FUTURE PLANS

See the section headed "Business — Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive net **[REDACTED]** from the **[REDACTED]** of approximately HK$**[REDACTED]**, after deducting **[REDACTED]** fees and commissions and other estimated expenses paid and payable by us in relation to the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the mid-point of the **[REDACTED]** from HK$**[REDACTED]** to HK$**[REDACTED]** per H Share, and that the **[REDACTED]** and the **[REDACTED]** is not exercised.

We currently intend to use these net **[REDACTED]** for the purposes and in the amounts set forth below:

- approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for building construction, equipment procurement, and other expenditures in relation with the construction and operation of a new research and production base in Wuxi, Jiangsu province (the "**New Wuxi Base**"). The New Wuxi Base is expected to strengthen our comprehensive magnetic sensor R&D capabilities and expand our robotic and highly accurate magnetic sensor production capacity. The New Wuxi Base will feature a ten-story office building, a four-story production building and a 4,000 sq.m. basement. We own land use rights of a land parcel of 30 mu (approximately 20,000 sq.m.) for the New Wuxi Base. We plan to commence the construction of the New Wuxi Base in the fourth quarter of 2025, which is expected to commence operation by the first half of 2027. The New Wuxi Base is designed to have a maximum production capacity for highly accurate magnetic sensors of 38 million units per year.

  (i) approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for infrastructure construction and building renovation of the New Wuxi Base;

  (ii) approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used to purchase production and R&D equipment and systems for the operation of the New Wuxi Base. The production and R&D equipment to be purchased for the New Wuxi Base is primarily designed for the manufacturing, assembly, and quality control of motion sensors, with supporting R&D capabilities. Such equipment, including X-ray inspection systems for quality verification, selective wave soldering equipment for circuit assembly, laser welding machines for precision joining, and 3D quality inspection systems for dimensional analysis, reflect the New Wuxi Base's operational focus on high-volume production of highly accurate magnetic sensors for automotive, industrial automation, and robotics applications. This equipment suite supports the New Wuxi Base's strategic objective of expanding our motion sensor production capacity while maintaining high-quality standards.

  Subject to the actual construction progress, we expect that approximately 80% of the amounts above to be utilized within the first year upon the **[REDACTED]** and the remaining 20% is expected to be utilized within the second year upon the **[REDACTED]**; and

  (iii) approximately **[REDACTED]**%, or HK$**[REDACTED]**, is expected to be used to recruit manufacturing, quality control and R&D personnel for the operation of the New Wuxi Base. Specifically, we plan to use the allocated net **[REDACTED]** to recruit (a) approximately 50 for manufacturing, engineering technology and quality control over the next five years at an average annual salary of approximately RMB**[REDACTED]** per person; and (b) approximately 100 for R&D over the next five years at an average annual salary of approximately RMB**[REDACTED]** per person.

Our existing production bases at Bengbu and Ningbo primarily produced current sensors. In contrast, our production capacity for motion sensors is mainly concentrated at our Wetzlar module production base in Germany which currently has a production capacity of 6,500 thousand units as of December 31, 2024. We believe this existing capacity for motion sensors is limited relative to anticipated market demand for motion sensors.

According to Frost & Sullivan, driven by increasing adoption in automotive applications, industrial automation, robotics and consumer electronics, the global market for motion sensors is expected to grow from RMB86.8 billion in 2024 to RMB215.1 billion in 2029, representing a CAGR of 19.9%. The New Wuxi Base is expected to significantly expand our motion sensor production capacity compared to our current Wetzlar capacity and allow us to better capture such growing demand.

While production lines in Bengbu and Ningbo had not been fully utilized during the Track Record Period, existing production lines for current sensors cannot be readily used to manufacture motion sensors. Current sensors and motion sensors require different production processes, equipment, and technical specifications. The existing production lines at Bengbu and Ningbo are generally specifically configured for current sensor manufacturing and cannot be easily converted. In addition, as our production volumes for current sensors continue to grow and our existing facilities at Bengbu and Ningbo are primarily allocated to current sensor production, we plan to reserve the production capacity at these facilities to meet the growing demand for current sensors. Furthermore, even though some of the existing production lines in Bengbu and Ningbo could be modified to manufacture motion sensors, such modifications alone would not help us overcome capacity constraints (in high-demand periods) in the future particularly as we do not plan to replace or reduce production capacity for current sensors and lose out potential sales. Going forward, our magnetic encoder business will also require production processes distinct from our current existing products, therefore, necessitating an independent production facility. In addition, production line modification is a complicated process which may involve adjustment of equipment, changing or modifying of devices, as well as potential modifications of the spatial arrangement of production lines, infrastructure and ancillary facilities. The process of modification may cause interruptions or suspension of production.

