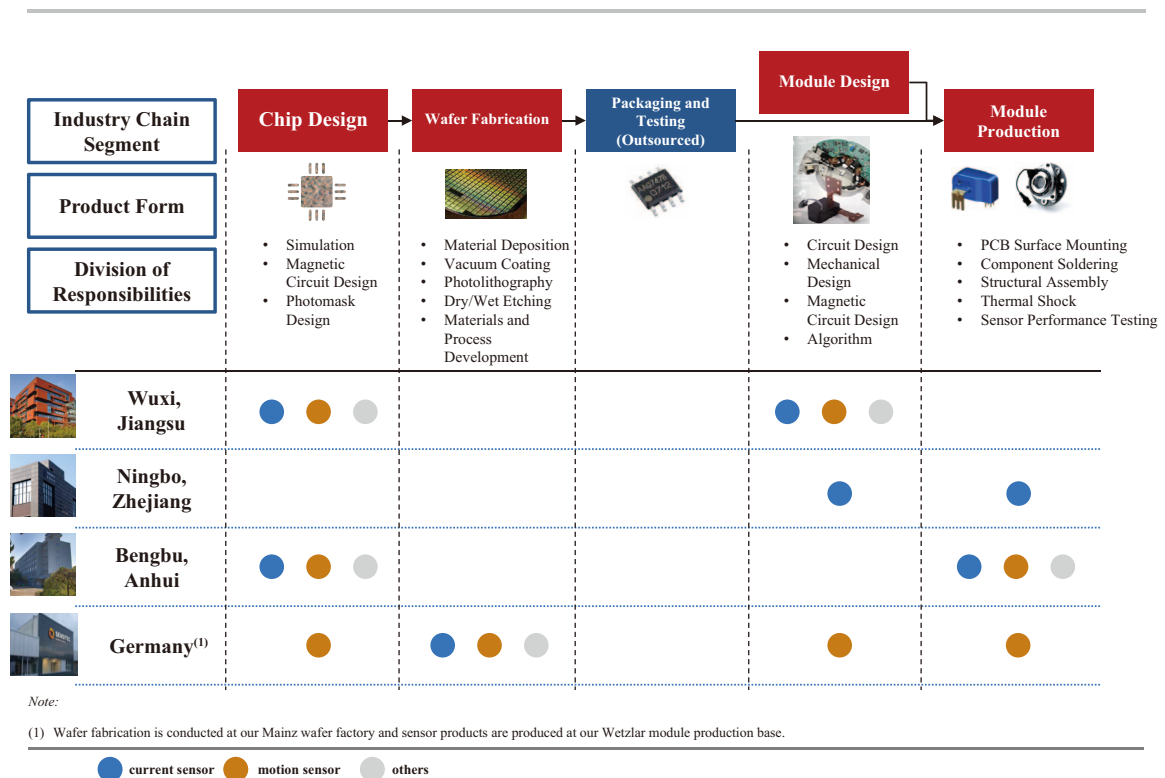
We operate under an integrated IDM model that enables deep collaboration with our customers to explore application scenarios, drive technology validation, and define products. This collaborative approach ensures our solutions meet the evolving needs of customers across different industries with various application scenarios.

BUSINESS

Our IDM model is particularly critical for xMR sensors, which rely on nanoscale functional thin films demanding atomic-level precision across every stage, from design and R&D to mass production. High-end applications require full process control and deep integration. Through complete process autonomy, vertical integration, and high reliability standards, we consistently deliver critical magnetic sensor components to leading customers worldwide.

Unlike the fabless model where companies depend on external foundries for production and are often constrained by the capabilities their partners, the IDM model combines both design and manufacturing in-house, fostering operational synergies. In our industry, companies that adopt the IDM model typically experience cycles of heavy capital investment and R&D spending during the initial expansion phase, which can result in short-term losses. Nonetheless, the long-term benefits of the IDM approach outweigh these early expenditures. Such advantages include stronger integration between design and manufacturing, improved production capacity and supply reliability, cost efficiencies from large-scale operations, and ongoing advancements in technology and processes. Because of these strengths, the IDM model is expected to become the prevailing business strategy within the magnetic sensor industry. By adopting this model, we are positioning ourselves for a sustainable growth and leadership in the magnetic sensor market, ensuring our competitiveness and profitability over the long term.

The following diagram illustrates key elements of our IDM model and the distribution of manufacturing capabilities of our global facilities.



Our Industry-Leading Technical Capabilities

As a leading global magnetic sensor IDM enterprise, we have mastered all mainstream magnetic sensing technologies and are particularly advanced in xMR technology based on magnetoresistance. Combined with our long-term accumulated capabilities in integrated circuit chip design and magnetic circuit design, we hold significant advantages in the high-barrier customized chip design process,

BUSINESS

making us a one-stop provider for advanced magnetoresistive sensor solutions. As of the Latest Practicable Date, we are one of the few companies globally with comprehensive magnetic sensing technology coverage, encompassing both Hall effect and xMR technologies.

Our technological capabilities spans the entire technology stack, from fundamental materials science to complete system solutions. We have developed proprietary capabilities in TMR multi-layer film structure design, enabling precise control of sensor characteristics through sophisticated manipulation of material composition and crystal structures. Our advanced thin film manufacturing processes and multi-axis magnetic field detection technologies allow us to create highly integrated solutions that deliver superior performance in compact form factors. Additionally, our expertise extends to specialized magnetic circuit design and full-temperature calibration systems, ensuring optimal sensor performance across demanding industrial and automotive environments. For further details of our technologies, see “— Research and Development — Our Technologies.”

Leveraging our technologies and proprietary chip design and manufacturing capabilities, we have achieved industry-leading performance in both current sensors and motion sensors in key metrics such as bandwidth, step response time, resolution, and overall accuracy.

Market-Driven Product Applications

Drawing on years of technical experience, we have developed high-sensitivity magnetic sensing cores that enable key advancements in carbon neutrality, NEVs and automotive, industrial automation and robotics, supporting the transition to clean energy and the evolution of smart equipment.

- **Green energy sector:** In the green energy sector, magnetic sensors are integral to energy conversion, safety monitoring, and equipment control. Our high-precision current and magnetic field sensing solutions significantly improve system efficiency and reliability. As new technologies such as perovskite photovoltaics and solid-state battery storage gain popularity and become the foundation of next-generation renewable energy systems, magnetic sensors are expected to play an increasingly critical role in driving innovation.

In photovoltaic applications, our current sensors serve multiple critical functions across the entire system. In inverter systems, they are used for PV array current measurement, MPPT circuit current detection, AC output monitoring, and leakage current detection, ensuring precise energy management and reliable system operation. Beyond basic current monitoring, we now offer integrated solutions that provide comprehensive DC and arc detection for arc fault prevention, addressing safety regulations across various countries and areas. Our advanced LA series products stand out for their superior resolution and sensing accuracy, .

- **NEV and Automotive sector:** Magnetic sensors are essential for NEV and automotive motor control, battery management systems, and position and speed detection. With each NEV requiring more than three times as many magnetic sensors as traditional ICE vehicles, the growth of the NEV market is driving a significant increase in demand in magnetic sensors, including both current sensors and motion sensors. The ongoing advancements in autonomous driving also further raise the demand for magnetic sensors .
 - o Our current sensor products are being widely used in the key modules of NEVs, such as motor controllers (MCU), battery management systems (BMS), and on-board charging systems (OBC).

BUSINESS

- o Our motion sensors are being widely used in wheel speed and torque measurement applications including electric power steering system (EPS) We have earned strong recognition from leading customers in the automotive industry, having delivered over 100 million motion sensor chips — including bare die on wafers, individual chips, and modules — to leading customers in the NEV industry in 2024.
- ***Industrial automation and robotics:*** Magnetic sensors play a vital role in precision motion control, equipment condition monitoring, safety interlocks, material flow management, and energy efficiency optimization. High-precision magnetic field sensing technology empowers the development and evolution of intelligent factories, which are increasingly adopting advanced industrial robotics and next-generation humanoid robotics systems.
 - o Our motion sensors are primarily used in industrial automation for position and speed measurement, angle detection in robotics, and process control, providing upstream control units with high-precision measurement results. We assist our leading customers in industrial automation and advanced manufacturing sectors in obtaining precise movement measurements and feedbacks.
 - o Through the strategic acquisition of Sensitec, we have introduced its high-precision, high-reliability magnetoresistive sensor technology into the global value chain of high-end motion sensors, allowing us to extend our reach into new downstream markets, including robotics and embodied intelligence.
- ***Other emerging fields:*** Magnetic sensors are playing a pivotal role in advancing other emerging fields such as AI computing, life sciences and high-end medical devices.
 - o In the AI infrastructure and data center sector, given the high energy consumption nature and power costs, there are usually stringent requirements for energy conversion efficiency and energy savings. Our current sensor is also fully compatible with third-generation semiconductor devices and delivers high-frequency response speed, making them ideal for high power consumption scenario and are being increasingly adopted in AI data centers.
 - o In life sciences and high-end medical devices, our magnetic encoders serve as the exclusive solution for the cardiac pacemaker systems of a leading specialist in medical microelectronics, providing critical motion control and position sensing capabilities that meet stringent precision and reliability requirements.

Our Market Opportunities

In recent years, the steady growth in green energy, NEVs, industrial automation and advanced manufacturing, and consumer electronics has driven a sustained increase in the demand for magnetic sensors. This robust demand has propelled the magnetic sensor market to substantial scale, with the global market reaching RMB119.2 billion in 2024, while China’s market achieved RMB37.1 billion in the same year. Looking ahead, emerging fields such as third-generation semiconductor devices, embodied intelligence, AI computing, and advanced robotics are expected to drive continued acceleration in market growth. The global magnetic sensor market is projected to reach RMB293.0 billion by 2029, representing a CAGR of 19.7%, while China’s market is expected to grow even faster at a CAGR of 22.2%, reaching RMB101.1 billion by 2029.

BUSINESS

Within this expanding market, xMR sensors are experiencing particularly strong growth due to their significant advantages in sensitivity, power consumption, response speed, accuracy, and stability in extreme environments, making them increasingly sought after for high-end and more demanding applications. According to Frost & Sullivan, the global xMR sensor market is expected to grow from RMB35.5 billion in 2024 to RMB99.0 billion by 2029, representing an accelerated CAGR of 22.8%.

Even more significant is the growth trajectory of TMR sensors, a specialized subset of xMR technology that utilizes quantum tunneling magnetoresistance effects. TMR sensors offer significant advantages over traditional Hall effect, AMR, and GMR sensors, delivering superior sensitivity, lower power consumption, and enhanced thermal stability. These characteristics make them ideal for demanding high-end applications such as precision motor control, advanced automotive safety systems, and industrial automation and humanoid robotics systems requiring exceptional accuracy and reliability. Accordingly, the global TMR sensor market is projected to experience the highest growth rate, expanding from RMB10.2 billion in 2024 to RMB33.0 billion by 2029, representing a CAGR of 26.5%.

These market dynamics underscore the significant opportunities ahead, particularly for companies with advanced xMR and TMR sensor capabilities, such as us.

Our Operational and Financial Performance

Despite the decrease in our revenue from RMB666.3 million in 2022 to RMB594.2 million in 2023 mainly attributable to softening demand for current sensors from the photovoltaic industry partially offset by growing demand for motion sensors in the consumer electronics industry, our revenue increased significantly by 18.4% to RMB703.4 million in 2024. Additionally, our revenue increased by 15.1% from RMB544.5 million for the nine months ended September 30, 2024 to RMB626.7 million for the same period in 2025.

OUR COMPETITIVE STRENGTHS

A Magnetic Sensor IDM Enterprise in the Global Magnetic Sensor Industry with comprehensive proprietary technologies across all magnetic sensing technologies and vertically integrated value chain capabilities

We are a global magnetic sensor IDM enterprise with comprehensive proprietary technologies across all magnetic sensing technologies and vertically integrated value chain capabilities. Through strategic partnerships with world-class customers, we drive collaborative innovation in R&D, identify emerging downstream applications, define product specifications, and deliver tailored solutions that meet evolving market needs. Our products and solutions serve diverse industries including green energy, NEVs, industrial automation and advanced manufacturing, intelligent and humanoid robotics, third-generation semiconductor, medical and life sciences, and consumer electronics. According to Frost & Sullivan, we ranked sixth globally among magnetic sensor IDM companies in the global magnetic sensor industry, in terms of revenue in 2024, with a market share of 0.6%. We are the sole global host of the xMR Symposium, the industry’s most prestigious international conference on magnetoresistive technologies, continuously shaping international technical standards and demonstrating our technical leadership in the industry.

Magnetic sensor technologies generally fall into two main categories: Hall effect sensors and magnetoresistive sensors, with the latter including AMR, GMR, and TMR. We have mastered the fourth-generation TMR magnetic sensor technology, with proprietary capabilities in both design and manufacturing processes. TMR leverages quantum tunnelling magnetoresistance effects, representing a fundamental advancement from classical electromagnetics (Hall) to quantum-level control. This positions TMR as a critical enabling technology for advanced applications requiring exceptional precision and reliability. Compared to Hall, AMR, and GMR sensors, TMR achieves order-of-magnitude

BUSINESS

improvements in sensitivity, power consumption, and temperature stability. These advances enable demanding applications in high-power density energy conversion, advanced equipment, humanoid robotics, quantum computing, AI data centers, and medical and life sciences.

Our Leading Market Position

According to Frost & Sullivan, as of December 31, 2024, there were over 200 magnetic sensor providers worldwide, among which less than 10 magnetic sensor providers possess complete magnetic sensing technologies and we were:

- one of the few companies globally with complete magnetic sensing technologies including both Hall and xMR, as of the Latest Practicable Date;
- the fifth largest globally in the xMR sensor market in terms of revenue derived from xMR products in 2024, with a market share of 1.4%;
- the second largest globally in the TMR sensor market in terms of revenue derived from TMR products in 2024, with a market share of 3.9%; and
- the third largest globally in the current sensor market in terms of revenue derived from current sensors in 2024, with a market share of 3.4%.

Furthermore, we hold strong positions in several specific application areas. For example, in terms of revenue derived from magnetic sensors in green energy industry in 2024, we ranked first globally.

Technological Achievements Enabling Strategic Partnerships with Global Industry Leaders

Our TMR technology and proprietary chip design and manufacturing capabilities enable us to meet or exceed international standards on key technical parameters. Leveraging this technological foundation, we have cultivated deep expertise in key downstream applications and maintained continuous innovation in technology and product development, enabling us to serve leading customers across the most promising growth industries. This strategic approach has resulted in a stable and expanding blue-chip customer base that includes many global leaders in their respective industries and their tier-one suppliers.

For instance, in the NEV and automotive electronics sector, we serve as an important supplier and to industry leaders including globally leading NEV, automotive and battery companies. Our high-precision robotic magnetic encoders have achieved scaled production with leading global robotics manufacturers such as Dobot. In life science, our magnetic encoders serve as the exclusive solution for the cardiac pacemaker systems, a leading specialist in medical microelectronics, providing critical motion control and position sensing capabilities that meet stringent precision and reliability requirements. Additionally, prior to the acquisition of Sensitec, its 3D sensors and high-precision motion sensors were deployed in space exploration missions for NASA and ESA.

We believe our strong relationships with globally leading customers enhance our brand recognition and reputation, which will facilitate further growth of our customer base and position us to better capture opportunities in emerging industries.

Our diverse global customer base positions us strategically within a magnetic sensor market characterized by oligopolistic concentration and significant regional opportunities. According to Frost & Sullivan, while international companies have historically dominated the industry, the global market landscape is evolving, particularly in China — the world’s largest magnetic sensor consumer — where domestic penetration rates remain below 30% and high-end market import dependency reaches over 80%. Our established relationships with both international leaders and domestic champions uniquely position us to capitalize on the ongoing shift toward localization. As critical components in robotics,

BUSINESS

consumer electronics, and medical devices progressively reduce import dependence, we are leveraging our industry-leading technology development to increase customer stickiness and expand market share among leading enterprises, thereby solidifying our position as a global magnetic sensor industry leader.

Vertically Integrated IDM Model Enabling Rapid Response, Sustained Innovation and Multi-Sector Expansion

We believe our vertically integrated IDM model is a key differentiating factor to our leading industry position and success. We have established full vertical integration across the magnetic sensor value chain. We design and manufacture our chips, develop and manufacture our modules, and provide an end-to-end solution for delivery. Our proprietary wafer fabrication facility provides rare industry capabilities in autonomous chip production. Supported by a global production footprint, we ensure seamless coordination across materials sourcing, design, and manufacturing. This integrated IDM model enables us to optimize material preparation, product design, and process engineering at every critical stage, creating robust competitive barriers throughout the value chain.

IDM Integration Delivers Operational Efficiency and Facilitates Market Share Growth

- *Supply chain robustness and business stability.* Magnetic sensor manufacturing involves specialized materials and equipment, resulting in high supply chain complexity. Our independent wafer fabrication facilities enable flexible adjustment and rapid response in chip R&D and production schedules, based on customer requirements, ensuring autonomous and controllable manufacturing, enhanced operational stability, and provided us with the rigidity to withstand supply chain disruptions and uncertainties.
- *Cost optimization and accelerated scale benefits.* While IDM requires higher initial investment, we are able to subsequently optimize the entire value chain based on product characteristics, achieving efficient cost control through process development and yield improvement. As production volumes increase, our scale advantages are expected to further enhance cost competitiveness.
- *Quality assurance for mission-critical applications.* Advance magnetic sensors, such as those for automotive electronics, industrial automation and life sciences, demand high quality and exceptional reliability. Our IDM approach enables comprehensive process monitoring systems with real-time tracking of key parameters, ensuring consistent and stable product performance through stricter quality standards across every production stage.

TMR Technology Advancement Amplifies IDM Model Advantages

The sophisticated nature of TMR technology demonstrates why vertical integration becomes essential as the industry evolves toward more complex solutions and high-end applications:

- *Manufacturing complexity requires design-manufacturing synergy.* TMR devices utilize multilayer magnetic thin-film structures with dozens of layers including free layers, fixed layer, and non-magnetic tunnelling barriers. This complex architecture imposes stringent requirements on manufacturing processes. TMR wafer fabrication involves multiple precise steps, including wafer cleaning, oxidation, physical or chemical vapor deposition, film deposition, photolithography, etching, and annealing, repeated as necessary. Each process is critical to the final device performance. Most importantly, TMR manufacturing processes are generally incompatible with the CMOS process lines of major global foundries, requiring dedicated equipment and workflows. This complexity underscores the importance of close coordination between design and manufacturing.

BUSINESS

- *Seamless communication enables process optimization.* Our design teams communicate directly with our manufacturing engineers to adjust device parameters based on process capabilities, while manufacturing teams optimize processes according to design requirements. This bidirectional feedback loop is difficult to achieve under Fabless models due to inherent information barriers and misaligned interests between design firms and foundries, ensuring our design intent is accurately realized.
- *Market responsiveness for high-end customization.* TMR sensors serve the most demanding applications measuring current, geomagnetic fields, and motion, with rapidly evolving performance requirements and increasing demand for customized solutions. While Fabless companies face complex, time-consuming coordination with foundries for process changes and could be reluctant to accommodate small-batch custom production due to capacity or cost considerations, our IDM model enables flexible adjustment of design and process parameters at every stage, from material innovation to chip and module manufacturing, allowing us to efficiently deliver solutions for innovative high-end use cases and cater to customization needs rapidly and flexibly.

