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Application Proof of

Anhui Sinomags Technology Co., Ltd

安徽希磁科技股份有限公司

(the “**Company**”)

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

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Anhui Sinomags Technology Co., Ltd 安徽希磁科技股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED] : [REDACTED] H Shares (subject to the [REDACTED] and the [REDACTED])

Number of [REDACTED] : [REDACTED] H Shares (subject to reallocation)

Number of [REDACTED] : [REDACTED] H Shares (subject to reallocation, the [REDACTED] and the [REDACTED])

[REDACTED] : HK\$[REDACTED] per H Share plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)

Nominal value : RMB[1.00] per H Share

[REDACTED] : [REDACTED]

Sole Sponsor, [REDACTED]



中信建投國際
CHINA SECURITIES INTERNATIONAL

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The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us on or around [REDACTED], and, in any event, not later than 12:00 noon on [REDACTED] (Hong Kong time). If, for any reason, the [REDACTED] is not agreed by 12:00 noon on [REDACTED] between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us, the [REDACTED] will not proceed and will lapse. The [REDACTED] will be no more than HK\$[REDACTED] per [REDACTED] and is currently expected to be no less than HK\$[REDACTED] per [REDACTED] unless otherwise announced. Applicants for [REDACTED] are required to pay, on application, the [REDACTED] of HK\$[REDACTED] for each Hong Kong [REDACTED] together with brokerage fee of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the [REDACTED] as finally determined is less than HK\$[REDACTED].

The [REDACTED] (for themselves and on behalf of the [REDACTED]) may, where considered appropriate and with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the [REDACTED] below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. See “Structure of the [REDACTED]” and “How to Apply for [REDACTED]” for further details.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds arise prior to [REDACTED] on the [REDACTED]. See “[REDACTED] — [REDACTED] Arrangements and expenses — [REDACTED] — Grounds for Termination” for further details.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in the section headed “Risk Factors”.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be [REDACTED] or sold within or to the United States, or to or for the account or benefit of any U.S. person (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being [REDACTED] and sold [(i) solely to qualified institutional buyers as defined in Rule 144A of the U.S. Securities Act pursuant to an exemption from registration under Rule 144A or another available exemption from registration requirements under the U.S. Securities Act and (ii) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. No [REDACTED] of the [REDACTED] will be made in the United States].

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

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SUMMARY

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

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

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, including green energy, NEV and automotive, industrial automation and robotics, and AI infrastructure and data centers. 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.

We specialize particularly in xMR sensors which are increasingly sought after for high-end and more demanding applications. 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%. 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%.

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. This integrated foundation enables us to deliver efficient R&D, flexible and independent manufacturing, and robust business stability while driving innovation and leadership in defining products for emerging application scenarios and particularly for xMR sensors. .

Unlike the fabless model where companies depend on external foundries for production of sensor chips and are often constrained by the capabilities of their partners, the IDM model combines both design and manufacturing of chips and wafer in-house. Despite heavy capital investment and R&D spending during the initial expansion phase , 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.

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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. Emerging fields such as third-generation semiconductor devices, embodied intelligence, AI computing, and advanced robotics are also expected to drive market growth. 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. Even more significant is the growth trajectory of TMR sensors, a specialized subset of xMR technology that utilizes quantum tunneling magnetoresistance effects, offering superior sensitivity, lower power consumption, and enhanced thermal stability ideal for demanding high-end applications such as precision motor control, advanced automotive safety systems, and industrial automation and humanoid robotics systems. In China specifically, this technology differentiation is even more pronounced, with both xMR and TMR sensors expected to achieve higher growth rates. 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

We believe that the following strengths contribute to our market position, ensuring our success and distinguishing us from our competitors: (i) 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; (ii) Vertically Integrated IDM Model Enabling Rapid Response, Sustained Innovation and Multi-Sector Expansion; (iii) Comprehensive Technology Capabilities and Innovation Achievements; (iv) Global Presence and International Capabilities Supporting Market Position; and (v) Experienced Management Team and Skilled Talent Base.

OUR STRATEGIES

We believe the following strategies position us well to capitalize on future opportunities and deliver continued growth: (i) Expand Product Portfolio and Capture Emerging Market Opportunities to Strengthen Our Competitive Advantage; (ii) 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; (iii) Strengthen Our IDM Business Model; (iv) Enhance Global Market Presence and Build International Brand Recognition; and (v) Foster Industry Collaboration and Mutual Technology Development Through Strategic Integration to Further Strengthen Our Competitive Advantages.