The New Wuxi Base enables us to establish domestic production capabilities in China for motion sensors, which will (i) reduce reliance on our overseas Wetzlar facility, (ii) better serve our growing customer base in China, (iii) improve cost competitiveness and supply chain efficiency, and (iv) position us to capture the significant growth opportunities in the motion sensor market. Beyond manufacturing capabilities, we also have a significant number of R&D personnel located in Wuxi, the New Wuxi Base will facilitate closer integration between our R&D and manufacturing functions, fostering a more efficient product development cycle. Moreover, our existing Wuxi site is restricted by land use regulations that do not permit manufacturing activities, making it necessary for us to establish a new facility with the requisite land qualifications for production. Looking ahead, the New Wuxi Base will also provide the space needed to support future R&D projects as well as the subsequent commercialization of these projects.

- approximately **[REDACTED]**%, or HK$**[REDACTED]**, is expected to be used for our research and development efforts, particularly in advanced magnetic material and related process technologies, to enrich our product portfolio and further penetrate emerging application

scenarios and maintain our technical edge. In particular, we plan to focus on (a) high-frequency thin-film inductor technology and product development and (b) research and industrialization of inertial measurement units.

High-frequency thin-film inductor technology represents an advanced approach to passive components for high-frequency electronic circuits, offering low loss, high precision, high stability and miniaturization capabilities. This technology is increasingly critical in applications such as 5G communications, automotive electronics, consumer devices, data centers and industrial equipment. According to Frost & Sullivan, the global thin-film inductor market is experiencing robust growth driven by increasing demand from downstream applications such as electronics, NEVs, IoT devices and 5G infrastructure. The market size of global thin-film inductor industry in terms of revenue is expected to reach RMB24.5 billion in 2029, growing at a CAGR of 14.4% from 2024 to 2029.

The development of high-frequency thin-film inductor technology is expected to enhance our capabilities in serving key growth markets including 5G infrastructure and devices, electric vehicles and ADAS systems, AI servers and data centers, as well as next-generation consumer electronics including smartphones, wearables and AR/VR devices.

Inertial measurement units (IMUs) are sophisticated sensor systems that measure three-axis angular velocity and acceleration, incorporating three-axis gyroscopes and three-axis accelerometers to provide motion sensing and orientation detection capabilities. IMUs are essential components in autonomous vehicles, drones, robotics, AR/VR systems, industrial automation, and next-generation consumer devices. The IMU market is expanding rapidly due to increasing demand for autonomous systems and advanced motion-control applications across multiple industries.

Our wafer fabrication capabilities will provide stable supply of magnetic sensor chips for IMU development, ensuring supply chain control for commercialization. Our existing customer base for current sensor and motion sensor products significantly overlaps with target customers for high-frequency thin-film technology products and IMU applications, covering leading global automotive electronics, industrial automation, and consumer electronics companies. We believe this existing customer foundation and our strong brand recognition is expected to facilitate rapid market entry and reduce development costs for these initiatives.

To achieve the above goals:

(i) approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used to purchase R&D equipment and systems. Such equipment and systems may include etching equipment, atomic force microscopes, fusion bonding platforms, and metal bonding platforms. The R&D equipment to be procured for high-frequency thin-film inductor technology and IMU development serves fundamentally different purposes compared to the production-oriented equipment at the New Wuxi Base. The equipment for thin-film inductor and IMU research, including etching equipment for micro-fabrication, atomic force microscopes for nanoscale surface characterization, fusion bonding platforms for wafer-level integration, and metal bonding platforms for advanced interconnection technology, is specifically designed for research, prototyping, and process development rather than high-volume manufacturing. This R&D equipment enables our technological advancement into new product categories and emerging application scenarios including

5G communications, autonomous vehicles, drones, and AR/VR systems, representing distinct growth opportunities beyond the motion sensor production capabilities being established at the New Wuxi Base; and

(ii) approximately **[REDACTED]**%, or HK$**[REDACTED]**, is expected to be used to recruit additional research and development personnel, primarily including high caliber talents with knowledge or expertise in high-frequency thin-film inductor technology and/or IMU. Specifically, we plan to use the allocated net **[REDACTED]** to recruit approximately 50 R&D personnel in these areas over the next three years at an average annual salary between RMB0.3 million to RMB0.5 million per person.