According to Frost & Sullivan, we are one of the top five companies globally possessing vertically integrated manufacturing capabilities in the xMR magnetic sensor industry in terms of revenue in 2024, positioning us uniquely to lead the transition toward advanced TMR technology in high-growth, high-value applications. As one of the few companies mastering all technical routes under the IDM model, this dual independence in technology and supply chain significantly enhances our R&D flexibility, innovation continuity, product iteration speed, and growth potential. These advantages have enabled continuous breakthroughs in core technologies, delivering products with internationally leading performance across motion sensing, angle detection, storage, and magnetic encoders. By actively exploring and defining downstream application scenarios and developing products with industry leading specifications, our dual independence further enables us to expand into diverse application fields and deliver customized solutions. This ongoing innovation allows us to continually advance current technologies and product forms, ultimately empowering customer development and delivering sustained value.

Comprehensive Technology Capabilities and Innovation Achievements

We take pride in our technological capabilities. We have been able to generate technological innovations due to our commitment to research and development. In 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our research and development expenses were RMB42.7 million, RMB50.9 million, RMB53.7 million, RMB39.6 million, and RMB39.8 million, respectively. As of September 30, 2025, we had 136 R&D professionals, with many of our core team members being internationally-trained professions with over 20 years of magnetic sensing R&D experience spanning TMR design, magnetic circuit design, circuit design, structural design, and system applications. We operate R&D centers across Bengbu, Ningbo, Wuxi and Germany, bringing together exceptional Chinese and international talent in a closely coordinated global technical collaboration network.

This substantial investment in R&D and deep technical expertise has enabled us to build a comprehensive technology portfolio that spans from foundational chip materials science to complete system solutions, delivering breakthrough performance across the most demanding applications. Through continuous innovation in core technologies — from magnetic materials structural design and electronic spin state control to advanced manufacturing processes — we have established ourselves as a technology leader capable of redefining industry performance standards.

BUSINESS

Foundational Materials Technology Driving Performance Breakthroughs

Our independent innovation in chip materials technology centers on magnetic materials structural design and electronic spin state control — core technologies that enable us to develop highly sensitive magnetic sensing cores. Through innovative combinations of multiphase magnetic material structures, our products overcome traditional sensing element performance limitations, achieving revolutionary advances in sensitivity, power consumption, and temperature stability. This materials-level innovation forms the technological foundation for our current sensors, motion sensors, and high-precision magnetic encoders, providing precise magnetic field detection, efficient energy conversion, and intelligent control capabilities across renewable energy, automotive electronics, industrial automation, and robotics applications.

Our independently controlled chip R&D and manufacturing capabilities distinguish us from domestic companies relying on external foundries, enhancing recognition among customers in high-end sectors while securing our position in the most profitable value chain segments.

Complete Technology Portfolio Maximizing R&D Flexibility

We possess comprehensive capabilities across the entire magnetic sensor technology spectrum, making us one of the few companies worldwide with complete magnetic sensing solutions. Beyond our mastery of advanced fourth-generation TMR technology, we have independently developed multiple key technologies spanning foundational materials, structural design, and core processes, establishing strong technical barriers.

Our complete technology portfolio provides exceptional R&D flexibility, enabling optimal selection of sensing core structures and processes based on diverse downstream requirements. This approach integrates production and development costs while meeting varied customer needs, continuously expanding our customer base and strengthening market competitiveness.

Through our strategic acquisition of our German subsidiary Sensitec, we have also established a complete technology chain for motion sensors from magnetic disk magnetization processes and TMR sensing core design to signal processing algorithms, enhancing our industrialization capabilities for high-precision 25–26 bit magnetic encoders.

Technology Achievements Enabling Strong Market Position

Leveraging our self-developed TMR technology’s unique physical properties, we have achieved groundbreaking advances in high-precision current detection, energy efficiency optimization, and system reliability. Through end-to-end control from wafers to solutions to applications, we continuously introduce designs delivering both safety and reliability, positioning us to capture opportunities in high-growth sectors including high-power energy conversion, computing centers, and embodied intelligence while strengthening relationships with industry-leading customers.

As a testament to our technological and R&D capabilities, we are the sole global host of the xMR Symposium, the industry’s most prestigious international conference on magnetoresistive technologies, continuously shaping international technical standards and demonstrating our technical leadership in the industry. Attendees include leading companies, research institutes, and industry experts from around the world such as Bosch, TDK, Absolute Magnetics, the Fraunhofer Institute for Electronic Nano Systems ENAS and the Technical University of Munich. In addition, we have established strategic R&D collaborations with universities and research institutions such as Lanzhou University. Through these industry-university-research partnerships, we integrate cutting-edge research with commercial applications, accelerating innovation cycles and strengthening our capabilities in the development of magnetic sensing technology.

BUSINESS

Global Presence and International Capabilities Supporting Market Position

Through strategic merger and acquisition, we have successfully integrated complementary technologies, supply chains, and sales channels, establishing a comprehensive global footprint that has strengthened our competitive position.

In 2021, we strategically acquired Sensitec, a leading European magnetic sensor company with over 20 years of experience in magnetic sensor R&D and industrialization. This acquisition significantly expanded our European operations and brought us proven high-precision, highly reliable magnetoresistive sensing elements that have been integrated into the global value chain of high-end motion sensors. Sensitec’s prestigious project portfolio includes supplying jointly developed magnetic sensors for NASA’s Mars rover “Curiosity” and participating in Europe’s first Mercury exploration mission. By introducing our advanced TMR technology to Sensitec and leveraging its technical experience and local team, we have established a comprehensive motion sensor technology chain, from magnetic code disk magnetization, TMR sensing element design, to signal processing algorithms, further benefiting both our home market and international operations.

Our global footprint also delivers competitive advantages across other dimensions. Domestically, we leverage existing channels to market Sensitec’s high-precision encoders, strengthening our ability to provide comprehensive solutions for local customers while accelerating our penetration into the domestic high-end market through Sensitec’s established international reputation. Internationally, we utilize our established European market networks and well-established supplier credentials to penetrate international markets while overcoming local certification barriers significantly reducing the costs and time required for market entry and allowing us to focus our resources on core technology R&D and product iteration.

This global presence serves as a key driver of our growth strategy, providing us with diversified market access, regional expertise and established customer relationships that accelerate our expansion while maintaining operational efficiency across multiple jurisdiction. The successful integration of Sensitec also demonstrated our management team’s proven ability to seamlessly integrate external businesses in international markets, creating value through effective post-acquisition integration and operational synergies.

Experienced Management Team and Skilled Talent Base

Our founders and management team bring deep technical expertise and extensive experience in magnetic sensor research and technologies, enabling us to rapidly establish a strong position in the magnetic chip industry and build lasting competitive advantages. Key team members have held senior positions at world-leading electronic device companies, contributing over 20 years of expertise in magnetic sensor R&D and mastery of cutting-edge global technologies. Additionally, our core R&D initiatives are led by Professors and industrial veterans with research and professional backgrounds from prestigious international institutes. Our management team also demonstrates exceptional technical foresight and deep insight into industry transformation and industrial upgrades, continuously exploring broad downstream application fields for technological innovation. As of September 30, 2025, we have 136 R&D professionals internationally, covering TMR design, magnetic circuit design, circuit design, structural design, and system applications. Through close collaboration with universities and research institutions both domestically and internationally, we have ensured a stable talent pipeline and expanded our platform for frontier technology development.

BUSINESS

OUR STRATEGIES

Expand Product Portfolio and Capture Emerging Market Opportunities to Strengthen Our Advantage

We will continue to explore downstream application scenarios aligned with industry trends, leveraging our resource advantages to develop innovative solutions that address industrial transformation needs and expand our product portfolio to meet evolving customer demands.

We will continue strengthening our presence in established markets including green energy, NEV and automotive electronics, and industrial automation, building on our proven track record and customer relationships. We currently plan to increase focus on current sensors for third-generation power semiconductors and AI computing as well as motion sensors for embodied intelligence applications.

Increase R&D Investment and Strengthen R&D Collaboration with Industry Leaders to Maintain Technological Leadership, Expand Market Influence and Enhance Long-term Competitive Position

We consider R&D a critical strategic initiative for our future growth. We will continue to invest in our research and development capabilities, particularly with respect to our core technologies, in order to reinforce our leadership position in the industry. We are currently focusing on developing advanced process technologies to achieve superior process synergy, enabling us to launch high-performance, cost-effective product benchmarks. Specifically, we are pursuing advancements in areas such as TMR chips with minimal angular error and the optimization of TMR structures in meeting the requirements of high-precision motion sensor applications.

Our product development strategy emphasizes collaborations with industry leading customers who are recognized for their technological expertise and innovation. By collaborating and jointly developing products with these industry leaders, we not only set up industry standards but also create new product features that can be more broadly applied across the industry, in turn strengthening our R&D capabilities. This approach also enables us to promote our solutions and gradually extend our reach to other customers within similar sectors. Going forward, we plan to deepen and expand these strategic collaborations to accelerate innovation cycles and strengthen our market position.

We also intend to expand our talent pool. We will continue pursuing technological innovation through in-house R&D and strategic partnerships with universities and research institutions.

Strengthen Our IDM Business Model

We are committed to strengthening our IDM business model, which we believe serves as the foundation for sustainable development in the magnetic sensor industry by optimizing vertical integration across all stages of the industrial chain to respond to the industry’s rapid growth and innovation. Through phased introduction of advanced equipment, optimization of production processes, and improvements in production efficiency and yield rates, we will continuously expand production capacity and meet the diversified needs of our customers while building a robust supply chain system that ensures production stability.

Our vertically integrated IDM model provides in-house control over key stages of the value chain from design and manufacturing of magnetic sensor chips through to the design and manufacturing of magnetic sensor modules. Building on our comprehensive wafer manufacturing capabilities and flexible design platform, we will continue to provide both standard solutions and customized sensor chips tailored to specific customer requirements.

BUSINESS

Enhance Global Market Presence and Build International Brand Recognition

Leveraging our subsidiary Sensitec, a leading European magnetic sensor company based in Germany, as our strategic entry point, we plan to deepen the synergies across R&D, production, and sales operations. In the short term, we will utilize our German wafer production capacity to supply our domestic production facilities, where we produce the final products and handle packaging and testing locally to minimize capital expenditure and production costs. In the long term, we will continue to enhance our global presence and establish ourselves as a leading international magnetic sensor brand.

Through our strategic product positioning and branding and the optimization of our production capability in Germany and mainland China, we plan to continuously strengthen our utilization capacity and enhance our sales channels synergy. We are effectively developing both domestic China and overseas markets to enhance our brand presence, with Sinomags covering the domestic and Asia markets, and Sensitec focusing on Europe market and markets in other international regions.

By leveraging our advantages in product performance and proven industry applications, we are committed to building a comprehensive global sales network and forming strategic partnerships with leading industry participants worldwide. We will seek opportunities to foster partnerships with overseas collaborators and work closely with top global customers across key sectors including green energy, automotive, and industrial automation, while also targeting other emerging high-end applications, to promote the global application of our products and technologies.

Foster Industry Collaboration and Mutual Technology Development Through Strategic Integration to Further Strengthen Our Competitive Advantages

We will continue to pursue strategic investments and acquisitions to identify high-quality acquisition targets for effective integration of industry resources. This approach will enable us to expand our product categories, market channels, and supply chains while strengthening supply chain resilience and optimizing our IDM model effectiveness. We will focus on opportunities in both domestic and international markets, actively pursuing acquisitions along the industrial chain to enhance our competitive position and drive long-term growth. We will maintain a disciplined approach to consolidation, focusing exclusively on opportunities that create meaningful synergies with our existing operations.

OUR PRODUCTS AND SOLUTIONS

We are primarily engaged in the R&D, design, production, and sales of magnetic sensors including primarily current sensors and motion sensors in both chip and module forms. Magnetic sensors are devices that detect and measure magnetic fields, converting magnetic field strength, direction, or changes into electrical signals. Magnetic sensors can be broadly categorized into two main types, current sensors and motion sensors, with magnetic encoders classified as a sub-category of motion sensors. They function as sensitive interfaces that give machines the ability to “feel” their environment, detecting everything from the rotation of a car wheel to the flow of current in a power grid.

Common magnetic sensing technologies include Hall effect sensors and xMR magnetoresistance technology sensors, with magnetoresistance technology further categorized into AMR, GMR, and TMR. We are one of the few companies in the industry to master the complete magnetic sensing technology portfolio, with a particular focus on TMR, which utilizes quantum tunnelling magnetoresistance effects and offers significant advantages over traditional Hall effect, AMR, and GMR sensors. TMR sensors deliver superior sensitivity, lower power consumption, and enhanced thermal stability, making them ideal for demanding high-end applications such as precision motor control, advanced automotive safety systems, and industrial automation and humanoid robotics systems requiring exceptional accuracy and

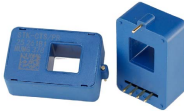
BUSINESS

reliability. Unlike conventional magnetic sensing technologies, TMR sensors can detect extremely small magnetic field changes while maintaining robust performance across wide temperature ranges and harsh operating environments. During the Track Record Period, revenue attributable to TMR sensors amounted to RMB479.0 million, RMB374.2 million, RMB436.3 million, RMB353.3 million and RMB410.1 million, respectively, in 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, accounting for approximately 71.9%, 63.0%, 62.0%, 64.9% and 65.4% of our total revenue for the respective periods.

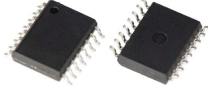
Current sensors

Current sensors are critical components that measure the flow of electrical current in power systems, enabling precise monitoring and control of electrical equipment. These sensors are essential for ensuring system safety, optimizing energy efficiency, and enabling intelligent power management across a wide range of applications. The ongoing demand for high energy efficiency will drive the adoption of high-power density products and third generation semiconductor devices, thereby increasing the demand for current sensors capable of monitoring the operation of power meter in high-frequency power systems. TMR technology sensors, with their exceptional magnetic field resolution and response speed, are among the few solutions fully capable of meeting the current measurement requirements for various third generation semiconductor power devices. As such, our current sensors have become increasingly vital for the reliable operation of modern electrical systems. We offer a vast array of different types of current sensors offering a wide measurement range from 0.3 A to 10 kA, with a frequency response of less than 50 ns and a 2 MHz bandwidth while providing exceptional accuracy and measurement precision up to 0.1%.

The table below sets forth certain representative current sensor products and their characteristics and applications:

Product	Product picture	Magnetic sensing technology type	Features	Application scenario
CTS/P Series current sensor		TMR	Open loop principle with TMR technology DC side measurement String inverter	Solar converter, Switched model power supplies (SMPS)
PL Series current sensor		TMR	Open loop principle with TMR technology DC side measurement MPPT	Solar converter, Battery powered applications, Static converters for DC moto drives, Uninterruptible Power Supplies (UPS), Switched model power supplies (SMPS)
LA/Z Series current sensor		TMR	Close-loop principle with TMR technology AC side measurement	Solar converter, Frequency converter, Uninterruptible Power Supplies (UPS), Switched model power supplies (SMPS)

BUSINESS

Product	Product picture	Magnetic sensing technology type	Features	Application scenario
The STK-616TM series current sensor		TMR	Open loop principle with TMR technology DC, AC pulsed and any irregular current measurement under isolated conditions	AC variable speed drives, Inverter, AC/DC and DC/DC power supplies, Switched model power supplies (SMPS),

Motion sensors

In addition to current sensors, we also offer a wide array of motion sensors with diverse types and specifications. While current sensors measure the magnetic field strength of current-carrying conductors, motion sensors measure the vector directions of magnetic fields or changes in magnetic field directions. These sensors are designed to detect and measure various positioning and movement parameters in rotating and linear machinery, making them essential for spatial positioning, motion control, and monitoring applications across downstream industries including automotive, industrial automation, robotics, consumer electronics, and medical devices.

Our motion sensor portfolio encompasses several key categories tailored to specific application requirements including position sensors for precise location detection, velocity sensors for speed measurement, angle sensors for rotational positioning, and magnetic encoders for high-resolution displacement and rotational measurement.

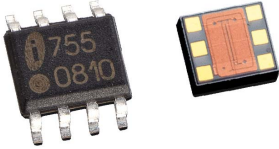
Magnetic encoders represent a particularly important and advanced subset of our motion sensor offerings. These robust and highly reliable sensors detect angular or linear displacement in rotating machinery by utilizing magnetic fields rather than optical systems. This magnetic approach enables superior performance in dirty, wet, or extreme industrial environments where optical encoders might fail, delivering exceptional durability across demanding applications requiring precise feedback control, including robotic joint positioning, multi-axis robotics and high-performance electric vehicle systems.

Our encoder modules deliver exceptional accuracy and reliability in various operating conditions, while offering the cost-effectiveness and compact form factor that modern industrial systems require depending on specific customer needs. We have established a complete encoder technology chain spanning from magnetic code disc magnetization processes and TMR sensitive chip design to signal processing algorithms, and have mastered the industrialization capabilities for 25–26 bit high-precision magnetic encoders.

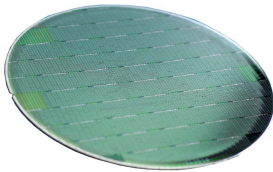
The table below sets forth certain representative motion sensor products and their characteristics and applications:

Product	Product picture	Magnetic sensing technology type	Features	Application scenario
Hollow shaft absolute magnetic encoder (中空絕對式磁角度編碼器)		TMR	A type of motion sensor used for measuring angular position. Our hollow shaft absolute magnetic encoder offers high recognition ability, high accuracy, and high encoding rate, ensuring precise and reliable angle measurement.	Robotics joints, servo motors, rotary tables, and automation equipment.

BUSINESS

Product	Product picture	Magnetic sensing technology type	Features	Application scenario
Linear displacement magnetic encoder (線性位移磁性編碼器)		TMR	A type of motion sensor used for measuring linear movement. Our linear displacement magnetic encoder delivers excellent accuracy and reliable performance across a wide measuring range.	Miniature electric cylinders, bionic hands, electric grippers, and linear actuators.
On-axis magnetic angle encoder (在軸式磁性角度編碼器) . . .		TMR	A type of magnetic angular encoder used for measuring angular position.	Servo motors, robotic joints, rotary tables, and automation equipment.
Magnetic field sensor (磁場傳感器)		TMR	A type of motion sensor used for precise magnetic field measurement. Our magnetic field sensor delivers high output signals with outstanding temperature stability and is compatible with a wide range of power supply.	Magnetic field strength detection in mobile modules and position sensing in camera modules, such as periscope cameras in smartphones.
GMR field sensor (GMR 磁場傳感器)		GMR	A type of high sensitivity motion sensor used for measuring minimal hysteresis. Our GMR field sensor is very small in size but delivers large permissible tolerances with high switching accuracy, allowing easy integration.	Limit switch, defibrillator, optical lens system and non-destructive testing.
AMR Angle Sensor (AMR 角度傳感器) . .		AMR	A type of highly accurate motion sensor used for measuring non-contact angle measurement. Our AMR angle sensor supports large assembly tolerances, minimal offset voltage and operates reliably across a wide temperature range. It is designed to meet automotive qualification standards.	Motor feedback systems, bearingless encoders and heavy-duty encoders, and automotive electric power steering.

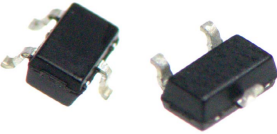
BUSINESS

Product	Product picture	Magnetic sensing technology type	Features	Application scenario
Bare die chip . . .			Depending on specific requirements of customers and their downstream applications	

Others

Apart from current sensors and motion sensors, we also offer other magnetic sensors which are vital components in modern electronic systems, in ensuring system safety, enhancing operational efficiency, and enabling intelligent control across a broad range of applications.