OUR PRODUCTS AND SOLUTIONS

During the Track Record Period, our revenue was mainly derived from sales of magnetic sensor including primarily current sensors and motion sensors in both chip and module forms. The table below sets out a breakdown of our revenue by business line for the periods indicated.

SUMMARY

	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

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 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 keeping manufacturing costs low. In contrast, motion sensors encoders are significantly more complex. It is generally designed for high-precision digital output for accurate measurement of position, angle and speed. These higher technical demands result in greater manufacturing costs and added value. Additionally, current sensors typically are produced in 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.

SUMMARY

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. As of September 30, 2025, we had a team of 136 R&D professionals, representing approximately 12.8% of our total staff count. 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.

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. 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.

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). 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.

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 accounted for 83.2%, 81.4%, 84.7%, 84.8% and 86.4% of our total revenue in 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025.

We have two main categories of customers: (i) direct sales customers who are end users purchasing our products and solutions directly; and (ii) distributors. In 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2024, revenue from direct sales accounted for 44.7%, 53.6%, 49.3%, 46.7% and 44.9% of our total revenue for the respective periods.

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.

RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in “Risk Factors” in this document. You should read that section in its entirety carefully before you decide to invest in our H Shares. Some of our major risks we face include: (i) Our business growth and prospects depend on our

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ability to continuously innovate and enhance our existing products and solutions ; (ii) The magnetic sensor industry is highly competitive. If we are not able to compete successfully, our business, results of operation and prospects will be harmed; (iii) Our products are primarily used by end customers of downstream industries and sectors. Factors that adversely affect these industries and sectors or our end customer base therein may adversely impact our business, financial condition and results of operations; (iv) A substantial amount of our revenue is attributable to a limited number of customers in each period, and such amount may fluctuate in any given period; and (v) If we are unable to manufacture or deliver high quality products on schedule and on a large scale, our business may be materially and adversely affected.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of Consolidated Statements of Profit or Loss

The table below sets forth our consolidated statements of profit or loss for the periods indicated derived from the Accountant’s Report included in Appendix I to this Document:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue	666,309	594,206	703,414	544,459	626,656
Cost of sales	(564,241)	(487,541)	(582,487)	(449,473)	(473,744)
Gross profit	102,068	106,665	120,927	94,986	152,912
Other income	10,449	27,678	33,858	29,454	10,014
Other gains or losses, net.	(1,195,320)	(49,112)	25	158	(852)
Change in fair value of financial assets at fair value through profit or loss	158	616	3,267	1,881	3,864
Provision for impairment losses under expected credit losses (“ECL”) model, net of reversal.	(2,229)	(4,908)	1,321	(9,319)	(3,824)
Selling expenses	(10,825)	(12,535)	(16,308)	(11,533)	(12,222)
Administrative expenses.	(61,792)	(82,500)	(78,243)	(59,468)	(55,204)
Research and development expenses . .	(42,685)	(50,919)	(53,654)	(39,592)	(39,818)
Finance costs.	(9,943)	(4,452)	(3,411)	(2,595)	(2,109)
Share of results of an associate	—	—	—	—	234
[REDACTED] expenses	—	—	—	—	(9,498)
(Loss)/profit before tax	(1,210,119)	(69,467)	7,782	3,972	43,497
Income tax credit/(expenses)	3,972	2,905	2,070	2,334	(3,725)
(Loss)/profit for the year/period. . . .	(1,206,147)	(66,562)	9,852	6,306	39,772

We recorded net losses in 2022 and 2023 as a result of change in fair value of redemption liabilities recognized as other net losses derived from the special rights granted to investors during several rounds of financings of our Company since the date of incorporation. Our loss for the year narrowed down from RMB1,206.1 million in 2022 to RMB66.6 million in 2023, primarily attributable to the decrease in change in fair value of redemption liabilities recognized as other net losses from RMB1,195.2 million in 2022 to RMB47.7 million in 2023 because the valuation of our Group increased significantly in 2022 due to several equity financings and transfers in the year. As the relevant special

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rights granted to investors were terminated in August 2023, the carrying amount of the redemption liabilities had been reclassified to equity and we no longer recorded any change in fair value of redemption liabilities thereafter. We therefore recognized net profit of RMB9.9 million in 2024, which further increased to RMB39.8 million for the nine months ended September 30, 2025 alongside our business expansion.

Non-IFRS Measure

The following table sets forth a reconciliation of the adjusted net (loss)/profit (a non-IFRS measure) for the year/period indicated to the (loss)/profit for the year/period:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(Loss)/profit for the year/period	(1,206,147)	(66,562)	9,852	6,306	39,772
Adjustments for:					
Change in fair value of redemption liabilities	1,195,165	47,747	—	—	—
Equity-settled share-based payment expenses	109	1,567	1,432	1,053	866
[REDACTED] expenses	—	—	—	—	9,498
Adjusted net (loss)/profit (a non-IFRS measure).	(10,873)	(17,248)	11,284	7,359	50,136

For details, see “Financial Information — Non-IFRS Measure”.