Approximately 80% of the total amount allocated for this purpose is expected to be utilized within the first two years upon the **[REDACTED]** and the remaining 20% is expected to be utilized within the subsequent three years.

- approximately **[REDACTED]**%, or HK$**[REDACTED]**, is expected to be used to upgrade our wafer production lines in Germany, from aging 5-inch lines to 8-inch wafer lines to reduce maintenance costs and achieve enhanced cost competitiveness and production efficiency while enabling expanded product capabilities including integrated sensor solutions. Approximately 70% of the total amount allocated for this purpose is expected to be utilized within the first year upon the **[REDACTED]** and the remaining 30% is expected to be utilized within the second year upon the **[REDACTED]**.

- approximately **[REDACTED]**%, or HK$**[REDACTED]**, is expected to be allocated over the three years upon the **[REDACTED]** and used for potential strategic investments and/or acquisitions. Our key areas of acquisition focus include targets in adjacent technologies in the magnetic sensor industry, that would provide operational and technological synergies. While we continue to evaluate potential acquisition targets, we had not identified any specific acquisition targets or entered into any memorandum of understanding or letter of intent with respect to any potential target, as of the Latest Practicable Date.

  We plan to prudently evaluate and consider a wide array of potential investments in targets that are complementary to our business primarily in terms of improving our technological capabilities and expanding our customer base and application scenarios. Specifically, relevant considerations including: (i) businesses with technologies that are complementary to our solutions, ranging from magnetic materials to wafer and modules (ii) business with proven industry know-how and technologies in both the verticals and application scenarios that we have already established strong presence and intend to increase the penetration, and the verticals and application scenarios that we may further expand into in the future, such as robotics and consumer electronics; and (iii) businesses with established industry leading position, meaningful scale of established customer base and track record of maintaining healthy and stable financial positions. Leveraging such potential strategic investments and acquisitions, we expect to achieve synergies in terms of optimizing our technology capabilities and product offerings, expanding our customer base, among others. According to Frost & Sullivan, there are approximately 50 to 150 potential targets in the domestic and international magnetic sensor industry value chain that meet our criteria.

- approximately **[REDACTED]**%, or HK$**[REDACTED]**, is expected to be used for our working capital and other general corporate purposes.

The above allocation of the **[REDACTED]** will be adjusted on a pro-rata basis in the event that the **[REDACTED]** is fixed at a higher or lower level compared to the mid-point of the **[REDACTED]** stated in this document.

If the **[REDACTED]** is fixed at HK$**[REDACTED]** per H Share (being the high end of the **[REDACTED]** stated in this document), we will receive additional net **[REDACTED]** of approximately HK$**[REDACTED]**, assuming the **[REDACTED]** and the **[REDACTED]** is not exercised. If the **[REDACTED]** is fixed at HK$**[REDACTED]** per H Share (being the low end of the **[REDACTED]** stated in this document), the net **[REDACTED]** we receive will be reduced by approximately HK$**[REDACTED]**, assuming the **[REDACTED]** and the **[REDACTED]** is not exercised.

In the event that the **[REDACTED]** and the **[REDACTED]** is exercised in full, the additional net **[REDACTED]** that we would receive would be HK$**[REDACTED]** assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the mid-point of the **[REDACTED]** stated in this document, after deduction of **[REDACTED]** fees and commissions and other estimated expenses paid and payable by us in relation to the **[REDACTED]**. Additional net **[REDACTED]** received due to the exercise of any **[REDACTED]** and/or the **[REDACTED]** will be used for the above purposes accordingly on a pro-rata basis if the **[REDACTED]** and/or the **[REDACTED]** is exercised.

If the net **[REDACTED]** of the **[REDACTED]** are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will deposit the net **[REDACTED]** into short-term interest bearing accounts at licensed commercial banks and/or other authorized financial institutions as defined under the Securities and Futures Ordinance/the applicable laws and regulations in other jurisdiction. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules and make an appropriate announcement if there is any change to the above proposed use of **[REDACTED]**.