The table below sets forth certain representative products and their characteristics and applications:

Product	Product picture	Magnetic sensing technology type	Features	Application scenario
Magnetic Pattern Recognition Scanner (磁性圖像識別掃描儀).		TMR	This device offers high sensitivity with excellent gap characteristics and uniform sensitivity, covering a total detection width of 60mm without blind spots. Its design also ensures outstanding common-mode rejection ratio (CMRR).	Bank note validators and magnetic ink document readers.
Magnetic Switch (磁性開關). . .		TMR	This device features ultra-low power consumption and a wide operating voltage range, making it adaptable to various application environments.	Water meter, gas meter, and flow meter, as well as for contactless detection, electronic lock and valve position measurement, laptop and tablet on/off detection and mobile phones and wireless headphones.

The table below sets out a breakdown of our revenue by product type for the periods indicated.

	Year ended December 31,						Nine months ended September 30,			
	2022		2023		2024		2024		2025	
	RMB thousands except for percentages									
	(unaudited)									
Current Sensor ⁽¹⁾	538,058	80.8	463,842	78.1	581,546	82.7	455,338	83.6	517,001	82.5
Motion Sensors	96,313	14.5	99,149	16.7	87,816	12.5	65,637	12.1	72,053	11.5
— Module	53,000	8.0	45,673	7.7	41,911	6.0	26,024	4.8	32,969	5.3
— Bare die	43,313	6.5	53,476	9.0	45,905	6.5	39,613	7.3	39,084	6.2
Others ⁽²⁾	31,938	4.7	31,215	5.2	34,052	4.8	23,484	4.3	37,602	6.0
Total	666,309	100.0	594,206	100.0	703,414	100.0	544,459	100.0	626,656	100.0

BUSINESS

Note:

- (1) We offer current sensors in both module and bare die (unpackaged chips) form, while the revenue contribution from bare die current sensors during the Track Record Period was insignificant compared to our overall current sensor business.
- (2) Primarily includes magnetic pattern recognition scanners, magnetic switches and wafers.

The table below sets out a breakdown of our revenue by technology route of our products for the periods indicated.

	Year ended December 31,						Nine months ended September 30,			
	2022		2023		2024		2024		2025	
<i>RMB thousands except for percentages</i>										
<i>(unaudited)</i>										
Hall	22,063	3.3	36,024	6.0	107,362	15.3	69,331	12.7	83,976	13.4
TMR	479,020	71.9	374,229	63.0	436,346	62.0	353,252	64.9	410,067	65.4
AMR	89,588	13.5	88,935	15.0	81,654	11.6	62,460	11.5	66,711	10.6
GMR	14,705	2.2	15,589	2.6	10,751	1.5	6,879	1.3	8,497	1.4
Others	60,933	9.1	79,429	13.4	67,301	9.6	52,537	9.6	57,405	9.2
Total	666,309	100.0	594,206	100.0	703,414	100.0	544,459	100.0	626,656	100.0

The table below sets out a breakdown of sales volume and average selling price by business line for the periods indicated.

	Year ended December 31,						Nine months ended September 30,			
	2022		2023		2024		2024		2025	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	<i>Units'000</i>	<i>RMB per unit</i>	<i>Units'000</i>	<i>RMB per unit</i>	<i>Units'000</i>	<i>RMB per unit</i>	<i>Units'000</i>	<i>RMB per unit</i>	<i>Units'000</i>	<i>RMB per unit</i>
Current Sensors.	59,983	8.97	44,261	10.48	53,262	10.92	43,065	10.57	52,428	9.86
Motion Sensors ⁽¹⁾	19,159	5.03	26,808	3.70	32,914	2.67	23,806	2.76	33,856	2.13
— Module	1,564	33.89	904	50.52	964	43.48	613	42.47	800	41.21
— Bare die ⁽²⁾	17,595	2.46	25,904	2.06	31,949	1.44	23,193	1.71	33,056	1.18
Others	9,692	3.30	11,948	2.61	20,746	1.64	10,756	2.18	36,924	1.02
Overall.	88,834	7.50	83,017	7.16	106,921	6.58	77,627	7.01	123,208	5.09

Note:

- (1) The relatively lower average selling price of motion sensors compared to current sensors is primarily because we offer motion sensors in both chip and module forms, with bare die (unpackaged chips) typically having lower unit prices than packaged modules.
- (2) Sales of bare die include individual chips and wafers which can yield around thousands to tens of thousands of chips.

The average selling price of current sensors is lower than that of motion sensors (module form) primarily because current sensors are designed for simpler functions such as to measure electrical current and generally feature straightforward analog output and simple circuit structures, keeping manufacturing costs low. The performance requirements for current sensors are generally lower than that of motion sensors and could be easily met by standard manufacturing processes. In contrast, motion sensors such as magnetic encoders are significantly more complex. It is generally designed for high-precision digital output for accurate measurement of position, angle and speed, and often requires advanced components and sophisticated manufacturing process. These higher technical demands result in greater manufacturing costs and added value. Additionally, current sensors typically are produced in

BUSINESS

large volumes for a highly competitive, standardized mass markets, leading to lower average prices, whereas, motion sensors generally target more high-end and specialized industrial application, and benefit from greater pricing power due to lower volumes and fewer suppliers.

PRIMARY APPLICATION SCENARIOS

Our product matrix includes various types of current sensors and motion sensors tailored for different industry verticals including green energy, NEVs, industrial automation and advanced manufacturing, humanoid robotics and embodied intelligence, AI infrastructure and data center, medical and life sciences, and consumer electronics. Magnetic sensors have permeated numerous aspects of people’s daily lives and industrial applications, from smartphones and automotive systems to factory automation, becoming essential components that enable modern society to function. The accelerating pace of global industrial automation and the continuous advancement of magnetic sensing technology have created significant growth opportunities for the magnetic sensor market, which leads to a surging demand for more precise and cost-effective magnetic sensor products. The table below sets out a breakdown of our revenue in both absolute amount and percentage of our total revenue by application scenarios for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2022		2023		2024		2024		2025	
<i>RMB thousands except for percentages</i>										
<i>(unaudited)</i>										
Green energy	447,937	67.2	403,278	67.9	439,776	62.5	359,265	66.0	386,354	61.7
NEVs and automotive	93,369	14.0	81,403	13.7	160,758	22.9	115,697	21.3	134,046	21.4
Industrial automation and robotics	92,719	13.9	74,331	12.5	66,541	9.5	42,103	7.7	61,299	9.8
Others	32,284	4.8	35,194	5.9	36,339	5.2	27,394	5.0	44,957	7.1
Total	666,309	100.0	594,206	100.0	703,414	100.0	544,459	100.0	626,656	100.0

Green Energy

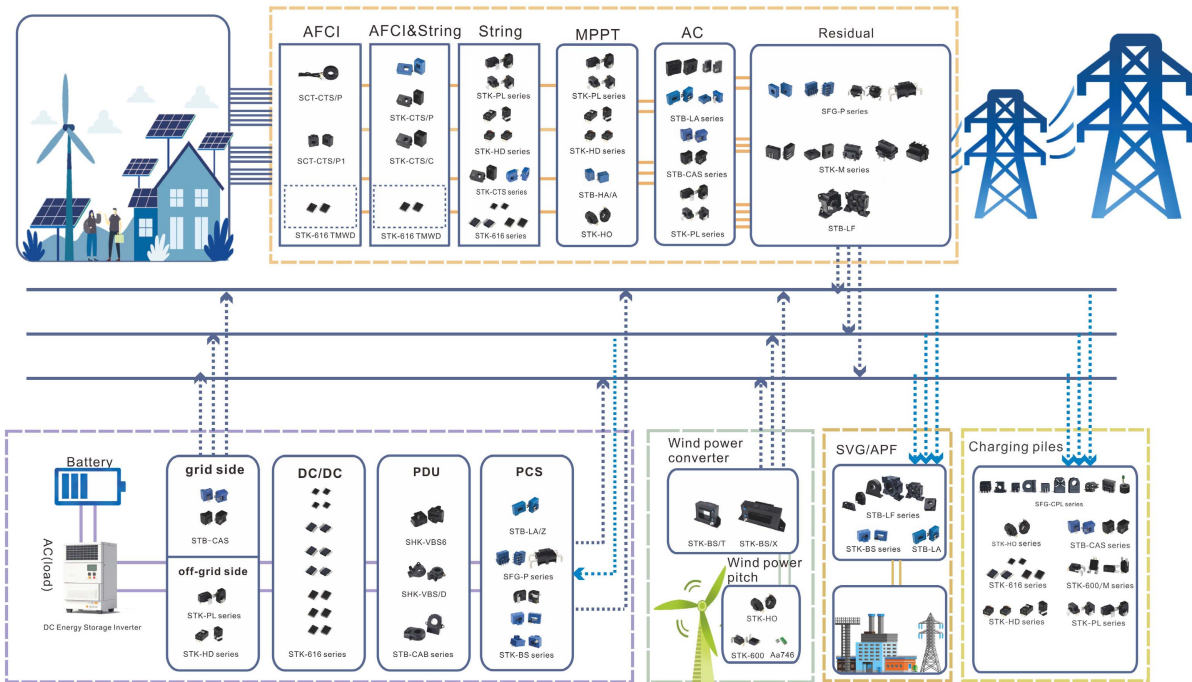
The global transition toward renewable energy sources and the increasing adoption of distributed energy systems have created substantial growth opportunities for the current sensor market. Our products play critical roles in new energy applications, addressing the evolving demands for precision, reliability, and efficiency in power conversion and energy management systems.

We focus on supporting the green energy ecosystem including photovoltaic systems, energy storage systems, and wind power generation. Our current sensor solutions are particularly essential in inverter applications and are integrated throughout complete renewable energy systems from power generation and conversion to energy storage and grid connection. Our high-precision current sensors provide accurate real-time current measurements across varying environmental conditions which is crucial for maximizing energy harvest efficiency and ensuring safe operation, including through precise leakage current detection to prevent electrical faults and protect both equipment and personnel.

BUSINESS

The illustration below sets forth a comprehensive overview of our products applied in a green energy power system:

NEW ENERGY GENERATION APPLICATION



NEVs and Automotive

The accelerating electrification of transportation and the advancement toward autonomous driving capabilities are driving unprecedented demand for high-performance magnetic sensing solutions. We have obtained both IATF16949 and ISO262626 certifications for our electric vehicle product quality control. Our automotive-grade current sensors are primarily applied to key components in the three major NEV systems, namely motor control units (MCU), battery management systems (BMS), and onboard charging systems (OBC).

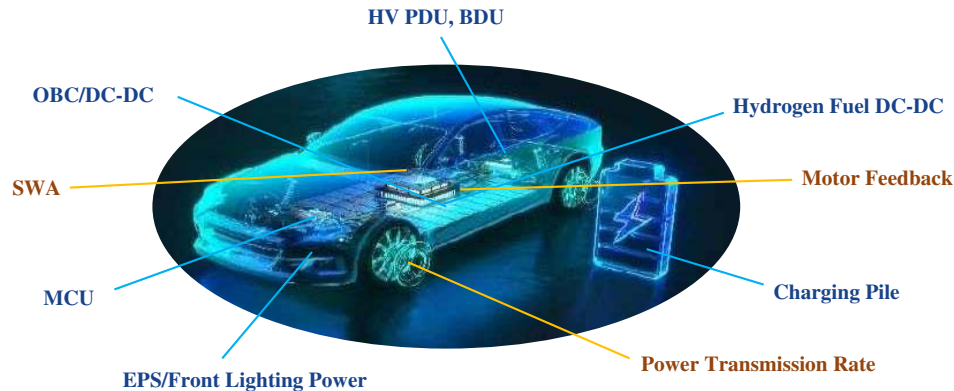
- **MCU:** The motor control unit acts as the “brain” that controls how power flows from the battery to the electric motor, managing speed and torque output. Our current sensors monitor the electrical current flowing to the motor, ensuring optimal performance and efficiency.
- **BMS:** The battery management system protects and optimizes the vehicle’s battery pack. Our current sensors track power flow from the battery, enabling the system to manage charging, prevent overheating, and extend battery life.
- **OBC:** The onboard charger converts AC power from charging stations into DC power that the battery can store. Our current sensors precisely measure electrical flow during charging and discharging, helping to accurately calculate remaining battery capacity and ensure safe operation.

Our solutions also extend to charging infrastructure enabling precise power metering, safety monitoring, and dynamic load management in charging networks. Our STK-PL series monitors current in DC fast charging modules while our SFG-CPL series provides precise current leakage detection up to 1mA for AC charging stations, ensuring safe operation and compliance with safety standards.

BUSINESS

Additionally, our motion sensors provide critical motion sensing capabilities across multiple vehicle systems. These include wheel speed sensors that enable ABS system functionality and EPS torque sensors that measure steering angle and torque for electronic power steering systems.

The illustration below sets forth a comprehensive overview of our products applied in NEVs and their charging infrastructure applications:



Industrial Automation and Robotics

The rapid advancement of manufacturing toward Industry 4.0 and smart factory initiatives is driving increased demand for precision magnetic sensing solutions across industrial automation applications. Our magnetic sensors and encoders play critical roles in the transformation of traditional manufacturing equipment, providing accurate position feedback, speed control, and motion monitoring for advanced manufacturing equipment such as automated production lines and precision manufacturing equipment.

Building on this foundation in traditional industrial automation, the rapid advancement toward collaborative and humanoid robotics and embodied intelligence has created additional opportunities for our precision magnetic sensing solutions. The robotics industry is experiencing unprecedented growth, with humanoid robotics, embodied intelligence, and autonomous systems attracting substantial investment and commercial interest. This momentum is driving significant demand for advanced sensing solutions that enable precise motion control and reliable operation. We currently supply high-precision magnetic sensor products to leading companies in the robotics industry, supporting the accurate motion control, position feedback, and safety monitoring required for next-generation robotic systems. In 2022, 2023, 2024 and for the nine months ended September 30, 2024 and 2025, our revenue generated from robotics applications amounted to RMB7.2 million, RMB2.9 million, RMB8.1 million, RMB5.0 million and RMB5.6 million, respectively. The lower level in 2023 was primarily attributable to international customers drawing down inventory that had been stockpiled in 2022 in response to pandemic-related supply chain concerns, with revenue levels recovering in 2024.

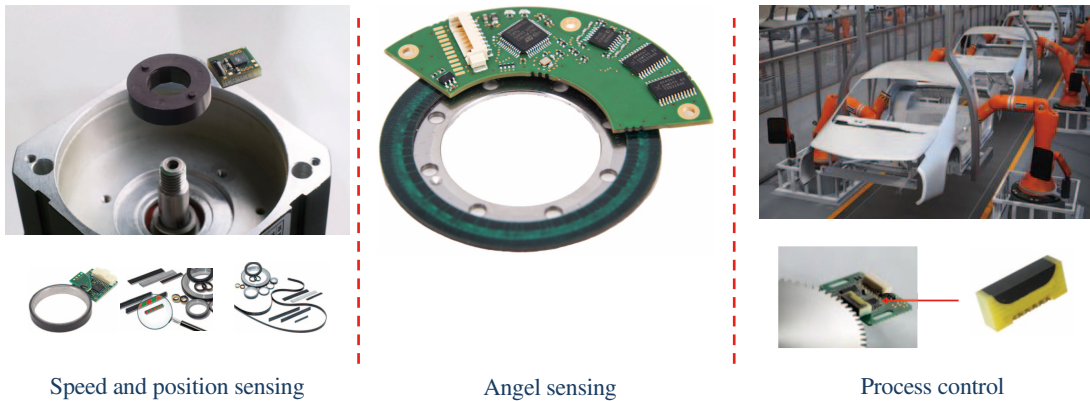
Our TMR sensor products enable critical functions in robotic applications, particularly in positioning and angle sensing where our encoders provide precise position feedback. This capability enables robots to maintain accurate position awareness and supports complex motion trajectories essential for industrial automation applications. Our TMR-based solutions, including accurate position and angle sensing capabilities, enable robust performance, smooth motion control and safe human-robot interaction in collaborative robot applications, maintaining the precision requirements for pick-and-place and assembly operations. Furthermore, magnetic encoders can enhance the perception

BUSINESS

capabilities and intelligence of robots, and enable them to better adapt to diverse environments and tasks, thereby promoting the widespread application of embodied intelligence in industrial production, service industry, healthcare, and daily life.

As industrial automation and the robotics industry continue to evolve toward more sophisticated applications, including humanoid robots, autonomous systems and embodied intelligence, we believe our advanced magnetic sensing products and technology will support the foundation establishment for precise motion control and reliable operation across diverse operating environments. According to Frost & Sullivan, the market size of global embodied robot industry in terms of revenue is expected to reach RMB162.0 billion in 2029, growing at a CAGR of 76.7% from 2025 to 2029.

The illustration below sets forth a few representative products in industrial robotics systems:



Emerging Applications and Others

Beyond our established market segments, the unique properties of magnetic sensors, particularly TMR technology, are opening new application areas across diverse industries. The exceptional sensitivity, low power consumption, and robust performance characteristics of our magnetic sensing solutions position us to capitalize on emerging opportunities in specialized markets including AI infrastructure and data center, consumer electronics, high-end medical devices and life sciences, and aerospace applications.

In AI infrastructure and data center sectors, the exponential growth in computational demands and high energy consumption requirements have created stringent needs for energy conversion efficiency and reliable power management. The accelerated construction of AI infrastructure and data centers promoted the rapid development of computing server power supplies that applied the third-generation semiconductors, thereby stimulating substantial demand for TMR current sensors that demonstrate significant advantages in pursuing excellent system performances including high efficiency, high power density and high-precision control. Our magnetic sensors play critical roles in AI infrastructure and data centers applications including uninterruptible power supply (UPS) systems, data center power supplies, where they enable precise current monitoring and control for maintaining stable power delivery to AI servers and computing infrastructure. Leveraging our established expertise and market position in the green energy and power industries, we supply TMR magnetic sensors that have strong applicability in HVDC and power supply unit (PSU) applications. Our sensors are fully compatible with third-generation semiconductor devices and deliver high-frequency response capabilities, making them ideal for the demanding power requirements of AI data centers. Our revenue generated from AI infrastructure and data center applications increased from RMB4.5 million in 2022 to RMB6.9 million and RMB8.0 million, in 2023 and 2024, respectively, representing a CAGR of 32.9% from 2022 to 2024. Our revenue generated from AI infrastructure and data center applications increased by 51.5%

BUSINESS

from RMB6.6 million for the nine months ended September 30, 2024 to RMB10.0 million for the same period in 2025. According to Frost & Sullivan, the market size of China’s data center power supply systems in terms of revenue is expected to reach RMB117.5 billion by 2029, growing at a CAGR of 15.1% from 2024 to 2029.

Magnetic sensors have a wide range of applications in consumer electronics, including home appliances, smart devices, and mobile electronics where they provide position sensing, motion detection, and power management capabilities. Building on this broad market foundation, our magnetic sensor technology has achieved a notable breakthrough in smartphone periscope lens systems, where we serve as a sensor chip supplier for high-end mobile camera modules. Our TMR sensors enable precise positioning and control for the complex mechanical systems within periscope telephoto lenses, delivering the exceptional sensitivity and compact form factor required for optical zoom functionality in premium smartphones. This specialized application demonstrates our technology’s capability to meet the demanding requirements of miniaturized, high-performance consumer devices.