Our adjusted net loss (non-IFRS measure) in 2022 was primarily attributable to (i) significant research and development expenses incurred in the year for new product development, and (ii) low yield rate of our Bengbu module production base resulting from newly added production lines. Our adjusted net loss (non-IFRS measure) in 2023 was mainly due to (i) increased depreciation charges arising from purchases of equipment for a new production line by our German subsidiary, coupled with elevated energy costs in Germany during the same year, and (ii) a slight decline in sales of current sensors as a result of softening demand from downstream industries. Since 2024, we have achieved effective cost control through disciplined capital expenditure management and yield improvement, which eventually led to our turnaround to adjusted net profit (non-IFRS measure) position.

SUMMARY

Summary of Consolidated Balance Sheets

	As of December 31,			As of
				September 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	284,731	342,626	323,997	478,853
Total current assets	1,238,750	1,019,817	1,060,822	1,022,865
Total current liabilities	1,013,612	181,698	192,039	201,992
Total non-current liabilities	1,955,406	127,073	85,482	91,197
Total assets	1,523,481	1,362,443	1,384,819	1,501,718
Net current assets	225,138	838,119	868,783	820,873
Net (liabilities)/assets	(1,445,537)	1,053,672	1,107,298	1,208,529

Our net current assets decreased by 5.5% from RMB868.8 million as of December 31, 2024 to RMB820.9 million as of September 30, 2025, primarily due to (i) a decrease in cash and bank balances of RMB148.9 million and (ii) an increase in other payables and accrual of RMB25.8 million, partially offset by (iii) an increase in financial assets at fair value through profit or loss of RMB54.1 million, (iv) an increase in inventories of RMB37.8 million and (v) a decrease in borrowings of RMB24.0 million. Our net current assets remained relatively stable at RMB838.1 million and RMB868.8 million as of December 31, 2023 and 2024, respectively. Our net current assets increased significantly by 272.3% from RMB225.1 million as of December 31, 2022 to RMB838.1 million as of December 31, 2023, primarily due to the decrease in other payable and accruals of RMB675.1 million mainly attributable to the settlement of advance from investors of RMB661.2 million.

We recorded net liabilities of RMB1,445.5 million as of December 31, 2022, primarily attributable to the redemption liabilities in relation to the special rights granted to investors during several rounds of financings of our Company since the date of incorporation. The relevant special rights granted to investors were terminated in August 2023, following which the carrying amount of the redemption liabilities had been reclassified to equity. As a result, we turned to net asset position as of December 31, 2023. Our net assets increased from RMB1,053.7 million as of December 31, 2023 to RMB1,107.3 million as of December 31, 2024, primarily due to capital contribution from non-controlling shareholders of RMB53.0 million and profit for the year of RMB9.9 million. Our net assets further increased to RMB1,208.5 million, primarily due to change in ownership interest in a subsidiary without loss of control of RMB45.5 million and profit for the period of RMB39.8 million.

Summary of Consolidated Statement of Cash Flow

The following table sets forth our cash flows for the periods indicated.

	Year ended December 31,			Nine months ended	
				September 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net cash (used in)/generated from					
operating activities	(77,053)	(30,207)	3,569	5,656	54,055
Net cash used in investing activities . .	(171,062)	(10,529)	(180,512)	(229,661)	(214,323)
Net cash generated from/(used in)					
financing activities	668,702	(78,379)	32,977	11,022	5,577

SUMMARY

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net increase/(decrease) in cash and cash equivalents	420,587	(119,115)	(143,966)	(212,983)	(154,691)
Cash and cash equivalents at beginning of year/period	152,458	576,420	462,183	462,183	314,195
Exchange gains	3,375	4,878	(4,022)	727	5,802
Cash and cash equivalents at the end of year/period	<u>576,420</u>	<u>462,183</u>	<u>314,195</u>	<u>249,927</u>	<u>165,306</u>

We recorded net cash used in operating activities of RMB77.1 million in 2022, primarily due to the increase in trade receivables of RMB129.5 million following our growing credit sales. We recorded net cash used in operating activities of RMB30.2 million in 2023, primarily due to the decrease in trade and bills receivables totaling RMB90.0 million mainly attributable to the decrease in our procurement as a result of our declined revenue. We turned to net operating cash inflow positions in 2024 and the nine months ended September 30, 2025, primarily driven by our revenue growth and enhanced collection efforts for receivables. Please see “Financial Information — Liquidity and Capital Resources” for details of our cash flows.