Our products have also found applications in biotechnology and medical devices, where ultra-sensitive TMR sensors enable wireless monitoring of implantable devices such as cardiac pacemakers. We currently serve as the exclusive magnetic encoder supplier to Micro Systems Engineering, a leading specialist in medical microelectronics, for its cardiac pacemakers, leveraging TMR technology’s exceptional sensitivity for precise positioning and control capabilities.

RESEARCH AND DEVELOPMENT

Our strong R&D capabilities have allowed us to establish our technological advantage and keep up with the rapid technological advancement in the magnetic sensor industry. We plan to continuously expand our product portfolio, updating existing products and introducing cost-effective new solutions to enhance competitiveness. In 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, R&D expenses amounted to RMB42.7 million, RMB50.9 million, RMB53.7 million, RMB39.6 million and RMB39.8 million, respectively, representing 6.4%, 8.6%, 7.6%, 7.3% and 6.4% of our total revenue for the same periods. As of September 30, 2025, we had a team of 136 R&D professionals, representing approximately 12.8% of our total staff count.

Our founders and management team bring deep technical expertise and extensive experience in magnetic sensor research and technologies, enabling us to rapidly establish a strong position in the magnetic chip industry and build lasting competitive advantages. Our R&D is led by Dr. Wang, chairman of our Board and executive Director. He has over 20 years of research and development and corporate management experience in the magnetic sensor industry. In addition, our executive Director and deputy general manager Dr. Bai Jianmin also has extensive research and development experience in the magnetic sensor industry. Please see “Directors and Senior Management — Executive Directors” for details. Other key members of our R&D team have held senior positions at world-leading electronic device companies, contributing over 20 years of expertise in magnetic sensor R&D and mastery of cutting-edge global technologies.

As of the Latest Practicable Date, we held 107 patents worldwide, including 80 registered patents in the PRC and 27 in overseas jurisdictions. Among our patents in the PRC, 29 are invention patents, 40 are utility patents and 11 are design patents. We value the substance of R&D achievements over the number of patents. Apart from the invention patents, our R&D achievements over the years resulted from our persistent R&D investment are also underscored by extensive non-disclosed trade secrets, including material pre-processing methods, specific temperature profiles, specific trimming parameters, and tens of thousands of other critical process parameters that have been optimized through countless iterations of testing and development.

BUSINESS

Our research and development centers are strategically located domestically and internationally to allow our R&D teams to keep up with the cutting-edge industry developments while promoting collaboration between research teams and manufacturing personnel. Our R&D center in Germany focuses on wafer design and production, allowing us to keep up with the global magnetic sensing technology and facilitating international collaboration and innovation, which allows us to attract top-tier European talent and leverage regional expertise. In China, our R&D centers are strategically located within our sensor module production facilities, fostering seamless knowledge sharing and collaboration between development teams and manufacturing personnel. With the strategic locations of our research and development centers, we aim to optimize expertise sharing while tailoring research to manufacturing strengths of our production facilities.

R&D Process

Our product development follows a structured four-stage process in accordance with IATF 16949 standards for automotive-grade products whilst compatible with VDA 6.3 system (a process audit standard widely used in the automotive industry to ensure manufacturing process effectiveness), with an overall development cycle of approximately four to five months. Set forth are key steps of our R&D Process.

- *Planning and Product Definition:* At this initial stage, we work closely with our sales and marketing teams to gather customer requirements and market intelligence. We analyze customer pain points, technical specifications, and performance targets. We then determine whether to proceed with product development and establish the project scope and quality standards.
- *Product Design and Development:* Upon project approval, we evaluate and select the optimal technical approach. A dedicated project team is established comprising engineering personnel, chip specialists, and quality assurance staff, led by an appointed project manager to develop project plans, timelines, and design specifications.
- *Process Design and Development:* The project team proceeds to create prototypes. Once the product design is validated, we initiate mold development through external suppliers. Our production department becomes actively involved to determine welding methods, automation implementation, and establish testing platforms for environmental and performance validation. This stage culminates in small-batch trial production using production-grade tooling.
- *Product and Process Validation:* Based on customer orders, we conduct scaled production runs to validate manufacturing processes and product quality under actual production conditions. During this phase, our quality department conducts comprehensive testing in accordance with AEC-Q100 standards for chips and generates formal reliability reports for module products. Products undergo design verification (DV) and production verification (PV) testing, including EMC evaluation. Upon successful completion of all validation requirements, products are ready for customer sampling and certification.
- *Mass Production:* During mass production, we perform comprehensive process capability analyses to verify that our manufacturing processes remain stable and consistently meet all product specifications. We regularly update the Process Failure Mode and Effects Analysis (PFMEA) to incorporate new production insights and reassess potential risks.

BUSINESS

Each development stage includes structured quality reviews and milestone assessments. Post-launch, we maintain close customer relationships to monitor product performance and incorporate feedback into future iterations, supporting our commitment to continuous improvement and competitive advantage.

Research and development collaboration

We engage in strategic R&D collaborations with renowned research institutes, which provide us with valuable insights into industry trends and emerging technologies. During the Track Record Period, we established R&D collaborations with several universities and research institutes, including prestigious institutions such as Lanzhou University. For instance, our collaboration with Lanzhou University covers the development of permanent magnetic materials for encoder disks, performance optimization of TMR (tunneling magnetoresistance) devices, and the modeling and simulation of magnetic encoders. We also participated with another renowned university in the PRC in its National Key R&D Program project focusing on the reliability evaluation of gate insulation materials for silicon carbide devices. This collaboration addresses the critical challenge of ensuring that next-generation power electronics components — used in electric vehicles and renewable energy systems — can perform reliably under demanding real-world conditions such as high temperatures and voltage fluctuations. These academic partnerships strengthen our research capabilities and provide access to cutting-edge scientific expertise, allowing us to work closely with leading researchers to address key technical challenges, accelerate product innovation, and enhance the overall performance and reliability of our magnetic sensor products.

We believe that R&D is pivotal to creating value for our customers, and our R&D initiatives are guided by customers’ evolving demands and market requirements. We have built a strong track record of in-depth R&D collaboration with leading global companies, in providing tailored solutions for reputable automotive and green energy brands. As we expand into new and emerging application scenarios and market segments, deep involvement in collaborative R&D has become increasingly critical to our success. For example, we have formed in-depth R&D collaborations with Dobot, a leading company specialized in collaborative robots. Due to our continued innovation and investment in R&D, we have also undertaken a national-level R&D project, i.e. the reliability evaluation technology for SiC device gate dielectric materials.

Our Technologies

We have developed and deployed advanced magnetic sensing technologies that form the foundation of our innovative sensor solutions. Our proprietary technologies enable us to deliver high-performance, cost-effective magnetic sensors with superior accuracy and reliability across diverse application scenarios. Through years of research and development, we have established comprehensive technological capabilities covering the entire value chain from material design to system integration.

Our core technologies encompass advanced TMR design and manufacturing, multi-axis magnetic field detection, precision circuit layouts, and sophisticated calibration systems.

BUSINESS

TMR Multi-layer Film Structure Design Technology (TMR多層膜結構設計技術)	Our TMR multi-layer film structure design technology enables precise control of sensor sensitivity and operating range through sophisticated manipulation of material composition, thickness, crystal structure, stacking configuration, and interlayer coupling. By optimizing the equivalent magnetic anisotropy of up to 20+ thin film layers, we achieve customized sensitivity levels and working ranges tailored to different sensor application scenarios. This technology significantly improves magnetic hysteresis and non-linearity characteristics while ensuring compatibility with manufacturing processes and chip design requirements. Our approach enables high-precision measurements across wide operating temperature ranges, making our sensors suitable for demanding industrial and automotive applications.
TMR Thin Film Manufacturing Process Technology (TMR薄膜製作工藝開發技術)	We utilize advanced thin film fabrication processes that optimize film structure and manufacturing techniques. Through precise control of film thickness, sputtering temperature, deposition rate, vacuum management, and magnetic field heat treatment parameters including angle, frequency, temperature, and field strength, we achieve optimized lattice and magnetic domain structures. This results in significantly reduced noise performance, with our TMR sensors achieving noise levels substantially lower than comparable Hall effect sensors, enhancing overall sensing precision and reliability.
xMR Multi-axis Magnetic Field Detection Technology (xMR多軸磁場檢測技術)	Our multi-axis magnetic field detection technology enables 2-axis and 3-axis magnetic field sensing within a single device, effectively reducing product size and complexity. Two-axis detection is achieved through orthogonal placement of magnetic sensing elements, while three-axis detection utilizes soft magnetic materials to redirect magnetic field lines, converting them into in-plane magnetic fields for vertical (z-axis) direction sensing. This integrated approach provides comprehensive spatial magnetic field measurement capabilities in compact form factors.
xMR Angle Detection Harmonic Compensation Technology (xMR角度檢測諧波補償技術)	For AMR sensors, angle detection precision is achieved and guaranteed through optimized layout design. For TMR sensors, we implement multiple magnetic sensing axes within a single die, incorporating multiple annealing processes and soft magnetic materials to alter magnetic field directions. This enables transformation of a single magnetic field direction into multiple directional components, allowing precise magnetic field angle detection even when input signals deviate from ideal sinusoidal waveforms.
High-efficiency xMR Circuit Layout Technology (高效xMR電路佈局技術)	Our advanced circuit layout technology utilizes multi-axis magnetic field detection to implement half-bridge and full-bridge configurations for absolute magnetic field measurement within a single die. Compared to conventional multi-resistor area detection units, our multi-axis approach creates point detection units in half-bridge/full-bridge configurations, dramatically reducing sensor area and improving spatial resolution. This results in enhanced sensor sensitivity and improved resistance to environmental interference including temperature variations and radiation.

BUSINESS

Magnetic Sensor Chip Packaging Design Technology (磁性傳感器晶片封裝設計技術)	External electromagnetic fields from electrical and mechanical sources create time-varying magnetic fields that induce eddy currents in conductors, significantly affecting sensor response time. Our packaging and chip layout designs fully consider high-frequency magnetic and electric field variations, minimizing the use of conductive materials to suppress eddy current generation and interrupt eddy current paths. Additionally, our thermal management approach ensures rapid establishment of stable operating conditions upon power-up, achieving fast response times, temperature tolerance, EMC interference resistance, low stress, and high precision performance.
High-precision Magnetic Sensor Magnetic Circuit Design Technology (高精度磁性傳感器磁路設計技術)	Considering customer application environments including external interference, size constraints, and AC/DC factors, we employ magnetic circuit design to minimize environmental interference on sensor performance. Our deep understanding of magnetic material saturation characteristics, permeability, and frequency response enables selection of high-temperature, demagnetization-resistant samarium-cobalt magnets as magnetic materials. Through PVD processes, we manufacture these materials in thin film form, achieving an optimal balance of demagnetization resistance, high temperature tolerance, and high-precision magnetization.
Full Temperature Range Sensor Calibration and Adjustment System (全溫區標定的傳感器修調系統)	We have independently developed comprehensive testing fixtures and software systems that accurately simulate real customer application scenarios through dedicated data acquisition cards with embedded microcontrollers. Our system provides communication feedback for each product and efficient external data transmission, creating a cost-effective, high-performance calibration solution for both high and low temperature conditions. This ensures every product achieves high precision while passing rigorous tests including extreme current and high-frequency circuit protection, resulting in superior yield rates and consistent product quality.

INTELLECTUAL PROPERTY

Intellectual property rights are important to our business. Our future commercial success depends, in part, on our ability to obtain and maintain patents and other intellectual property and proprietary protections for commercially important technologies, inventions and knowhow related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties.

Since our inception, we have internally developed a variety of intellectual property rights. As of the Latest Practicable Date, we held 107 patents worldwide, including 80 registered patents in the PRC and 27 in overseas jurisdictions. Among our patents in the PRC, 29 are invention patents, 40 are utility patents and 11 are design patents. See “Appendix VI — Statutory and General Information — B. Further Information About Our Business — Our Material Intellectual Property Rights” for details of our material intellectual property rights.

BUSINESS

We rely primarily on a combination of trade secrets, patents, copyrights, trademarks, and unfair competition laws and contractual rights, such as confidentiality agreement, to protect our intellectual property rights. We have established comprehensive internal policies, covering the acquisition, maintenance, implementation, licensing, and transfer of intellectual property, as well as research on intellectual property information.

To safeguard our trade secrets and proprietary information and prevent unauthorized disclosure, we implement rigorous confidentiality protocols. Our employment and commercial contracts clearly define the rights and responsibilities related to intellectual property ownership and protection. We also maintain the security and confidentiality of our data and trade secrets through physical premises security, including access control systems, surveillance, and visitor management protocols, and comprehensive protection of our information technology infrastructure, including network segmentation, encryption of sensitive data, and regular security audits. We maintain secure backup systems and disaster recovery protocols to protect against data loss while ensuring such backups remain subject to equivalent security controls. All technical design documents, R&D data, experimental parameters, and other confidential electronic materials are stored and managed through our product lifecycle management R&D management system and dedicated encrypted network drives, with access rights assigned on a project-specific and personnel-specific basis.

Given the critical importance of our know-how and manufacturing expertise to our competitive position, we implement multiple layers of protection for our trade secrets. We implement a modular management approach to protect our core technologies as trade secrets. We restrict access to sensitive technical information on a need-to-know basis and compartmentalize knowledge across different teams and facilities. Our core technologies, such as TMR multi-layer film structure design technology, TMR thin film manufacturing process technology, xMR multi-axis magnetic field detection technology, high-efficiency xMR circuit layout technology, magnetic sensor chip packaging design technology, high-precision magnetic sensor magnetic circuit design technology, and full temperature range sensor calibration and adjustment system, are managed under separate modules. The research, development, iteration, and application of each technology module are handled by dedicated technical teams, with individual personnel only having access to specific technologies rather than the complete technology chain and core parameter combinations. Our proprietary and customized equipment remain within our controlled facilities and are subject to physical access restrictions. This modular segregation ensures that no single individual possesses comprehensive knowledge of our entire core technology system. In addition to personnel segregation, we maintain strict physical access controls for our core production and R&D facilities through biometric verification systems and 24-hour video surveillance.

To protect against unauthorized disclosure by personnel, we also require all key technical personnel, core R&D staff, and management with access to confidential information to enter into confidentiality agreements. Our employment contracts also include confidentiality obligations that survive termination, non-compete provisions where legally permissible, and invention assignment clauses. We provide regular training to employees on intellectual property protection and confidentiality requirements. Key technical personnel are subject to enhanced confidentiality protocols, including restrictions on removing technical documentation from our premises and mandatory exit procedures upon departure. We also implement separation of duties in our manufacturing processes to prevent any single individual from having complete knowledge of our end-to-end proprietary processes. Since our inception, we have not experienced any material secret leakage incidents or any infringement of third-party intellectual property rights.

We carefully manage intellectual property risks in our supply chain and business partnerships. Our agreements with suppliers, customers, and partners include confidentiality provisions, limited disclosure protocols, and intellectual property ownership clauses. We operate under an IDM model and thereby

BUSINESS

strive to avoid outsourcing processes that involve our most sensitive trade secrets and, where we use third-party suppliers for relatively standardized processes such as packaging and assembly, we limit access to only what is necessary for the specific engagement.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. See “Risk Factors — Risks Related to Our Business and Industry — Our business depends on our ability to protect our proprietary know-how and intellectual property rights.”

To mitigate the risk of third-party infringement, we actively monitor the market for potential unauthorized use of our intellectual property, including through industry publications, patent filings, competitors’ products, and trade show observations. We maintain relationships with industry associations and legal advisors to stay informed of potential intellectual property threats. Where we identify potential infringement, we evaluate enforcement options on a case-by-case basis, which may include cease and desist letters, licensing negotiations, or litigation as appropriate.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material intellectual property infringement claims. For a description of certain ongoing patent invalidation applications, see “— Legal Proceedings and Compliance — Legal Proceedings.”

PRODUCTION

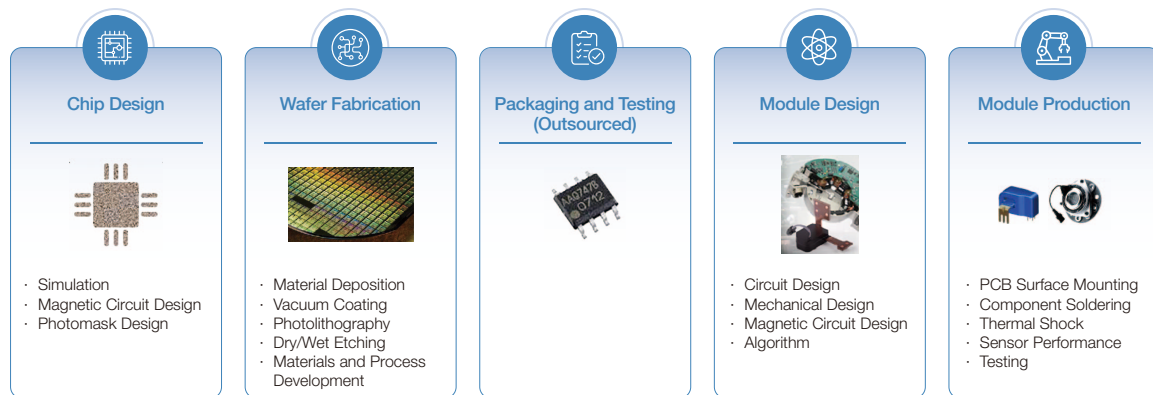
We have adopted a vertically integrated IDM model that provides in-house control over the key stages of the value chain from design and manufacturing of magnetic sensor chips through to the design and manufacturing of magnetic sensor modules. This integrated operational framework fosters coordination and synergy across our operations in China and overseas, ensuring the quality and reliability of our magnetic sensor products while providing stable production capacities to meet the demanding and tailored requirements of automotive, new energy, and industrial automation customers. In addition to our in-house manufacturing processes, we also collaborate with trusted third-party service providers generally for packaging and assembly processes. For details, see “— Procurement and Supply Chain Management — Outsource Arrangements.”

Production Process

Leveraging our sensor wafer design and manufacturing center in Germany, we employ advanced semiconductor fabrication techniques to produce high-performance wafers for magnetic sensor products. The process of creating magnetoresistive sensor elements (including GMR and TMR structures) involves depositing multiple thin-film layers onto silicon wafers using precision sputtering, plasma etching, oxide deposition and photolithography. This technique introduces magnetic materials, such as permalloy and cobalt-iron alloys, in carefully controlled sequences to form magnetoresistance structures with an individual film thicknesses low as 0.2 nanometers. Due to the critical nature of magnetic layer thickness and uniformity, specialized deposition chambers maintain ultra-clean environments with precise temperature and pressure control. By carefully controlling layer composition, film thickness and uniformity, and annealing processes, we ensure the magnetic sensor elements achieve optimal sensitivity, temperature stability, signal-to-noise ratios and overall output reliability. Following wafer fabrication, the completed wafers are delivered to our outsourced partners for packaging, assembly, and testing services. The packaged chips are then shipped back to our module production bases, where our integrated design and manufacturing capabilities enable us to develop complete sensor modules. Our module design process encompasses circuit design for signal processing and conditioning, mechanical design for housing and mounting solutions, magnetic circuit design for optimal field sensing, and algorithm development for enhanced performance and accuracy.

BUSINESS

The final stage involves comprehensive module production, which includes PCB assembly and component mounting, precision soldering of electronic components, structural assembly of mechanical housings, rigorous thermal shock testing across high and low temperature ranges, and comprehensive sensor performance validation. This vertically integrated approach ensures consistent quality control and optimal performance across our entire product range, from individual sensor chips to complete application-ready modules. The diagram below illustrates key steps of the production process of our products.