KEY FINANCIAL RATIOS

The following tables set out our key financial ratios as of the dates indicated:

	Year ended/As of December 31,			Nine months ended/As of September 30,
	2022	2023	2024	2025
Gross profit margin (%)	15.3	18.0	17.2	24.4
Current ratio (times)	1.2	5.6	5.5	5.1
Quick ratio (times)	1.0	4.2	4.2	3.6
Gearing ratio (%)	(140.6)	12.8	10.7	8.4

Please see “Financial Information — Key Financial Ratios” for descriptions of the calculation of the above ratios.

LEGAL PROCEEDINGS AND COMPLIANCE

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. We have been and are currently involved in various patent disputes with a Chinese magnetic sensor company, including patent invalidation proceedings and intellectual property infringement claims and related administrative litigation in PRC courts. As of the Latest Practicable Date, several of such patent invalidation proceedings are ongoing. For details, see “Business — Legal Proceedings and Compliance.” As of the Latest Practicable Date, we have also been involved in an ongoing shareholders dispute. See “History, Development and Corporate Structure — Our Principal Subsidiaries.”

SUMMARY

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance 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.

OUR SINGLE LARGEST SHAREHOLDER GROUP

Immediately following the completion of the [REDACTED] and assuming that no new Shares are issued under the [REDACTED] and the [REDACTED], and no other changes are made to the issued share capital of the Company between the Latest Practicable Date and [REDACTED], the Single Largest Shareholders Group will be entitled to collectively control the exercise of approximately [REDACTED]% of the total voting rights of our Company. See “Relationship with the Single Largest Shareholders Group.”

[REDACTED] INVESTORS

We have attracted certain [REDACTED] Investors and completed seven rounds of financing as of the Latest Practicable Date. Our [REDACTED] Investors include FIIF, our substantial Shareholder holding 15.79% of the issued Shares as of the Latest Practicable Date and [REDACTED]% of the issued Shares upon the completion of the [REDACTED] (assuming the [REDACTED] and the [REDACTED] has not been exercised and no new Shares would be issued from the Latest Practicable Date to the date of [REDACTED]).

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute non-exempt continuing connected transactions of our Company under the Listing Rules following the [REDACTED]. For further details, see “Connected Transactions.”

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that (i) the [REDACTED] has been completed and [REDACTED] H Shares are newly issued in the [REDACTED], (ii) the [REDACTED] and the [REDACTED] for the [REDACTED] are not exercised, and (iii) [REDACTED] Shares are issued and outstanding following the completion of the [REDACTED]:

	Based on an [REDACTED] of HK\$[REDACTED] per Share	Based on an [REDACTED] of HK\$[REDACTED] per Share
Market capitalization of our Shares ⁽¹⁾⁽²⁾ . .	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] adjusted net tangible assets per Share ⁽³⁾	HK\$[REDACTED] (RMB[REDACTED])	HK\$[REDACTED] (RMB[REDACTED])

Notes:

- (1) The calculation of market capitalization of our Shares is based on [REDACTED] H Shares expected to be in issue immediately upon completion of the [REDACTED] (assuming the [REDACTED] and the [REDACTED] are not exercised). For details, see “Share Capital — Upon Completion of the [REDACTED].”
- (2) The calculation of market capitalization is based on the [REDACTED] Shares expected to be in issue following the completion of the [REDACTED].
- (3) The unaudited [REDACTED] adjusted net tangible asset per Share as of September 30, 2025 is calculated after making the adjustments referred to in Appendix II and on the basis that [REDACTED] Shares are expected to be in issue immediately upon completion of the [REDACTED] (assuming the [REDACTED] and the [REDACTED] are not exercised).

For the calculation of the unaudited [REDACTED] adjusted net tangible asset value per Share attributed to our Shareholders, see the section headed “Unaudited [REDACTED] Financial Information” in Appendix II to this document.

SUMMARY

FUTURE PLANS AND USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per H Share (being the mid-point of the [REDACTED] of between HK\$[REDACTED] and HK\$[REDACTED] per H Share), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] million from the [REDACTED] after deducting the [REDACTED] commissions and other estimated expenses paid and payable by us in connection with the [REDACTED] and assuming that the [REDACTED] and the [REDACTED] are not exercised. We intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below: (i) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the construction and operation of a new research and production base in Wuxi, Jiangsu province; (ii) approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for our research and development efforts to enrich our product portfolio and further penetrate emerging application scenarios and maintain our technical edge; (iii) approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used to upgrade our wafer production lines in Germany; (iv) approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for potential strategic investments and/or acquisitions; and (v) approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for our working capital and other general corporate purposes.

DIVIDEND

During the Track Record Period, we did not declare or distribute any dividend. The decision on whether to pay dividends and the amount will be subject to our Articles of Association and applicable laws and regulations. We currently do not have a formal dividend policy. No dividend will be declared or paid expect out of our profits and reserves legally available for distribution. For details, see “Financial Information — Dividend Policy”.

[REDACTED] EXPENSES

Based on the mid-point [REDACTED] of HK\$[REDACTED], the total estimated [REDACTED] expenses in relation to the [REDACTED] is approximately HK\$[REDACTED], or [REDACTED]% of the gross [REDACTED] from the [REDACTED], assuming no new Shares are issued under the [REDACTED]. Such estimated total [REDACTED] expenses include (i) [REDACTED] related expenses of approximately HK\$[REDACTED]; (ii) fees and expenses of our legal advisors and reporting accountant of approximately HK\$[REDACTED]; and (iii) other fees and expenses of approximately HK\$[REDACTED]. We recorded [REDACTED] expenses charged to our consolidated statement of profit or loss of RMB[REDACTED] for the nine months ended September 30, 2025, and accrued [REDACTED] expenses charged to consolidated statement of financial position of RMB[REDACTED] as of September 30, 2025. [REDACTED] expenses of approximately HK\$[REDACTED], is expected to be charged to our consolidated statement of profit or loss and [REDACTED] expenses of approximately HK\$[REDACTED] will be deducted from equity upon [REDACTED] under the relevant accounting standard. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

[REDACTED]

SUMMARY

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the [REDACTED] of, and the permission to [REDACTED], the H Shares in issue and to be [REDACTED] pursuant to the [REDACTED] (including any Shares which may be issued pursuant to the exercise of the [REDACTED] and the [REDACTED]) and [REDACTED] of the Unlisted Shares into H Shares. We satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to, among other things, (i) our revenue for the year ended December 31, 2024 of over HK\$500 million, and (ii) our expected market capitalization at the time of the [REDACTED] based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the low-end of the indicative [REDACTED]) exceeds HK\$4 billion, as required by Rule 8.05(3) of the Listing Rules.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since September 30, 2025, being the end date of the periods reported on in the Accountants’ Report included in Appendix I to this document, and there is no event since September 30, 2025 that would materially affect the information as set out in the Accountants’ Report included in Appendix I to this document.

DEFINITIONS

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

“Accountants’ Report”	the audited consolidated financial statements of our Company for the Track Record Period, as included in Appendix I
“affiliate(s)”	with respect to any person, any other person, directly or indirectly, controlling, controlled by or under common control with such person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Anhui Guosheng”	Anhui Guosheng Electronics Co., Ltd. (安徽國盛電子有限公司), a limited liability company established in the PRC on November 18, 2024 and a connected person of our Company
“Anhui Xinst”	Anhui Xinst Technology Co., Ltd. (安徽芯斯特科技有限公司), a limited liability company established in the PRC on November 20, 2023 and a non-wholly-owned subsidiary of our Company
“Articles” or “Articles of Association”	the amended and restated articles of association of the Company, which was conditionally adopted on July 25, 2025 with effect from the [REDACTED], as amended, supplemented or restated from time to time; see the section headed “Summary of the Articles of Association” in Appendix V for a summary of the Articles
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bengbu Huaan”	Bengbu Hua’an Technology Center (Limited Partnership) (蚌埠華安科技中心(有限合夥)), a limited partnership established in the PRC on February 14, 2023 and one of our employee shareholding platforms
“Bengbu Huajing”	Bengbu Huajing Technology Center Partnership (Limited Partnership) (蚌埠華晶技術中心合夥企業(有限合夥)), a limited partnership established in the PRC on April 21, 2022 and one of our employee shareholding platforms
“Bengbu Huarui”	Bengbu Huarui Investment Co., Ltd.(蚌埠華睿投資有限責任公司), a company established in the PRC with limited liability on March 23, 2022 and wholly-owned by Dr. Wang
“Bengbu Huarui Technology”	Bengbu Huarui Technology Center (Limited Partnership) (蚌埠華瑞科技中心(有限合夥)), a limited partnership established on February 16, 2023 and a shareholding platform controlled by Dr. Wang as its general partner through Bengbu Huarui