Production Equipment and Machinery

We source our critical production equipment and machinery from domestic and international industrial players. During the Track Record Period, our core wafer production equipment included TMR thin-film deposition equipment capable of producing high-performance TMR film structures and magnetic oven for magnetization of strong magnetic fields at high temperature, enabling horizontal and vertical magnetization. All of our equipment undergoes regular maintenance and servicing in accordance with established standards, ensuring optimal operational performance. During the Track Record Period, no major operational failures have occurred as a result of equipment or facility malfunctions. Depreciation rates are determined based on the asset category, estimated useful life, and expected residual value. The depreciation period for our major equipment is approximately 10 years.

Production Bases in Operation

As of the Latest Practicable Date, we had two domestic production bases, namely, Bengbu module production base, and Ningbo module production base, and two overseas productions bases in Germany, namely Wetzlar module production base and Mainz wafer factory. The table below sets forth details of our production bases as of September 30, 2025.

Production Bases	Location	Gross Floor Area (sq.m.)	Primary Products	Function
Bengbu module production base	Bengbu, China	31,646	Current Sensor Motion Sensor	Office, R&D, production, warehouse, sales and after-sales service
Ningbo module production base	Ningbo, China	8,812	Current Sensor	Office, R&D, production, warehouse, sales and after-sales service
Wetzlar module production base	Wetzlar, Germany	2,969	Motion Sensor	Office, R&D, production, warehouse, sales and after-sales service

BUSINESS

Production Bases	Location	Gross Floor Area (sq.m.)	Primary Products	Function
Mainz wafer factory	Mainz, Germany	15,715	Wafer	Office, R&D, production, warehouse, sales and after-sales service

Set forth below are the maximum available production capacity, production volume and utilization rates of our production base for the periods indicated.

	Year ended December 31,									Nine months ended September 30,		
	2022			2023			2024			2025		
	Production capacity ⁽¹⁾ (Unit in Thousand)	Production volume ⁽²⁾	Utilization Rate ⁽³⁾ (%)	Production capacity ⁽¹⁾ (Unit in Thousand)	Production volume ⁽²⁾	Utilization Rate ⁽³⁾ (%)	Production capacity ⁽¹⁾ (Unit in Thousand)	Production volume ⁽²⁾	Utilization Rate ⁽³⁾ (%)	Production capacity ⁽¹⁾ (Unit in Thousand)	Production volume ⁽²⁾	Utilization Rate ⁽³⁾ (%)
Bengbu module production												
base	54,248	36,476	67.2	83,129	37,810	45.5	111,682	44,161	39.5	85,209	51,764	60.7
Ningbo module production												
base	24,739	20,556	83.1	27,000	11,031	40.9	32,407	14,169	43.7	26,002	11,756	45.2
Wetzlar module production												
base	6,500	4,550	70.0	6,500	2,990	46.0	6,500	2,860	44.0	4,875	1,650	33.8
Mainz wafer factory⁽⁴⁾ . .	10	7	67.0	11	5	47.0	11	5	46.0	7.5	4.8	64.0

Notes:

- (1) The maximum production capacity for each period is calculated based on the daily capacity and working days of the respective production base.
- (2) The production volume refers to actual production of the products for the relevant period.
- (3) The utilization rate during the year or period is calculated by dividing production volume by the production capacity for the same period.
- (4) The lower unit levels for Mainz wafer factory compared to other production bases are due to different product types. Mainz produces wafers while the other production bases (Bengbu, Ningbo, and Wetzlar) produce modules.

The utilization rates across our production bases are typically affected by fluctuations in demand for our products driven by market trends in downstream industries and applications such as automotive and photovoltaic, and followed relatively similar trends during the Track Record Period. For details, see “— Seasonality.” Our facilities experienced relatively higher utilization rates in 2022 as we responded to increased orders from major downstream customers. Utilization rates of our facilities decreased in general in 2023, and have remained relatively stable through 2024. Specifically, utilization rates declined from 67.2% to 45.5% at our Bengbu base, from 83.1% to 40.9% at our Ningbo base, and from 70.0% to 46.0% at our Wetzlar base between 2022 and 2023. Our Mainz wafer factory similarly decreased from 67.0% to 47.0% during the same period. These fluctuations were primarily attributable to strong customer demand and higher order levels in 2022, followed by downstream industries (particularly photovoltaic) experiencing softening demand in 2023 amid challenging global economic conditions. The increase in the utilization rate of our Bengbu base from 39.5% in 2024 to 60.7% for the nine months ended September 30, 2025 was driven by rapid growth in order demand from green energy, robotics and industrial automation, as well as order demand from consumer electronics in our emerging businesses. In contrast, the decrease in the utilization rate of our Wetzlar base from 44.0% in 2024 to 33.8% for the nine months ended September 30, 2025 was primarily attributable to the overall slowdown of the German economy, which led to weakened demand from industrial automation sector.

In addition to market-related fluctuations, facility-specific factors also contributed to utilization rate changes at our Bengbu and Ningbo production bases. At Bengbu, the utilization rate was affected by our continued capacity expansion, with maximum available production capacity increasing from 54,248 thousand units in 2022 to 83,129 thousand units in 2023 and further to 111,682 thousand units

BUSINESS

in 2024, due to the addition of new production lines and equipment and their gradual ramp-up and process optimization. For both our Bengbu and Ningbo production bases, utilization rates were also affected by our strategic reallocation of certain production capacity for industrial and photovoltaic products from Ningbo to Bengbu, as part of our facility optimization strategy whereby Ningbo will primarily focus on automotive grade products going forward.

Despite these market headwinds, we have delivered steady performance with utilization rates showing stabilization in 2024 and in the first three quarters of 2025. We remain committed to monitoring market dynamics closely and responding strategically to position ourselves for future growth while maintaining operational efficiency across all our production facilities.

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

We procure from suppliers a variety of materials necessary for the manufacturing of our products, including five major categories: ASIC chips and PCBs, injection molding plastic parts and metal structural parts, magnetic materials, circuit parts (capacitors, resistors) and wafer production materials (silicon wafer-base, chemicals). During the Track Record Period, we primarily sourced our magnetic materials, PCBs and plastic raw materials domestically. In addition, we mainly sourced wafers from Germany and electronic components through traders in the PRC. Our procurement plans are formulated primarily based on market demand, production schedules, inventory levels and supplier lead time. Specifically, our marketing department provides a six-month demand forecast, which we use to evaluate material lead times and sourcing complexity. To enhance our supply chain resilience, we have strategically established in-house production capabilities for injection molding plastic parts and metal structural parts. As of the Latest Practicable Date, we had two production facilities in Bengbu, China, for the production of these components, both of which were already in operation. This vertical integration allows us to better control production costs, improve operational efficiency and increase profit margins.

During the Track Record Period, prices of our raw materials experienced fluctuations. Semiconductor-related raw material (such as silicon wafers and rare earths) procurement price volatility is primarily driven by changes in the international environment and foreign exchange rates, as well as fluctuations in supply and demand dynamics. We do not engage in hedging using derivative instruments relating to the risk exposures in connection with our raw materials. We typically take into account such fluctuation in raw material costs when pricing our products. Additionally, we have established a rigorous information communication mechanism whereby any changes in procurement costs are immediately communicated to our marketing department, which then engages with customers to negotiate appropriate price adjustment arrangements. We also attempt to leverage long-term partnerships with our suppliers to avoid frequent procurement price adjustments caused by short-term market volatility. During the Track Record Period, we did not experience any significant shortage of raw material supplies, and the raw materials provided by our suppliers did not have any significant quality issues. See “Risk Factors — Risk Relating to Our Business and Industry — A fluctuation in prices of raw materials or shortage in supply may disrupt our supply chain, increase our production costs, delay deliveries of our products to customers and affect our market price, which would further affect our business, financial condition and results of operations.”

Suppliers

Our suppliers primarily include raw material suppliers, equipment suppliers and service providers for packaging and assembly services. 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 implemented stringent supplier management protocols. Prospective suppliers undergo a comprehensive evaluation before they are admitted to our list of qualified suppliers. In addition to vetting new

BUSINESS

suppliers, we conduct periodic evaluations of existing suppliers based on their product and service quality and cost effectiveness, and we require suppliers to promptly address any issues discovered during such evaluations.

We typically enter into supplier framework agreements with our suppliers setting forth general terms that will be used in each purchase order. Depending on the actual production plan, our raw material and component purchases are made on a purchase order basis, and we specify the product type, quality standards, unit price, quantity, delivery timeline, product return policies and other items in each purchase order we send to our suppliers.

Outsource Arrangements

During the Track Record Period, we engaged certain third-party service providers to carry out certain highly standardized processes such as packaging and assembly for our magnetic sensor chip products. According to Frost & Sullivan, it is not uncommon for IDM companies to engage third-party service providers to carry out such highly standardized and mature processes. Since assembly and packaging are highly standardized and mature processes, we believe partnering with leading service providers enables specialized expertise and enhances both our cost management and operational efficiency.

In 2022, 2023, 2024 and the nine months ended September 30, 2025, the costs incurred by such third-party services amounted to RMB75.9 million, RMB57.8 million, RMB66.2 million and RMB48.8 million respectively, which accounted for 13.5%, 11.9%, 11.4% and 10.3% of our total cost of sales for the respective periods.

We periodically evaluate the necessity and benefit of working with additional service providers to support our operations. We carefully select service providers from a pool of reputable candidates, and qualified service providers are admitted to our list of qualified suppliers. As of the Latest Practicable Date, we primarily cooperated with 17 outsourced service providers which we believe can meet the demands for our operations. We have generally maintained long-term relationships with these service providers, and all of them are Independent Third Parties. These service providers have extensive industry experience and cooperate with other major semiconductor business in China and globally. In addition to those on our qualified suppliers list, we also maintain a reserve of potential suppliers that have passed our verification testing and are ready for introduction as backup options to further strengthen our supply chain resilience.

The salient terms of the agreements with our outsourced service providers are set forth below:

- ***Term, renewal and termination.*** One to two year, renewable once upon mutual assent, and terminable upon the outsourcing service provider’s breach, such as delay in delivery.
- ***Rights and obligations.*** The outsourcing service provider shall manufacture products using raw materials and semi-finished products provided by us per our specification without delay. We shall inform the outsourcing service provider of any specification changes.
- ***Raw materials procurement policy.*** Primary raw materials and semi-finished products will be provided by us. The outsourcing service provider shall undertake quality checks and procure necessary processing material per our specification.
- ***Compliance with quality requirements.*** We perform sample checks on products. The outsourcing service manufacturer shall periodically submit quality reports to us. The outsourcing service manufacturer’s failure to meet quality requirements would obligate them to improve the products to specification at their own expense.

BUSINESS

Major Suppliers

In 2022, 2023 and 2024 and the nine months ended September 30, 2025, purchases from our largest supplier in each period during the Track Record Period accounted for 9.4%, 7.0%, 8.4% and 6.5%, respectively, of our total purchase amount during those periods. In 2022, 2023 and 2024 and the nine months ended September 30, 2025, purchases from our five largest suppliers in each period during the Track Record Period accounted for 32.5%, 24.7%, 25.7% and 23.0%, respectively, of our total purchase amount during those periods.

The tables below set forth information about our five largest suppliers for each period during the Track Record Period:

Year ended December 31, 2022

Rank	Supplier	Product/Service provided to us	Background	Year of commencing business relationship	Purchase amount (RMB'000)	% of total purchase amount
1	Supplier A	ASIC chips and PCBs	A public company engaged in the production and sales of ASIC chips, semiconductor devices, and integrated circuits headquartered in Suzhou, China.	2013	49,713	9.4
2	Supplier B	ASIC chips and PCBs	A private company engaged in production and sales of ASIC chips, electronic components, and semiconductor products headquartered in Quanzhou, China.	2020	45,220	8.6
3	Supplier C	ASIC chips and PCBs	A private company engaged in surface mounting service headquartered in Ningbo, China.	2019	34,345	6.5
4	Supplier D	Injection molding plastic parts and metal structural parts	A private company engaged in manufacturing and wholesale of electronic components parts, hardware products and injection molding plastic parts headquartered in Dongguan, China	2020	21,873	4.1
5	Supplier E.	Injection molding plastic parts and metal structural parts	A private company engaged in hardware processing and stamping parts manufacturing headquartered in Cangzhou, China.	2016	20,861	3.9
					<u>172,012</u>	<u>32.5</u>

BUSINESS

Year ended December 31, 2023

Rank	Supplier	Product/Service provided to us	Background	Year of commencing business relationship	Purchase amount (RMB'000)	% of total purchase amount
1	Supplier F.	ASIC chips and PCBs	A private company engaged in wholesale and retail of electronic products, computers, and supporting equipment headquartered in Shanghai, China.	2020	24,965	7.0
2	Supplier E.	Injection molding plastic parts and metal structural parts	Please see above.	2016	22,371	6.3
3	Supplier B	ASIC chips and PCBs	Please see above.	2020	14,800	4.2
4	Supplier G	Magnetic materials	A private company engaged in magnetic core winding services headquartered in Wuxi, China.	2018	14,149	4.0
5	Supplier H	Injection molding plastic parts and metal structural parts	A private company engaged in production and sales of plastic injection molding headquartered in Suzhou, China.	2016	11,445	3.2
					<u>87,730</u>	<u>24.7</u>

Year ended December 31, 2024

Rank	Supplier	Product/Service provided to us	Background	Year of commencing business relationship	Purchase amount (RMB'000)	% of total purchase amount
1	Supplier E.	Injection molding plastic parts and metal structural parts	Please see above.	2016	36,634	8.4
2	Supplier A	ASIC chips and PCBs	Please see above.	2013	28,230	6.5
3	Supplier D	Injection molding plastic parts and metal structural parts	Please see above.	2020	19,051	4.4
4	Supplier B	ASIC chips and PCBs	Please see above.	2020	14,877	3.4

BUSINESS

Rank	Supplier	Product/Service provided to us	Background	Year of commencing business relationship	Purchase amount (RMB'000)	% of total purchase amount
5	Supplier I	ASIC chips and PCBs	A private company engaged in sales of integrated circuit chips and products, and electronic products headquartered in Shanghai.	2022	13,034	3.0
					<u>111,826</u>	<u>25.7</u>

Nine months ended September 30, 2025

Rank	Supplier	Product/Service provided to us	Background	Year of commencing business relationship	Purchase amount (RMB'000)	% of total purchase amount
1	Supplier E.	Injection molding plastic parts and metal structural parts	Please see above.	2016	27,391	6.5
2	Supplier A	ASIC chips and PCBs	Please see above.	2013	19,557	4.7
3	Supplier B	ASIC chips and PCBs	Please see above.	2020	19,517	4.6
4	Supplier F.	ASIC chips and PCBs	Please see above.	2020	15,772	3.8
5	Supplier J	Circuit parts (capacitors, resistors)	A private company engaged in sales of electronic components headquartered in Xiamen, China	2020	14,093	3.4
					<u>96,330</u>	<u>23.0</u>

As of the Latest Practicable Date, none of our Directors, their respective close associates or any of our shareholders (who owned or to the knowledge of the Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

SALES AND MARKETING

During the Track Record Period, our products and solutions were primarily sold in the PRC. Our revenue generated from sales in the PRC amounted to RMB554.2 million, RMB483.6 million, RMB595.6 million, RMB461.9 million and RMB541.7 million, respectively, in 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, accounting for 83.2%, 81.4%, 84.7%, 84.8% and 86.4% of our total revenue for the respective periods. Revenue from countries and regions outside of the PRC primarily comprises sales to the European market from Sensitec’s operations and sales from Sinomags to overseas markets directly or through our distributors.

BUSINESS

Despite the wide applicability of magnetic sensor products, we primarily adopt a go-to-market strategy that starts with market leaders and major distributors in selected industries that we target to enter, such as green energy, NEVs, industrial automation and advanced manufacturing, intelligent and humanoid robotics, high-end medical devices and life sciences, and AI computing. We demonstrate the value of our products and solutions through one or a few entry projects with market leaders. After we succeed with market leaders, we are able to leverage our understanding of the industries, our reputation established through collaborating with such market leaders to further enhance our influence in such industries, enabling us to further penetrate and provide solutions to other players, without incurring significant sales and marketing efforts.

We have an experienced and highly trained sales and marketing team, consisting of 33 personnel as of September 30, 2025, who focus on discovering promising market opportunities and prospective customers. This team develops and executes comprehensive marketing strategies and promotional initiatives. Our sales and marketing personnel possess deep understanding of our products and solutions and can recognize customer requirements while delivering technical assistance. They continuously monitor new developments and innovations that may interest current and future customers, offering tailored pre-sales guidance and recommendations based on each customer’s specific requirements.

We have two main categories of customers: (i) direct sales customers who are end users purchasing our products and solutions directly; and (ii) distributors. The table below sets out a breakdown of our revenue in both absolute amount and percentage of our total revenue by sales channel for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2022		2023		2024		2024		2025	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>RMB thousands except for percentages</i>									
	(unaudited)									
Direct sales.	297,984	44.7	318,644	53.6	346,665	49.3	254,040	46.7	281,376	44.9
Distribution.	368,325	55.3	275,562	46.4	356,749	50.7	290,419	53.3	345,280	55.1
Total	666,309	100.0	594,206	100.0	703,414	100.0	544,459	100.0	626,656	100.0

Direct Sales Customers

Our direct sales customers are primarily leading or reputable players in their respective industries, such as leading automotive manufacturers and their Tier-1 suppliers for the automotive industry and reputable players in green energy and other industries. In 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, revenue generated from direct sales customers amounted to RMB298.0 million, RMB318.6 million, RMB346.7 million, RMB254.0 million and RMB281.4 million, respectively, accounting for 44.7%, 53.6%, 49.3%, 46.7% and 44.9% of the total revenue for the same periods, respectively. Since many of our direct sales customers are leading companies in their respective sectors, utilizing a direct sales approach allows us to accurately grasp and address customer needs. This enables us to leverage our experience in application development and our comprehensive supply chain resources in providing customized products and services tailored to their specific requirements. We attract direct sales customers largely by leveraging the strong brand reputation and considerable industry influence we have developed through ongoing collaboration with top-tier firms across various application areas, along with focused marketing and promotional efforts.

BUSINESS

The salient terms of our direct sales agreements during the Track Record Period are set out below:

- **Term.** Our direct sales agreements are typically framework agreements with no fixed term stipulated, therefore, the duration of each agreement varies, depending on the specific circumstances of each contract.
- **Pricing policy.** We sell our solutions to direct sales customers at price levels that have been mutually agreed by us and the direct sales customers.
- **Minimum purchase requirements.** We typically do not set a minimum purchase requirement in our direct sales agreements.
- **Logistics.** We are generally responsible for delivering our products to locations designated by our direct sales customers.
- **Quality, inspection and acceptance.** We shall deliver the products according to the technical parameters mutually agreed in the agreements. We shall replace the products if the product quality does not meet the requirements listed in the agreement. The risks transfer to direct sales customers after they confirm receipt of our products.
- **Warranty.** We normally grant our direct sales customers a warranty period ranging from one to five years. We typically do not allow our direct sales customers to return products to us. Under certain circumstances in relation to quality issues, our direct sales customers may request replacement of such defect products in written notice.