DEFINITIONS

“Bengbu Lesi”	Bengbu Lesi Technology Center (Limited Partnership) (蚌埠樂思科技中心(有限合夥)), a limited partnership established in the PRC on December 30, 2013 and one of our employee shareholding platforms
“Bengbu Xinda”	Bengbu Xinda Technology Center (Limited Partnership) (蚌埠芯達科技中心(有限合夥)), a limited partnership established in the PRC on December 30, 2013 and a shareholding platform controlled by Dr. Wang as its general partner
“Board” or “Board of Directors”	the board of Directors of the Company
“business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

[REDACTED]

“China” or “PRC”	the People’s Republic of China
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance” or “Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, or “the Company”	Anhui Sinomags Technology Co., Ltd (安徽希磁科技股份有限公司), a limited liability company established under PRC laws on December 14, 2018, which was converted into a joint stock limited liability company on August 31, 2023
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“[REDACTED] of Unlisted Shares into H Shares”	the [REDACTED] of [REDACTED] Unlisted Shares into H Shares on a one-for-one basis upon the completion of the [REDACTED]. Such [REDACTED] of Unlisted Shares into H Shares has been approved by the CSRC on [•] and an application for H Shares to be [REDACTED] on the Stock Exchange has been made to the [REDACTED]

DEFINITIONS

“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“EIT”	the enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), promulgated on March 16, 2007 and came into effect on January 1, 2008 and was most recently amended on December 29, 2018 which became effective on the same date
“Extreme Conditions”	the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
“FIIF”	Future Industry Investment Fund II (先進製造產業投資基金二期(有限合夥)), a limited partnership established in the PRC on June 18, 2019 and a substantial Shareholder holding 15.79% of the issued Shares as of the Latest Practicable Date

[REDACTED]

“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
“Frost & Sullivan Report”	the report prepared by Frost & Sullivan and commissioned by us

[REDACTED]

“German Legal Advisor”	Deloitte Legal Rechtsanwaltsgesellschaft mbH, our legal advisor as to German laws

[REDACTED]

“Group”, “we”, “our”, or “us”	our Company and, where appropriate, our subsidiaries or, in respect of the period before our Company became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors, as the case may be

DEFINITIONS

[REDACTED]

“H Share(s)”

Shares which an application has been made for the [REDACTED] and permission to [REDACTED] the Stock Exchange with nominal value of RMB1.00 each

[REDACTED]

“HK” or “Hong Kong”

the Hong Kong Special Administrative Region of the PRC

“HKD” or “HK\$”

Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

“Hong Kong Takeovers Code” or
“Takeovers Code”

Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC

[REDACTED]

DEFINITIONS

[REDACTED]

“IDM”	integrated device manufacturer, a company that maintains control over the design and manufacturing process of semiconductor devices, while managing sales of the finished products. Some IDMs outsource standardized processes such as packaging and testing functions while others handle these functions in-house
“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board
“Independent Third Party(ies)”	person(s) or company(ies), who/which, to the best of our Directors’ knowledge, information and belief, is/are not our connected persons

[REDACTED]

DEFINITIONS

[REDACTED]

“Sole Sponsor”	China Securities (International) Corporate Finance Company Limited
“Latest Practicable Date”	February 23, 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[REDACTED]

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“mainland China”	the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region and Taiwan region
“Ministry of Finance” or “MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Ningbo Sinomags”	Ningbo Sinomags Electronic Technology Co., Ltd. (寧波希磁電子科技有限公司), a company established in the PRC with limited liability on February 20, 2013 and direct wholly-owned subsidiary of our Company
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

DEFINITIONS

[REDACTED]

“PBOC”

the People’s Bank of China (中國人民銀行), the central bank of Mainland China

DEFINITIONS

“PRC Company Law”	the Company Law of the PRC, as amended, modified and/or otherwise supplemented from time to time
“PRC GAAP”	generally accepted accounting principles in mainland China
“PRC government” or “State”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisor”	T&C Law Firm, our legal advisor as to PRC laws
“[REDACTED] Investment(s)”	the [REDACTED] investment(s) in our Company, the details of which are set out in “History, Development and Corporate Structure — [REDACTED] Investments”
“[REDACTED] Investor(s)”	the investor(s) of the [REDACTED] Investments

[REDACTED]

“province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of mainland China
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities Law”	the Securities Law of the People’s Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, comprising the Unlisted Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Shenste”	Shenste Sensing Technology (Wuxi) Co., Ltd. (申思特傳感技術(無錫)有限公司), a company established in the PRC with limited liability on April 24, 2022 and a wholly-owned subsidiary of our Company
“Single Largest Shareholders Group”	our single largest group of shareholders and refers to, collectively, Dr. Wang, Bengbu Lesi, Bengbu Huarui Technology, Bengbu Huarui, Bengbu Xinda, Bengbu Huajing and Bengbu Huan
“Special Regulations”	the Special Regulations of the State Council on Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
[REDACTED]	
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Supervisor(s)”	the supervisor(s) of our Company
“Track Record Period”	the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2025
“Treasury Shares”	Shares repurchased and held by the Company in treasury (which include Shares repurchased by the Company and held or deposited in [REDACTED] for sale on the Stock Exchange) from time to time

DEFINITIONS

“Trial Measures”	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法), promulgated by the CSRC on February 17, 2023
“U.S.”, “US” or “United States”	the United States of America, its territories, its possessions, any State of the United States and the District of Columbia
“USD”, “U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	United States Securities Act of 1933 and the rules and regulations promulgated thereunder

[REDACTED]

“Unlisted Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are not [REDACTED] on any stock exchange
“VAT”	value-added tax

[REDACTED]

“Wuxi Este Magnetic”	Wuxi Este Magnetic Technology Co., Ltd (無錫埃斯特磁科技有限公司), a limited liability company established in the PRC on August 29, 2023 and a connected subsidiary of our Company within the meaning under the Listing Rules
“Wuxi Lertech”	Wuxi Lertech Co., Ltd. (無錫樂爾科技有限公司), a limited liability company established in the PRC on September 14, 2009 and a wholly-owned subsidiary of our Company
“%”	per cent

Unless otherwise specified, in this document:

- (a) *certain amounts and percentage figures have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them; and*
- (b) *for ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, nature persons or other entities (including certain of our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this document in connection with our business. These terms and their given meanings may not correspond to industry standard definitions or usages of these terms.

“A”	ampere, the standard unit of electric current
“AC”	alternating current
“AEC-Q”	standards established by the Automotive Electronics Council
“AFCI”	Arc Fault Circuit Interrupter, a safety device that detects dangerous electrical arcs in circuits and automatically disconnects power to prevent electrical fires
“AMR”	anisotropic magnetoresistance technology
“analog”	an analog signal is a voltage, current or physical quantity that continuously and infinitely varies in accordance with some time-varying parameter
“arcsecond”	an arcsecond is a unit of angular measurement equal to 1/3,600 of a degree
“ASIC”	application-specific IC, a type of integrated circuit that is customized to the needs of a specific application
“bare die chip”	an individual semiconductor chip that has been separated from a silicon wafer but not yet encased in protective packaging
“BDU”	Battery Disconnect Unit, a safety device that can isolate the high-voltage battery system from the rest of the vehicle’s electrical components, typically used for emergency shutdowns or maintenance procedures
“CAGR”	compound annual growth rate
“CMOS”	complementary metal-oxide semiconductor
“CMRR”	common-mode rejection ratio, a measure of how well a sensor can suppress unwanted signals while amplifying the desired differential signal. A higher CMRR indicates better performance in rejecting noise and other disturbances, making it crucial for precision measurement applications
“component soldering”	the process of joining electronic components to circuit boards
“DC”	direct current, an electric current that flows in one direction only

GLOSSARY OF TECHNICAL TERMS

“dry/wet etching”	semiconductor fabrication processes used to remove material from wafers; dry etching uses plasma or reactive gases to precisely remove material without liquid chemicals, while wet etching uses liquid chemical solutions to dissolve unwanted material
“EMC”	electromagnetic compatibility
“encoder”	electromechanical devices designed to convert mechanical motion into electrical signals, which can provide feedback on angular velocity and displacement
“EPS”	Electric Power Steering, a steering assistance system that uses an electric motor instead of hydraulic power to reduce the effort required to turn the steering wheel, improving fuel efficiency and enabling advanced driver assistance features
“fabless model(s)”	a business model where the entity focuses on R&D and design of ICs and outsources manufacturing to external parties
“foundry(ies)”	a semiconductor company that manufactures wafers containing semiconductor products designed by other companies that are used in end-market products not belonging to the foundry; pure-play foundries do not offer their own end-market products and hence do not compete with their customers, whereas IDMs that offer foundry service do have their own products that may or may not compete with those of the foundry customers
“GMR”	giant magnetoresistance technology
“Hall effect”	refers to the generation of a voltage difference across an electrical conductor when a magnetic field is applied perpendicular to the current, the foundation of many magnetic sensing technologies
“HV PDU”	High Voltage Power Distribution Unit, an electrical component that manages and distributes high-voltage power from the battery to various vehicle systems, incorporating safety features and monitoring capabilities
“IATF16949”	international recognised technical specification of automotive industry quality management system prepared by International Automotive Task Force (IATF) and ISO
“IC” or “integrated circuit”	a set of electronic circuits on one small plate of semiconductor material (a chip)
“ICE”	internal combustion engine