Distributorship

In addition to direct sales customers, we also engaged distributors to distribute our products which is in line with industry practice. Such distributors are primarily engaged in the distribution and sales of magnetic sensor products and other semiconductor products in the industry. In 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, revenue from our distributors amounted to RMB368.3 million, RMB275.6 million, RMB356.7 million, RMB290.4 million and RMB345.3 million, representing 55.3%, 46.4%, 50.7%, 53.3% and 55.1% of the total revenue for the same periods, respectively.

We select our distributors based on a number of criteria, including, among others, alignment with our target industries with a solid understanding of these sectors, well-established business relationships with leading companies, technical background and in-depth industry knowledge, a clear organizational structure, a clean track record and common values of long-term commitment. We manage these distributors and determine whether to continue our contractual relationships with them based on their performance.

All of our distributors are our customers, and we maintain a seller-buyer relationship with them. Our products are physically delivered to the distributors when they make purchases from us, and we recognize revenue when the distributors take possession of and accept the products.

We strive to maintain clear visibility and efficiency of our distribution channels. Although our distributors operate under a “buy-out” model with us, we are entitled to inspect and monitor our distributors’ inventory levels pursuant to our distribution agreements. We maintain regular communication with our distributors and request that they periodically provide sales reports to help us track their inventories and sales targets to minimize inventory risks. Many of our distributors are specialize in distributing magnetic sensor products and have a well-established customer base and often place orders with us after they receive purchase orders and demand forecasts from their customers, which inherently reduces their inventory risks and accelerates their inventory turnover. We may accept limited product exchanges within the same category and value range from customers and generally do

BUSINESS

not accept product returns. Pursuant to our distribution agreements, our distributors are generally not allowed to return any unsold products to us. We have not experienced any material product returns during the Track Record Period and up to the Latest Practicable Date. We generally provide a limited credit period of 30 days to distributors. We believe that our product return policy, coupled with our limited credit terms provided to distributors, discourages them from over-ordering and prompts them to purchase our products based on actual demand. This approach helps avoid large inventory accumulation and prevents channel stuffing. We carefully manage our distribution channels and mitigate the risks of channel stuffing through partnering with carefully selected distributors following comprehensive assessments and periodic reviews. We also maintain regular communication with distributors to ensure distribution strategies adapt to new product line developments, preventing market cannibalization and optimizing customer services. We believe the risk of channel stuffing within our distribution network is low, considering that (i) we maintained a contractual buy-seller relationship with distributors; (ii) as aforementioned, we typically do not allow distributors to return products to us unless there are product quality issues; and (iii) we do not set minimum purchase requirements, nor sales targets, and therefore distributors are not incentivized or obliged to purchase any products exceeding their actual demands. For illustrative purpose, the table below shows the inventory level for our major distributors as of the dates indicated.

	As of December 31,			As of September 30,
	2022	2023	2024	2025
Inventory level ('000 units).	5,441	4,792	5,609	6,355

Note:

The table above is for illustration purpose only, as (i) they are based on reports and confirmations from distributors but not verified by us and (ii) only covers distributors that contributed over 90% of our total revenue from distributors for each period during the Track Record Period.

In addition to inventory levels, we also request distributors to report their end customer coverage to us which allows us to monitor their coverage, assess end customer demand of our products across different industry sector and potentially deliver more tailored products and solutions. This approach also allows us to avoid overlapping end customers by our distributors and thereby mitigation risks associated with cannibalization. We also believe that the risk of cannibalization within our distribution network is low, considering that the product types and geographical and customer coverages vary among our distributors, who generally place orders on an as-needed basis.

The salient terms of our standard agreements with distributors during the Track Record Period are set forth below.

- **Term.** The term of the distribution agreement is typically one year and shall be automatically renewed for an additional period of one year thereafter, unless either party gives prior written notice of non-renewal.
- **Purchases.** The purchase amount is specified in the purchase order.
- **Minimum purchase target.** There is no minimum purchase target set for our distributors.
- **Sub-distribution.** Distributors are not allowed to sub-distribute.
- **Selling prices and Credit terms.** We generally negotiate selling prices with our distributors based on our internal pricing and market conditions. We grant credit terms to our distributors on a case-by-case basis.

BUSINESS

- **Risk allocation.** Control of the products shall be passed to our distributors upon the delivery of products to the designated location. The risk of damage to, or loss of, the products shall be borne by our distributors upon receipt of the products.
- **Warranty and product return.** Warranty term is typically two to three years, effective from the receipt of the delivery. Pursuant to our distribution agreements, our distributors are generally not allowed to return any unsold products. We may provide replacement of products or refunds in the event of any quality issue on a case-by-case basis. Our distributors may negotiate with us in relation to the defective products which we will then analyze and conduct examination on the defective products. We shall repair or replace the defective products if the issues are confirmed to have arisen from quality reasons.
- **Prohibition on goods-fleeing.** Distributors are authorized to sell our products within a designated scope.
- **Confidentiality.** Each party shall keep confidential the trade secrets, business development plan, technologies, operation data and proprietary rights of the other party without the prior consent of the other party.
- **Termination.** The distribution agreement may be terminated by both parties in the event of specific circumstances stipulated in the agreement.

The below table sets forth the movement of our distributors during the Track Record Period.

	Year ended December 31,			Nine months ended September 30,
	2022	2023	2024	2025
Number of distributors at the beginning of the period	32	38	39	44
Number of new distributors	10	10	10	8
Number of inactive/terminated distributors ⁽¹⁾ for the period	(4)	(9)	(5)	(6)
Net increase (or decrease) in number . . .	6	1	5	2
Number of distributors at the end of the period	38	39	44	46

Note:

- (1) Number of distributors terminated represents distributors that were directly terminated during the period indicated and inactive distributors represent distributors that made purchases from us for the period immediately preceding the period indicated but did not purchase from us for the period indicated. During the Track Record Period, only one distributor was terminated in 2022, due to changes in the distributor’s commercial considerations and business development direction, and all others were inactive distributors. Inactive distributors may purchase from us in a subsequent period.

We generally have a long-term and stable relationship with our major distributors. During the Track Record Period and up to the Latest Practicable Date, we had no material unresolved disputes or lawsuits with our distributors.

To the best of our knowledge, all of our distributors are Independent Third Parties. To our best knowledge, besides the ordinary course distribution arrangement with us, there is no other relationship between the distributors and each of our Company, our subsidiaries, our shareholders, directors or senior management or any of their respective associates.

BUSINESS

Marketing

We have an experienced and highly trained sales and marketing team, who proactively identify market opportunities and tailor sales strategies. Due to the highly specialized nature of the industry, we often participate in trade shows and industry forums to enhance the awareness of our brand, promote our new and existing products, showcase our technological advancements and develop relationships with industry participants.

Major Customers

In 2022, 2023 and 2024 and the nine months ended September 30, 2025, revenue generated from our largest customer in each period during the Track Record Period accounted for 31.3%, 24.6%, 20.9% and 14.3%, respectively, of our total revenue during those periods. For the same periods, revenue generated from our five largest customers in each period during the Track Record Period accounted for 65.2%, 62.4%, 62.5% and 58.5%, respectively, of our total revenue during those periods. As of the Latest Practicable Date, none of our Directors, their respective close associates or any of our shareholders (who owned or to the knowledge of Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

The tables below set forth information about our five largest customers for each period during the Track Record Period:

Year ended December 31, 2022

Rank	Customer	Product sold	Background	Year of commencing business relationship	Sales amount	% of total revenue
					(RMB'000)	
1	Customer A.	Current sensor	A private company engaged in sales and distribution of electronic components, semiconductor related products, and provision of technical services head quartered in Guangzhou, China.	2017	208,569	31.3
2	Customer B.	Current sensor	A group of companies, including a public company headquartered in Hefei, China and its subsidiaries, engaged in the supplying of photovoltaic inverters, new energy power system solutions and energy vehicle drive systems.	2014	105,245	15.8
3	Customer C.	Current sensor	A private company engaged in trading of current sensors, silicon carbide, electronic materials and related products headquartered in Shenzhen, China.	2017	67,954	10.2
4	Customer D.	Current sensor	A private company and its subsidiary engaged in the business of photovoltaic inverters, energy storage and energy digitalization headquartered in Shanghai, China.	2020	27,157	4.1

BUSINESS

Rank	Customer	Product sold	Background	Year of commencing business relationship	Sales amount (RMB'000)	% of total revenue
5	Customer E	Current sensor	A public company and its subsidiary engaged in R&D, production, and sales of solar, energy storage and other new energy power equipment headquartered in Suzhou, China.	2016	25,652	3.8
					<u>434,577</u>	<u>65.2</u>

Year ended December 31, 2023

Rank	Customer	Product sold	Background	Year of commencing business relationship	Sales amount (RMB'000)	% of total revenue
1	Customer B.	Current sensor	Please see above.	2014	145,981	24.6
2	Customer A.	Current sensor	Please see above.	2017	129,464	21.8
3	Customer C.	Current sensor	Please see above.	2017	54,311	9.1
4	Customer F	Magnetic encoder	A group of companies headquartered in California, USA engaged in the business of electronic components manufacturing, such as resistors, inductors, transformers, circuit protection devices, and integrated circuits for various industrial and communication applications.	2019	21,455	3.6
5	Customer E.	Current sensor	Please see above.	2016	19,530	3.3
					<u>370,741</u>	<u>62.4</u>

Year ended December 31, 2024

Rank	Customer	Product sold	Background	Year of commencing business relationship	Sales amount (RMB'000)	% of total revenue
1	Customer A.	Current sensor	Please see above.	2017	146,727	20.9
2	Customer B.	Current sensor	Please see above.	2014	138,515	19.7
3	Customer C.	Current sensor	Please see above.	2017	72,219	10.3

BUSINESS

Rank	Customer	Product sold	Background	Year of commencing business relationship	Sales amount (RMB'000)	% of total revenue
4	Customer G	Current sensor	A private company engaged in providing technical services, development, consulting, and exchanges, sales and wholesale of new energy vehicles and their accessories, sales and manufacturing of electrical and mechanical equipment, as well as battery sales headquartered in Wuxi, China.	2022	43,503	6.2
5	Customer H	Current sensor	Group companies of a renowned publicly traded global leader in NEVs and automotive technologies headquartered in Shenzhen, China.	2024	38,605	5.4
					<u>439,569</u>	<u>62.5</u>

Nine months ended September 30, 2025

Rank	Customer	Product sold	Background	Year of commencing business relationship	Sales amount (RMB'000)	% of total revenue
1	Customer B	Current sensor	Please see above.	2014	89,584	14.3
2	Customer A	Current sensor	Please see above.	2017	85,082	13.6
3	Customer C	Current sensor	Please see above.	2017	77,118	12.3
4	Customer G	Current sensor	Please see above.	2022	72,516	11.6
5	Customer I	Current sensor	A private company engaged in electronic technology services and the wholesale and retail of electronic products and general merchandise headquartered in Wuxi, China.	2019	42,086	6.7
					<u>366,386</u>	<u>58.5</u>

OVERLAPPING CUSTOMER AND SUPPLIER

Supplier A, one of our five largest suppliers in 2022, 2023, 2024, and the nine months ended September 30, 2025 was also one of our customers. During the Track Record Period, we primarily procured ASIC chips from Supplier A. Low-power TMR sensor is an essential component in low power magnetic switch products and Supplier A does not have its own TMR production capabilities. For Supplier A to develop low power magnetic switch products, Supplier A procured low-power TMR sensor components from us during the Track Record Period. In 2022, 2023, 2024 and the nine months ended September 30, 2025, revenue generated from Supplier A amounted to RMB0.02 million, RMB0.2 million, RMB0.1 million and RMB0.6 million, respectively, representing approximately 0.0%, 0.0%, 0.0% and 0.1% of our total revenue during the respective periods.

BUSINESS

Supplier B, one of our five largest suppliers in 2022, 2023 and 2024, and the nine months ended September 30, 2025 was also one of our customers. During the Track Record Period, we primarily procured ASIC chips from Supplier B. Low-power TMR sensor is an essential component in low power magnetic switch products and Supplier B does not have its own TMR production capabilities. For Supplier B to develop low power magnetic switch products, Supplier B procured low-power TMR sensor components from us during the Track Record Period. In 2022, 2023, 2024 and the nine months ended September 30, 2025, revenue generated from Supplier B amounted to RMB1.6 million, RMB1.6 million, RMB4.0 million and RMB11.9 million, respectively, representing approximately 0.2%, 0.3%, 0.6% and 1.9% of our total revenue during the respective periods.

Our sales and purchases with these overlapping customers and suppliers were not inter-conditional with each other. All of our sales to and purchases with these overlapping customers and suppliers were conducted in the ordinary course of business under normal commercial terms and on an arm’s length basis. The terms with these overlapping customers and suppliers were generally comparable to those with other customers and suppliers. Save as disclosed above, to the best of our knowledge, none of our five largest customers in each year during the Track Record Period was a supplier of us and vice versa.

SEASONALITY

Our business operations, especially our production cycle, are typically affected by fluctuations in demand for our products driven by market trends in downstream industries and applications such as automotive and photovoltaic. For example, for automotive-grade products, we typically experience varying demand patterns corresponding to new product launches, industry subsidies, and other market dynamics of the automotive industry that may impact our production and sales operations. The photovoltaic industry generally exhibits cyclical patterns and also fluctuations within a year driven by factors such as project development and delivery timelines, policy cycles, and general supply and demand changes. However, historically we have not experienced significant seasonality in our revenue across particular months of the year, as the various industry-driven fluctuations affecting our diverse product portfolio have not resulted in consistent monthly patterns.

These seasonal and general market fluctuations may render our results of operations in certain given periods not indicative of our results of operations for the full year. As we continue to enrich our product portfolio and launch products tailored for emerging applications in various industry sectors, including industrial automation, embodied intelligence and robotics, data centers and high-end medical devices, we believe we will be increasingly capable of navigating the impact of such seasonal and market-related fluctuations with higher diversity.

LOGISTICS AND INVENTORY MANAGEMENT

Logistics

We engage qualified third-party logistics service providers for the delivery of all finished goods from our manufacturing facilities to locations specified by our customers. We set strict standards for the transportation of our products that these third-party logistics service providers are required to follow and we evaluate the third-party logistics service providers periodically on their compliance and performance to ensure smooth delivery of products to customers. To the best of our knowledge, all of these logistics service providers are Independent Third Parties.

Inventory Management

Our inventories mainly include raw materials, work in progress and finished goods. We generally adopt a first-in, first-out approach for inventory management and maintain a sufficient inventory of our raw materials based on market conditions and our order quantity, while we also review our inventory levels on a regular basis to minimize the risk of inventory build-up.

BUSINESS

We standardize our inventory management through a variety of information technology systems to assist us in planning and managing our inventories, such as our ERP and MES systems. To ensure stable and continuous production, we generally maintain a safety level of inventory which is determined based on historical sales, market demands and sales projections.

QUALITY CONTROL

Quality control and assurance are crucial to us, and we are committed to delivering products with consistent quality and reliability. We have a quality control department staffed with experienced professionals who bring expertise in both manufacturing and quality control.

We have a comprehensive quality management system, which was formulated in accordance with the ISO9001 standard, covering substantially every aspect of our operations including product design, procurement, among other things. Raw materials, components, and other inventories undergo comprehensive testing to verify adherence to our technical specifications. Our products also undergo multiple demanding quality inspections at all production stages in line with industry standards. Additionally, we track essential metrics to effectively oversee our production line operations and all finished products are examined by our quality control personnel prior to shipment. Our customer service quality engineers actively engage with our customers to ensure compliance with their specific product development and manufacturing requirements and to collect feedback which enables us to continuously enhance our quality standards.

Product Returns and Warranty

We adjust the warranty period of our products according to actual circumstances. The warranty period is generally determined based on the specific characteristics of the downstream industry and the product. Currently, we provide extended warranties for customers in the automotive and certain specialized industries.

We typically do not allow customers to return or exchange products except for defective products. However, we may facilitate product exchanges for customers to support their modifications in product design, manufacturing processes, and promotional or marketing strategies. We believe such arrangement would foster trusted, stable relationships with customers and sustain our long-term growth. Additionally, all of our products feature QR code traceability, and we recommend that customers scan and integrate these codes into their own management systems for enhanced tracking capabilities. This comprehensive traceability system allows us to immediately identify the production batch, sales region, and specific installation location of any product should issues arise. In the event of customer complaints, we immediately assemble a specialized response team to quickly resolve problems. Our traceability system enables targeted handling of specific problem components to eliminate potential hazards without requiring customers to replace entire products.

As a result of our commitment to adherence to quality control, during the Track Record Period and up to the Latest Practicable Date, (i) we had not received any material complaints relating to product quality; and (ii) we had not experienced any product recalls or accidents due to product defects.

DATA SECURITY AND PRIVACY

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 personal information. Specifically, we may access various business and transaction data relating to the development, production, delivery, and functionality of our products and solutions, including technical specifications, and product-related information for operational and performance analysis purposes. The only privacy data we collect mainly pertains to employee information, customer and supplier contact information, and other data necessary for

BUSINESS

operation and management. To reinforce our data security and protection measures, we have implemented a comprehensive approach that includes secure data storage protocols, and strict transmission policies to ensure the confidentiality and integrity of sensitive information. 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 scheme 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 internet security, software and computer security, operation management, password management and corporate trade secret protection and procedures on document control and confidentiality management.

All data collected or generated during the ordinary course of our business in China is stored in mainland China either in in-house physical servers or in domestic public cloud servers located in mainland China. We do not transfer any personal information or important data (if any) collected or generated during the ordinary course of our business in China to locations outside mainland China, and therefore do not trigger any prior approval requirements for cross-border data transfer under relevant PRC laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material data leakage or data loss. Our PRC Legal Advisor is of the view that, during the Track Record Period and up to the Latest Practicable Date, we had complied with the data privacy and security-related and cyber security-related laws and regulations in the PRC, based on (i) to the best of our knowledge, we have not been subject to any complaint, legal proceeding or administrative penalty or investigation relating to relevant laws and regulations, (ii) we have implemented internal measures with the purpose of ensuring data and cyber security and ensuring compliance with relevant laws and regulations, and (iii) during the Track Record Period and up to the Latest Practicable Date, we did not experience any material data leakage or data loss.

INFORMATION TECHNOLOGY SYSTEMS

We utilize and maintain IT systems that evolve in tandem with our business growth, ensuring they meet our varied operational demands. Our main information technology systems include the following:

- MES system. Our manufacturing execution system (“MES”) facilitates real-time monitoring of factory personnel, equipment and materials. It helps us conduct timely specification checks, enhance production efficiency, minimize human operational errors and boost product yield.
- SRM system. Our supplier relationship management system (“SRM”) system facilitates the management of the entire business process in relation to packaging, testing and assembly services, including the management of material delivery, work orders and acceptance of finished products.
- CRM system. We utilize the customer relationship management (“CRM”) system to manage our customer-centric sales process. The system facilitates our comprehensive management of a spectrum of activities from business opportunity tracking to contract administration, quotation preparation, order processing and after-sales services.
- Weaver OA system. Through the use of the Weaver office automation (“Weaver OA”) system, we integrated ERP and SRM systems, creating an intelligent collaborative operational platform that unifies communication, collaboration, management, and business operations. This integration has significantly improved our overall operational efficiency and management capabilities.

BUSINESS

- ERP system. The enterprise resource planning (“ERP”) system is designed to integrate all aspects of business operations, including finance, procurement, production, logistics, sales and quality control. It helps facilitate communication and coordination between different departments, thereby improving efficiency and enhancing productivity.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material IT system failure or downtime that had a material adverse effect on our business operations.

COMPETITION

We operate in a highly competitive industry, with increasing demand for innovative and efficient new products and constant emergence of new industry standards and practices. Driven by the steady development in automotive, new energy, industrial automation, and consumer electronics sectors in recent years, market demand for magnetic sensors has continued to grow. We face competition with other leading players in the industry in various aspects, including magnetic sensor performance, technical innovation and cost-efficiency. See “Industry Overview.”

We believe that we have established our competitive moat and the magnetic sensor market presents high entry barriers for competitors, including technological expertise, an extensive product portfolio and strong customer recognition. We possess extensive R&D expertise and large-scale production experience and we will remain focused on leveraging our innovation capability, customer-centric solutions, and operational efficiency to enhance our position in the market.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognition in respect of our Group and our products and solutions, significant ones of which are set forth below:

Award year	Award/Recognition	Awarding Institution/Authority
2019	Provincial High-level Talent A Team (省高層次人才A類團隊)	Department of Science and Technology of Anhui Province (安徽省科技廳)
2021	Anhui Science and Technology Progress Award (安徽省科學技術進步獎)	The People’s Government of Anhui Province (安徽省人民政府)
2022	National High and New Tech Enterprise (國家高新技術企業)	National High and New Tech Enterprise Recognition and Administration Leading Group Office (全國高新技術企業認定管理工作領導小組辦公室)
2023	National “Refined, Differential and Innovative New Small Giant” Enterprises (國家“專精特新小巨人”企業)	Ministry of Industry and Information Technology (工業和信息化部)
2023	Post-doctoral Research Station (博士後科研工作站)	Human Resources and Social Security of Anhui Province (安徽省人力資源和社會保障局)
2024	Anhui Province Industrial Chain Achievements (安徽省質量強鏈標志性成果)	Market Supervision Administration of Anhui Province (安徽省市場監督管理局)

BUSINESS

Award year	Award/Recognition	Awarding Institution/Authority
2025	Key National “Refined, Differential and Innovative New Small Giant” (重點國家“專精特新”小巨人)	Ministry of Industry and Information Technology (工業和信息化部)

EMPLOYEES

As of September 30, 2025, we had a total of 1,067 employees and the majority of our employees were based in mainland China. The table below sets forth the number of our employees by function as of September 30, 2025:

Employee function	As of September 30, 2025	
	Number of employees	Percentage of total employees (%)
Research and Development	136	12.8
Production	646	60.5
Sales and marketing	33	3.1
Supply chain	46	4.3
Quality control	83	7.8
Financial	18	1.7
Management and business operation	25	2.3
Others	80	7.5
Total	1,067	100.0

We use various recruitment methods, mainly including online recruitment and campus recruitment. We generally provide performance-based bonuses for our employees. We have established a comprehensive system for employee training and development, including introductory training for new employees, technical training, product training, sales training, management training and occupational safety training, etc.. We enter into standard employment agreements with our employees to cover matters regarding wages, employee benefits, safety conditions in the workplace, confidentiality, intellectual property and commercial ethics. We also enter into standard confidentiality agreements and non-competition agreements with our core employees, including mid to senior management personnel and engineers, as well as sales personnel having access to important client information.

During the Track Record Period, we had not been subject to any administrative penalties in connection with the PRC labor laws and regulations including regulations in relation to social insurance and housing provident fund contributions for our employees. We believe that we maintain good working relationships with our employees, and we have not experienced any material labor disputes, strikes, protests or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

Social Insurance and Housing Provident Funds

According to the relevant PRC laws and regulations, we are required to make contributions to the social insurance fund and housing provident fund for the benefit of our employees in China at specified percentages of the employee’s wage income such as salaries, bonuses and certain allowances, up to a maximum amount specified by the local government from time to time. Due to historical reasons, differences in local practice and administrative complexities, certain of our PRC subsidiaries did not register for and/or make full contributions to social insurance and housing provident fund in accordance

BUSINESS

with relevant laws and regulations during the Track Record Period. In 2022, 2023, 2024 and the nine months ended September 30, 2025, the shortfall amounts were approximately RMB9.1 million, RMB9.1 million, RMB11.3 million and RMB10.0 million, respectively.

We have taken the following rectification and internal control measures to ensure compliance with the social insurance and housing provident fund contribution requirements under the relevant laws and regulations to the extent practicable: To strengthen the training of our personnel, including training on various compliance-related topics for our employees; To designate specific personnel to monitor our ongoing compliance with the social insurance and housing provident fund contributions regulations and oversee the implementation of any necessary measures; To regularly keep abreast of the latest developments in PRC laws and regulations relating to social insurance and housing provident funds; and To consult external legal counsel for advice on relevant PRC laws and regulations. Going forward, we will proactively communicate with relevant local authorities to keep up to date with the applicable laws and regulations concerning social insurance and housing provident funds. We will also communicate such updates with our employees to allow them to better understand the relevant laws and regulations, increasing their understanding of the regulatory requirements so as to enhance our compliance with the applicable laws and regulations.

As of the Latest Practicable Date, we had not received any administrative penalty or rectification notice from PRC authorities in connection with social insurance or housing provident fund contribution. While the shortfalls have not been fully rectified as of the Latest Practicable Date, we undertake that if the relevant authorities order us to fully contribute the social insurance and/or housing provident funds, we would make full contributions and rectification measures as soon as possible within the specified period to avoid any potential penalties. Our PRC Legal Advisor is of the view that our potential exposure to penalties from the competent authorities for failing to pay social insurance and housing provident fund contributions for certain of our employees during the Track Record Period are remote. Therefore, our Directors believe that such non-compliance would not have any material adverse effect on our business or results of operation. As a result, we did not make any provisions in connection with such non-compliances during the Track Record Period and up to the Latest Practicable Date. According to the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Effectively Implementing the Essence of the Executive Meeting of the State Council and the Measures on the Stable Collection of Social Insurance Contributions (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》(人社廳函[2018]246號)) which was promulgated on September 21, 2018, local governmental authorities are prohibited from centralized collecting of historical unpaid social insurance premiums without authorization. We commit to promptly fulfilling our obligations as required as soon as practicable in the event that we receive the notification from the relevant government authorities, if any, to require us to rectify, make timely payments, or pay the outstanding amounts due to any deficiencies in our social insurance and housing provident funds in full cooperation with relevant competent government authorities, so that we will not receive administrative penalties due to such deficiencies.

Use of Dispatched Workers

During the Track Record Period, some of our subsidiaries engaged dispatched workers from employment agencies in mainland China who were assigned to work on our production lines, to support our temporarily increased staffing needs to meet production orders. Individuals dispatched by the service providers receive their salaries and other employee benefits from the service providers. According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) promulgated by the

BUSINESS

Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014, the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers).

During the Track Record Period, the percentage of dispatch workers engaged by our Company and some of our subsidiaries had exceeded the 10% regulatory limit during times of increased production orders and due to insufficient understanding of the relevant PRC labor laws and regulations and oversight of our human resources department. During the Track Record Period, the aggregated number of dispatch workers engaged by the relevant Group companies that exceeded the 10% limit of the relevant Group company was 206. Pursuant to relevant PRC laws and regulations, if an employer violates regulations related to labor dispatch, the labor administration department will order it to make corrections within a specified period. Failure to make corrections within the given period may lead to a fine ranging from RMB5,000 to RMB10,000 per person. As of the Latest Practicable Date, our Company and all of our subsidiaries within our Group had less than 10% of dispatched contract workers. As such, the labor dispatch non-compliance was fully rectified as of the Latest Practicable Date. If penalties were to be imposed in connection with the labor dispatch non-compliance during the Track Record Period, and we could not make corrections within the prescribed time, the maximum potential penalties would have been RMB2.1 million. Our PRC Legal Advisor is of the opinion that the risk of us and relevant subsidiaries being penalized for labor dispatch non-compliance during the Track Record Period is remote, given that the issue has been rectified in a timely manner, and that neither we nor any of our subsidiaries had been subject to any administrative order or penalties in relation to labor and social security during the Track Record Period.

We have adopted internal control policies that require our regional human resources department to calculate, on a regular basis, (i) the ratio of dispatched staff to the total number of staff, and (ii) the maximum number of dispatched staff we are permitted to engage. We require our human resources department to submit this ratio to the head of our human resources department for review and approval to ensure our compliance with the relevant regulatory requirements in the PRC with respect to dispatched labor.

INSURANCE

During the Track Record Period, we provided mandatory social insurance for our employees as required by PRC social insurance regulations, such as pension insurance, unemployment insurance, work injury insurance and medical insurance. We also maintain commercial insurances that cover our vehicles. In line with general market practice, we do not maintain any business interruption insurance, keymen insurance or product liability insurance, which are not mandatory under PRC laws. During the Track Record Period, we did not make any material insurance claim in relation to our business. We believe that our insurance coverage is in line with the industry practice and complies with the relevant rules and regulation in the PRC. See “Risk Factors — Risks Relating to Our Industry and Business — We may not have sufficient insurance coverage to cover our business risks, which would affect our business, financial condition and results of operations” for details.

ENVIRONMENTAL, SOCIAL RESPONSIBILITY AND GOVERNANCE MATTERS

Governance

We place significant emphasis on environmental, social and governance (“ESG”). We are committed to incorporating corporate social responsibility and sustainable practices into all major aspects of our business operations. We view corporate social responsibility as central to our growth strategy and ability to generate long-term value to our Shareholders.

BUSINESS

With the assistance from the management team, our Board maintains collective and overall responsibility for overseeing, determining and addressing our ESG-related risks. Our Board undertakes periodic evaluations of ESG-related risks and may elect to engage independent third parties to undertake reviews of our ESG strategies, targets and internal controls to ensure compliance. Requisite improvements will then be implemented to mitigate identified risks.

To ensure a better implementation system is in place, we plan to establish an ESG working group that is focused on environmental, social, and governance matters upon the [REDACTED], which will report to our Board. The ESG working group will consist of representatives from different departments and roles across our Group, including administration, human resources, production, finance, legal and other, to ensure that all aspects of our Group are represented. The primary duty of the ESG working group is to assist our Board in executing ESG goals and strategies, including (i) conducting materiality assessments on ESG-related risks and providing improvement recommendations based on assessment results, (ii) collecting ESG-related information from various parties, including our major suppliers, customers, management team and employees to facilitate the identification of material ESG issues and risks and for the purpose of preparing ESG reports, (iii) continuously monitoring and reviewing the implementation of our ESG risk management measures and regularly reporting to the Board, and (iv) consulting external professionals when necessary to assist and elevate the ESG working group’s efforts, with the goal of attaining leading ESG standards. The working group will meet annually to review ESG performance, assess emerging risks, and guide the development of ESG strategies. ESG coordinators will be appointed within each relevant department to facilitate the integration of ESG principles into daily operations and ensure alignment with corporate sustainability goals.

The working group prepares ESG information and KPIs for the Board at least once a year or as necessary, summarizing key ESG developments, risk assessments, and strategic recommendations. These reports enable the Board to make informed decisions on ESG matters and to adjust the Group’s risk appetite and sustainability strategy as needed. The Board also reviews and approves the Group’s ESG policies, climate-related disclosures, and annual ESG report, at least once a year, ensuring that ESG governance is embedded at the highest level of corporate oversight.

We maintain a suite of internal policies in respect of ESG issues. Regarding environmental matters, policies have been adopted covering, among others, (i) reduction of greenhouse gas emissions, (ii) use of environmentally friendly production methods, (iii) treatment of waste gas, sewage and solid waste and (iv) conservation of energy. Regarding social matters, policies have been adopted covering, among others, (i) production safety, (ii) employee health, promotion, compensation, benefits and training and (iii) employee complaint handling. Periodic reviews are undertaken to monitor compliance with the foregoing policies. Upon [REDACTED], our Directors confirm that they will closely monitor and ensure strict compliance with Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules, the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Listing Rules and all relevant rules and regulations in relation to environmental, social and governance aspects.

ESG Risk Management and Strategy

We have identified that the environmental, social and climate-related matters that may present us with various risks and opportunities include (i) risks related to the physical impacts of climate change and (ii) risks related to the transition to a lower-carbon economy.

BUSINESS

(i) Physical risks from climate change

Climate change has increased extreme weather events in recent years creating physical risks with financial implications. For example, natural disasters and power outages caused by climate change may disrupt industrial production. Our widespread production network helps mitigate such risks. We also have emergency plans to ensure safety at our production facilities. We also continuously monitor our supply chain and evaluate alternative suppliers to mitigate impacts from such identified physical risks.

(ii) Transition risks to a lower-carbon economy

The transition to a lower-carbon economy may involve substantial policy, legal, technological and market changes to address climate change mitigation and adaption. Policy and legal transition risks include PRC laws and regulations changing in ways that could increase our compliance costs. In response, we train relevant employees on policy and regulatory developments to plan for compliance proactively. In addition, market demand for low-carbon products could also force companies to develop more sustainable technologies and products increasing research and development expenses.

(iii) Opportunities

Despite the above-mentioned physical and transition risks, we also believe that climate change may bring about opportunities to our business operations. The PRC government announced its dual objectives of “carbon emission peak” and “carbon neutrality” at the seventy-fifth United Nations General Assembly. The global transition toward renewable energy sources, the increasing adoption of distributed energy systems, and the accelerating electrification of transportation have created substantial growth opportunities for the magnetic sensor market in new energy and electric vehicle sectors. Our advanced magnetic sensor products promote better performance and higher efficiency in new energy infrastructure and electric vehicles to capture significant market share as these sectors expand. As governments worldwide implement increasingly stringent emissions regulations and provide substantial incentives for clean energy adoption, we expect our magnetic sensor solutions to become integral components in the infrastructure required to meet these ambitious climate targets.

Environmental Protection

We consider environmental protection important and strive to ensure our facilities comply with relevant regulations and standards. We have a production management system and adopted a series of environmental protection measures, including, among others, (i) choosing energy-saving equipment, and (ii) continuously optimizing production processes through technological innovation and automation to increase efficiency and thereby reduce waste and carbon dioxide emissions. Besides, our products have wide application in industries that facilitate environmental protection including new energy and electric vehicles.

BUSINESS

- **Resource consumption.** We attach great importance on the rational use and management of energy and raw materials throughout production, storage, and administrative activities. The following table sets forth a breakdown of electricity and water consumption during the periods indicated:

	Years Ended December 31,			Nine Months Ended September 30,
	2022	2023	2024	2025
Total energy consumption (MWh)	21,318.62	22,299.82	24,674.97	20,967.96
Direct energy consumption				
Energy of Mobile Fuels				
(Gasoline) (MWh)	218.97	210.43	171.72	201.36
Indirect energy consumption				
Purchased electricity (MWh)	21,100.65	22,089.39	24,503.25	20,766.60
Intensity				
Total energy intensity				
By size of workforce				
(MWh per employee)	26.88	27.60	29.13	19.65

By 2030, we expect to improve the efficiency of our use of energy by 5% from a 2022 baseline, as measured by intensity, guided by our corporate Energy and Resources Management System.

- **Water Management.** Our management system emphasizes the prevention of water waste and encourages the secondary use and recycling of water resources where feasible. To conserve our water resources, we have set a target to conduct quarterly checks on water-using equipment to address leaks promptly. The system also includes provisions for raising employee awareness and stipulates consequences for wasteful practices. There are no indicated issues in sourcing water that is fit for purpose.

	Years Ended December 31,			Nine Months Ended September 30,
	2022	2023	2024	2025
Water consumption (m^3)	38,300.00	53,242.00	54,443.00	45,237.93
Water consumption intensity				
(m^3 per employee)	48.30	65.89	64.28	42.40

BUSINESS

- **Waste disposal.** To ensure that our disposals are compliant with laws and regulations, we engaged qualified third-party waste treatment companies to treat some of our hazardous waste whenever required. The hazardous wastes generated primarily include photoresist mixtures, waste contaminated with resins and varnishes, DMSO (dimethyl sulfoxide)-contaminated binders, and nickel-iron plating bath solutions and as confirmed by our Directors, such hazardous waste we produced is processed in accordance with applicable environmental standards. By the end of each year, relevant departments will ensure that 100% of all waste generated is properly classified and disposed of, measured by the ratio of correctly handled waste to total waste generated. The following table sets forth the hazardous wastes generated during the periods indicated:

	Years Ended December 31,			Nine Months Ended September 30,
	2022	2023	2024	2025
Hazardous waste produced (<i>tons</i>).	31.56	25.98	33.50	33.90
Hazardous waste intensity (<i>tons per employee</i>).	0.04	0.03	0.04	0.03

Greenhouse Gas Emissions

Our greenhouse gas (“GHG”) emissions are primarily classified into three scopes: (i) scope 1 includes direct emissions from the combustion of fuels of company vehicles; (ii) scope 2 includes indirect emissions from purchased electricity; (iii) other indirect GHG emissions generated from paper disposal, water consumption and sewage treatment. The following table sets forth the amount of greenhouse gas emissions of our Group during the Track Record Period:

	Years Ended December 31,			Nine Months Ended September 30,
	2022	2023	2024	2025
Total emission (<i>tCO₂e</i>)	11,081.95	11,742.23	13,743.95	12,151.00
Scope 1 (<i>tCO₂e</i>)	56.04	53.60	43.16	50.57
Scope 2 (<i>tCO₂e</i>)	10,998.11	11,656.58	13,668.07	12,068.80
Scope 3 (<i>tCO₂e</i>)	27.80	32.05	32.72	31.63
Intensity (<i>tCO₂e per employee</i>)	13.97	14.53	13.86	11.39

Health, Safety and Social Responsibilities

We have implemented internal guidelines for different aspects of production safety, including fire safety, operation safety, warehouse safety and emergency response. We regularly provide training on health, safety and accident prevention for employees. We also carry out equipment maintenance regularly to ensure their safe operations. Our occupational health and safety management systems are ISO45001 certified. During the Track Record Period, we did not record any accidents that had a material impact on our business or operations and have not encountered any material non-compliance issues relating to work safety laws and regulations.

We focus on embracing diversity within our Group and have adopted a board diversity policy which considers factors such as experience, knowledge, gender, age and cultural background. We also promote diversity and equal treatment of all our employees and continuously invest in the training and career development of our employees. We care about our employee’s well-being and organize activities supporting work-life balance.

BUSINESS

The following table sets forth the number of employees by gender, age group and education level as of September 30, 2025:

Indicator	Number of employees
Total number of employees	1,067
Male	489
Female	578
Below 30	371
30–40	416
40–50	216
50 and above	64
Master’s degree and above	52
Bachelor’s degree and below	1,015

IMPACT OF COVID-19 ON OUR OPERATIONS

The outbreak of COVID-19 pandemic has adversely affected the global economy since the first quarter of 2020. Numerous anti-pandemic measures were taken by government authorities, including travel bans and restrictions, quarantines measures, remote working arrangements and lockdowns. Due to the implementation of pandemic control measures, the efficiency of our production and business activities was temporarily reduced. Specifically, in 2022, in compliance with pandemic response requirements, we experienced 16 days of temporary production suspensions at our Ningbo production base and did not experience any production suspensions at our other production facilities. In addition, some suppliers encountered delays in fulfilling orders and the disruptions in logistics led to occasional challenges in the timely delivery of materials and products. These factors collectively affected our supply chain and operational efficiency to a certain extent. However, these challenges did not have any material adverse impact on our business. From 2022 to 2023, our revenue continued to increase and our production and business operations have returned to normal. As of December 2022, a majority of travel restrictions in the China were rescinded, in May 2023, the World Health Organization declared an end to COVID-19 as a public health emergency of international concern, and the situation in China and most of the rest of the world has significantly improved.

PROPERTIES

We occupy certain properties in China and overseas in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our manufacturing facilities, warehouses and offices.

As of September 30, 2025, none of the properties leased or owned by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report.

BUSINESS

Our Owned or Leased Properties in the PRC

Owned Land and Properties

As of the Latest Practicable Date, we owned the land use right of one land parcel with a site area of approximately 19,637.2 sq.m. in Wuxi, China, which is planed for the construction of our new research and production base in Wuxi. For details, see “Future Plans and Use of [REDACTED].” Our PRC Legal Adviser confirmed that, as of the Latest Practicable Date, we had obtained all relevant land use rights certificates for this property in China.

Leased Properties

As of the Latest Practicable Date, we leased nine properties in China with an aggregate gross floor area of approximately 50,336.8 sq.m., which were primarily used for our offices, production, R&D facilities and warehouses to support our business operations.

Leased properties with usage defects

Among our leased properties, the actual usage of one leased property was inconsistent with the usage set out in its title certificate or relevant authorization document. The reason for such inconsistency can be traced back to the early stages of our business development, when our operations were much smaller in scale. At that time, we set up a pilot production line at our R&D base to ensure a smooth transition from research and development to mass production. As the scale of our operations expanded, we have gradually relocated production activities to Bengbu. Moreover, upon the completion of our new Wuxi facility, which is currently under construction, we expect this issue to be entirely resolved. As advised by our PRC Legal Advisor, the inconsistent usage may affect our continued use of such premises. Considering that (i) the affected part of the leased property constitutes a relatively small portion of our overall leased properties, and (ii) during the Track Record Period and up to the Latest Practicable Date, we have not been required to cease operations due to inconsistency with approved property usage, our Directors are of the view that the use of this leased property in a manner inconsistent with its prescribed usage will not have any material adverse effect on our business, financial condition or results of operations. If operations at the leased property with a usage discrepancy are discontinued before commencement of operation of the New Wuxi Base, we can relocate to alternative facilities without incurring significant additional costs. Our Directors are of the view that, despite the usage discrepancy, the leased property possesses all necessary fire safety and regulatory certifications, and there are no safety hazards or compliance risks.

Non-registration of lease agreements

As of the Latest Practicable Date, we had not completed the registration for three lease agreements relating to our leased properties in the PRC. The failure of obtaining lease agreement registration was primarily due to lack of cooperation from our lessors. According to the relevant PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. The maximum potential penalties in connection with the non-registration of our lease agreements are RMB30,000.

As of the Latest Practicable Date, we did not receive any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to register the leases described above. As advised by our PRC Legal Advisor, the lack of registration of the lease agreements does not affect the validity of such lease agreements, nor materially and adversely affect the operations of our Company and the Group. Although we may be fined by the relevant

BUSINESS

authorities, given the maximum amount of the potential penalties is relatively low, our Directors believe that there will not be any material adverse impact on our overall business, financial conditions or results of operations.

Title Defect

As of the Latest Practicable Date three of our leased properties had title defects because the relevant lessor had not provided with us valid title certifications or relevant authorization documents evidencing the right to lease the property to us. As a result, there are risks that we may not be able to continue to use such property. However, since the lessors have provide underlying production-related documentation and permits of these leased properties that indicate substantive ownership or authorization rights over these leased properties, we consider the risk that we may not be able to continue to use such property is relatively low.

Our Properties in Jurisdictions outside the PRC

We own and lease certain properties in jurisdictions outside the PRC in connection with Sensitac’s operations in Germany. Such properties are mainly used for purposes such as offices, production facilities and research and development centers.

LICENSES, APPROVALS AND PERMITS

The following table sets forth the details of the material licenses and permits necessary for the our business operations.

License/Permit	Entity Holding the License/Permit	Issuing Authority	Expiration Date
Receipt on the Registration of Pollution Discharge for Fixed Pollution Sources (固定污染源排污登記回執)	The Company Ningbo Sinomags Wuxi Lertech Anhui Xinst	National Pollutant Discharge Permit Management Information Platform	October 7, 2026 March 23, 2028 December 23, 2029 July 22, 2030

As of the Latest Practicable Date, as advised by our PRC Legal Advisor, we had obtained all material licenses and permits required for our business operations in the PRC, and such licenses and permits had remained in full effect. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in renewing the licenses, approvals and permits, and currently we do not expect any material difficulties in such renewal.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, none of our Company, any of our subsidiaries or any directors has been involved in any material legal, arbitral or administrative proceedings that may have a material adverse effect on our Group’s business, financial condition or results of operations. However, we may from time to time be subject to various legal or administrative claims and proceedings arising from the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management’s time and attention. See “Risk Factors — Risks Relating to Our Business and Industry — We may be involved in legal proceedings and commercial or contractual disputes, which could materially and adversely affect our reputation, business, financial condition and results of operations.” See also “— Patent Invalidation

BUSINESS

Applications” below and “History, Development and Corporate Structure — Our Principal Subsidiaries” for a description of certain legal or administrative claims and proceedings which we consider would not have a material adverse effect on our business, financial condition, or results of operations.

Patent Invalidation Applications

We have been and are currently involved in various patent disputes with a Chinese magnetic sensor company (the “**Petitioner**”), including patent invalidation proceedings and intellectual property infringement claims and related administrative litigation in PRC courts.

Among the patents we held as of September 30, 2025, the Petitioner had filed patent invalidation proceedings against 14 patents. As of September 30, 2025, (i) 7 of such patents have been declared invalid by the Patent Re-examination and Invalidation Department of the Patent Office, CNIPA (the “**Patent Re-examination Department**”), for which we have filed or are preparing to file administrative litigation against all such decisions or we have filed further appeals against the decisions in relation to the denial of our administrative litigation, (ii) 1 patent has been declared partially invalid, and 3 patents have had their validity upheld (two of which are being challenged by the Petitioner), and (iii) 3 patents remains under review for which we are preparing to defend (collectively, the “**Patent Invalidation Applications**”). As of the Latest Practicable Date, we are not subject to any ongoing intellectual property infringement claim.

Subsequent to September 30, 2025 and up to the Latest Practicable Date, the Petitioner filed one additional patent invalidation proceeding against us (together with the aforementioned 14 patents, the “**Disputed Patents**”). As of the Latest Practicable Date, such proceeding remains under review for which we are preparing to defend. The subject patent pertains solely to peripheral technical solutions and does not involve any of the key technologies underlying our current main products. Moreover, the patent covers only a discrete component of the relevant products, which integrates multiple patented technologies together with extensive proprietary trade secrets that have not been publicly disclosed.

The grant of each invention patent subject to these Patent Invalidation Applications was previously subject to substantive examination by CNIPA, which confirmed the novelty, inventiveness, and practical utility of each patent in compliance with the relevant provisions of the Patent Law of the PRC. However, following examination of materials submitted by the Petitioner, the Patent Re-examination Department declared seven patents invalid and one patent partially invalid primarily on the basis of lack of inventiveness.

The invalidation rulings were specific to the technical disclosures and claims of the individual patents in question and do not have implications for the Group’s other patents, trade secrets, or intangible assets. The Disputed Patents relate only to peripheral technical solutions that do not involve the key technologies supporting our current main products. Specifically, they cover either module designs or internal spatial configurations of sensors.

We typically protect our most valuable and competitive core technologies as trade secrets (know-how) rather than through patent disclosure, and we do not rely on any single patent for our competitive advantage. Each of our products utilizes multiple patented technologies in combination with extensive non-disclosed trade secrets, including material pre-processing methods, specific temperature profiles, specific trimming parameters, and tens of thousands of other critical process parameters that have been optimized through countless iterations of testing and development. Beyond trade secrets directly embedded in our products, our production processes also rely on substantial proprietary equipment and customized tooling that are deeply integrated with our manufacturing workflows.

BUSINESS

Our core competencies lie not in any individual patent, but in the seamless integration of multiple technologies and processes, and in ensuring long-term operational stability, consistency, and high product yields capabilities that depend on our accumulated extensive test data, proprietary quality control algorithms, and deep engineering expertise. Any individual patent covers only a discrete element, whereas our true competitive advantage stems from vertical integration across the entire value chain through our IDM model, which encompasses chip design, wafer design and fabrication, module design and assembly, and downstream application solutions, enabling us to maintain consistent quality control and optimal performance across our entire product portfolio, from individual sensor chips to complete application-ready modules.

Accordingly, none of the Disputed Patents, whether individually or collectively, made any material contribution to our product development or were significant to our overall technological capabilities. Furthermore, while some of the Disputed Patents are still used in some products, none of the disputed patents are currently relied upon in our products or R&D activities. In 2022, 2023, 2024 and the nine months ended September 30, 2025, the revenue attributable to products related to the Disputed Patents amounted to approximately RMB80.3 million, RMB62.3 million, RMB26.1 million and RMB1.1 million, respectively, accounting for approximately 12.1%, 10.5%, 3.7% and 0.2% of our total revenue for the respective periods. The Disputed Patents cover only a discrete element of the relevant products which utilizes multiple patented technologies in combination with extensive non-disclosed trade secrets. The declaration of invalidation of the patents only denies patent protection of the relevant technology solution, and the validity of such patents will not affect our use (if any) of the relevant technology solutions underlying these patents.

Our Directors are of the view that the Patent Invalidation Applications will not have a material adverse effect on our Group’s business or results of operations as a whole, considering (i) we typically tend to protect our most valuable and competitive core technologies as trade secrets (know-how) rather than through patent disclosure, which we believe provides stronger and more enduring protection of our core intellectual property. Our competitive advantage stems from the seamless integration of multiple technologies and our vertical integration across the entire value chain through our IDM model, rather than from any individual patent; (ii) most of the patents currently subject to the Patent Invalidation Applications were filed several years ago and relate to early-stage, peripheral technical solutions that do not involve the key technologies supporting our current main products, solutions, or core competitiveness; (iii) as elaborated above, the invalidation rulings were specific to the technical disclosures and claims of the individual patents in question and do not have implications on our other patents, trade secrets, or intangible assets. Our applications for such patents were mainly for defensive disclosure of technology solutions, and the validity of such patents will not affect our use of the relevant technology solutions underlying these patents; (iv) the amount of revenue attributable to products related to these patents during the Track Record Period was immaterial to our overall financial performance; and (v) given the rapid pace of technological advancement in the sensor industry, these earlier technical solutions have either been superseded by our continuously innovated, more advanced technologies or are no longer applied in our current products or service processes.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. However, we could be subject to fines, penalties, and orders requiring that we change our practices, which could have an adverse effect on our business and results of operations if our practice fails to comply with applicable laws and regulations. See “—

BUSINESS

Employees” and “— Properties” in this section for a description of certain legal matters relating to our compliance with PRC employment and real property related laws and regulations which we consider would not have a material adverse effect on our business, financial condition, or results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established a set of risk management measures and internal control policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continually improving these policies. Furthermore, we continually review the implementation of our risk management policies and measures to ensure that our policies and implementation are effective and sufficient.

Operational Risk Management

We have established a series of internal procedures. Our comprehensive approach to operational risk management includes a mechanism with detailed and decentralized responsibilities, as well as clear reward and punishment systems. The business operations, finance, information technology and human resources departments collectively ensure that our business operations comply with internal procedures. In the event of a major adverse incident, the issue will be escalated to senior management, and the Board of Directors may need to take appropriate measures. By effectively managing business operational risks, we aim to control these risks within a reasonable range by identifying, measuring, monitoring, and mitigating them to reduce potential losses.

Financial Reporting Risk Management

We have established a financial reporting management system. In accordance with the requirements for financial report submission, we have set the schedule and plan for report preparation, established key milestones for each step, and the finance department supervises and evaluates the progress of each department’s work. We hold monthly financial analysis meetings attended by the management team, the general manager and the chairman to analyze the operational status of each company. The finance department regularly analyzes our asset-liability situation, income and cost structure and changes, and cash flow operations. They also propose targeted solutions and recommendations to address adverse factors and existing issues.

Compliance Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. In accordance with such procedures, we have designated personnel carefully reviews the contracts we enter into with customers, suppliers and partners and examines related documents, including necessary due diligence materials and licenses and permits obtained by the other party to fulfill its obligations under the relevant contract. In addition, we regularly review and monitor changes in relevant laws and regulations as well as the regulatory environment to ensure compliance in our business operations. We also have an internal audit department that continuously supervises compliance efforts within departments and reports to our senior management.

Human Resource Management

We have established internal control and risk management policies covering various aspects of human resource management such as recruitment, training, work ethics and legal compliance. We have implemented training management procedures to provide tailored training for new employees as well as those in different positions and with varying skill requirements. Regular performance assessments

BUSINESS

ensure a fair compensation system and effective incentive mechanisms. We continually monitor the implementation of internal control systems for human resources to manage and mitigate risks related to potential non-compliance with our code of conduct, work ethics and violations of our internal policies.

Intellectual Property Risk Management

As a technology-focused company, we may face claims related to intellectual property rights. We have developed and enacted robust internal policies and procedures for the management of intellectual property rights, including the management of intellectual property acquisition, maintenance, implementation, licensing and transfer, as well as the requirements and job responsibilities for positions related to intellectual property management. To safeguard against potential infringements on both our intellectual property rights and those of others, we have designated personnel 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, which includes the determination of any possible infringements and preparing detailed inspection reports to ensure compliance and prevent infringement. In addition, our employees are required to adhere to strict confidentiality obligations and sign confidentiality agreements.

Anti-corruption Risk Management

We have implemented thorough anti-corruption policies and a whistleblower mechanism for reporting misconduct anonymously, either for the pursuit of improper personal benefits or improper interests of the Company. Our internal audit department provides regular reports to the Audit Committee of the Board. Violations of these policies result in appropriate disciplinary action, and we provide internal training to all employees while keeping our customers and suppliers informed of our anti-corruption policies and practices.

IMPACT OF INTERNATIONAL TRADE AND OUTBOUND INVESTMENT POLICIES

Our international business may be affected by changes in political and economic relations between countries. In 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, our revenue generated from sales outside the PRC accounted for approximately 16.8%, 18.6%, 15.3%, 15.2% and 13.6%, respectively.

Export Control and Sanctions

The U.S. has implemented export control laws and regulations, including the Export Administration Regulations (“EAR”) administered by the Bureau of Industry and Security (“BIS”) of the U.S. Department of Commerce, which regulate the export, re-export and transfer of certain products, software and technologies based on classification, destination, end-use and end-user. Certain non-U.S. produced items may be subject to the EAR if they incorporate controlled U.S. origin items above certain applicable thresholds or rely on certain U.S.-controlled software or technologies. BIS also maintains restricted party lists, including the Entity List, which impose additional licensing requirements on transactions involving listed entities. Based on the due diligence conducted by our Sanctions Legal Advisor on our compliance with U.S. export control, the Sanctions Legal Advisor has not identified any transaction that would constitute violation of U.S. export control requirements.

The U.S. has, through executive order, legislation or other governmental means, implemented measures that impose economic sanctions against certain countries or against targeted industry sectors, groups of companies or persons, and/or organizations within certain countries. During the Track Record Period, our Group did not have any business activities in comprehensively sanctioned countries/jurisdictions, namely Iran, Syria, North Korea, Cuba, and the Crimean, Donestsk, Luhansk and Sevastopol Regions of Ukraine. Furthermore, based on the due diligence conducted by our Sanctions Legal Advisor, our Sanctions Legal Advisor has not identified any of our customers or

BUSINESS

suppliers during the Track Record Period being designated on the Specially Designated Nationals and Blocked Persons (the “**SDN List**”) maintained by the U.S. Office of Foreign Assets Control of the U.S. Department of the Treasury.

We have adopted internal control measures on customers to mitigate risks in light of the applicable export controls laws and regulations. We have implemented a know-your-customer process to assess the background of our customers. Apart from that, we have introduced protective contractual provisions requiring customers to provide compliance representations or alternatively have notified customers reiterating our commitment to complying with all applicable export controls laws and the prohibition on any unauthorized use, resale or transfer of our products for military use, government intelligence, and massive surveillance. In addition, we also keep abreast of the latest development in applicable export control laws and regulations to ensure continued adherence to the latest legal and regulatory requirements.

Tariffs

The U.S. government has, in recent years, imposed some trade policies or actions relating to tariffs and investigations in the semiconductor industry. For example, the trade and tariff tension between the U.S. and China intensified since early 2025 and negotiations on tariffs between the two countries are still ongoing, creating uncertainties on trades and exports between the U.S. and China. We do not maintain material export sales to the U.S. market and we do not have presence and operations in the U.S. During the Track Record Period, our revenues attributable to deliveries to customers located in the United States contributed less than 3.0% to our total revenues for each year/period, and purchases from the United States contributed significantly less than 1.0% to our total procurement costs. Notwithstanding recent ongoing trade tensions between China and the United States, our revenue increased significantly from RMB544.5 million for the nine months ended September 30, 2024 to RMB626.7 million for the same period in 2025. Therefore, we do not anticipate any material adverse impact on our business operations and financial performance due to such trade measures.

Nevertheless, we remain cognizant of the broader implications of U.S. tariff policies on global trade dynamics. In particular, we noticed that the imposition of tariffs on certain goods has led to a reallocation of export flows and shipments originally intended for the U.S. being diverted to alternative markets, including those in Asia and Europe. We plan to continue monitoring the potential secondary effects on our supply chain, including changes in sourcing costs, lead times, and supplier behaviour, which may arise from broader trade tensions and tariff-related adjustments. While these impacts have not materially affected our operations to date, we remain vigilant and responsive to evolving market conditions.

Applicability of the Outbound Investment Rule

On October 28, 2024, the U.S. Department of the Treasury issued a final rule to implement the executive order of August 9, 2023 that was entitled “Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern” (the “**Final Rule**”). The Final Rule, which implements the U.S. Executive Order 14105, became effective on January 2, 2025, and it imposes investment prohibition and notification requirements on U.S. Persons for a wide range of investments in entities associated with China (including Hong Kong and Macau) that are engaged in activities relating to three sectors: (i) semiconductor and microelectronics, (ii) quantum information technologies, and (iii) AI systems (collectively defined as “**Covered Foreign Persons**”). U.S. persons subject to the Final Rule are prohibited from making, or required to report, certain investments in Covered Foreign Persons, which are defined as “Covered Transactions”, and include certain acquisitions of an equity interest, certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The Final Rule contains exceptions for certain

BUSINESS

investments, including those in publicly traded securities, except when the U.S. person investor secures rights that go beyond standard minority shareholder protections (the “**Publicly Traded Securities Exemption**”).

As advised by our Sanctions Legal Advisor, we are likely to be deemed a “Covered Foreign Person” defined under the Final Rule due to our business activities. However, as advised by our Sanctions Legal Advisor, while the United States has not issued regulations or rules that expressly clarify the application of the Publicly Traded Securities Exemption under the Final Rule, any H Shares acquired by a U.S. person in the [REDACTED] would qualify for the Publicly Traded Securities Exemption.

Based on the above, our Directors are of the view that the impact of the Final Rule on our Group is generally limited and manageable. Nonetheless, the Final Rules could still limit our ability to raise capital or contingent equity capital from U.S. investors prior to and after this [REDACTED] given that relevant laws, regulations, and policies continue to evolve.

Based on the above facts and analysis, our Directors are of the view, and the Sole Sponsor (based on independent due diligence works conducted) concurs, that the U.S. export control laws, the U.S. outbound investment policies, and the U.S. tariffs would not have any material adverse impact on our business operations or financial performance.