GLOSSARY OF TECHNICAL TERMS

“IDM”	integrated device manufacturer, a company that maintains control over the design and manufacturing process of semiconductor devices, while managing sales of the finished products. Some IDMs outsource standardized processes such as packaging and testing functions while others handle these functions in-house
“ISO”	the International Organization for Standardization, a worldwide federation of national standards bodies
“ISO26262”	an internationally recognised standard for the functional safety of electrical and electronic systems in production automobiles
“ISO45001”	an internationally recognised standard for the occupational health and safety management systems
“IT”	information technology
“kA”	Kiloampere, a unit of electric current equal to 1,000 ampere
“m”	meter
“mA”	milliampere, equal to one-thousandth of an ampere
“material deposition”	manufacturing processes used to deposit thin layers of materials onto semiconductor substrates, including techniques such as chemical vapor deposition and physical vapor deposition, essential for building the multiple layers that form integrated circuits
“MHz”	megahertz, which is a unit of frequency equal to one million hertz
“mm”	millimeter, a unit of length in the metric system equal to one-thousandth of a meter
“module(s)”	packaged components that include integrated circuits or other electronic components, which are used to build larger systems or devices, essential for enhancing performance, efficiency, and scalability in electronic products
“MPPT”	maximum power point tracking, a technique used in PV systems to optimize the power extraction from solar panels by continuously adjusting the electrical load to maintain the highest efficiency
“NEV”	new energy vehicles
“ns”	nanosecond, a unit of time that equals to one billionth of a second

GLOSSARY OF TECHNICAL TERMS

“OEM”	acronym for “original equipment manufacturing”, whereby products are manufactured in accordance with a customer’s specifications for sale under the customer’s brand
“PCBs”	printed circuit board
“PCBA(s)”	printed circuit board assembly, a printed circuit board populated with electronic components
“PCB surface mounting”	a method of assembling electronic circuits where components are mounted directly onto the surface of printed circuit boards (PCBs) rather than through holes, enabling higher component density and automated assembly
“PCS”	Power Conversion System; an electronic system that converts electrical power between different forms (AC to DC or DC to AC) and manages bidirectional power flow in energy storage applications, enabling efficient charging and discharging of battery systems while maintaining grid compatibility
“PDU”	Power Distribution Unit, an electrical device that distributes power from a primary source to multiple loads or circuits, providing centralized power management, monitoring, and protection functions in energy storage and power conversion systems
“perovskite photovoltaics”	a type of solar cell that uses perovskite-structured materials as the light-absorbing layer
“photolithography”	a semiconductor manufacturing process that uses light to transfer geometric patterns from a photomask to a light-sensitive chemical photoresist on the substrate, enabling the precise creation of microscopic circuit patterns on semiconductor wafers
“photomask design”	the creation of templates containing geometric patterns used in photolithography to define the circuit layouts that will be transferred onto semiconductor wafers during chip manufacturing
“PV”	photovoltaic, the conversion of light into electricity using semiconducting materials
“PVD”	a vacuum deposition method that involves high temperature vacuum evaporation and sputtering to produce a metal vapor, which is then deposited on electrically conductive materials as a thin, highly adhered pure metal or alloy coating, a critical process in the manufacturing of semiconductor devices, enabling the creation of thin films and coatings on substrates
“R&D”	research and development

GLOSSARY OF TECHNICAL TERMS

“sensor”	a device that measures or detects physical world conditions, such as motion, heat or light, and converts the conditions into analog or digital representations
“SiC”	silicon carbide, a semiconductor material used in various electronic applications
“SMT”	acronym for “surface mount technology”, a method used to connect package microchip to PCBs where no through-holes in the board are required and package leads are soldered to the board surface
“sq.m.”	square meter(s)
“SWA”	Steering Wheel Angle, a sensor system that measures the rotational position of the steering wheel, providing critical input data for electronic stability control, lane keeping assistance, and other vehicle dynamics systems
“thermal shock”	testing procedures that subject electronic components and assemblies to rapid temperature changes to evaluate their ability to withstand thermal stress and ensure reliability under varying operating conditions
“third-generation semiconductor”	advanced semiconductor materials, primarily silicon carbide (SiC) and gallium nitride (GaN), that offer superior performance compared to traditional silicon semiconductors, including higher power efficiency, faster switching speeds, better thermal conductivity, and ability to operate at higher voltages and temperatures, making them ideal for power electronics, NEVs, green energy systems, and high-frequency applications
“TMR”	tunneling magnetoresistance technology
“vacuum coating”	the complex manufacturing process of creating semiconductor devices on thin slices of semiconductor material (wafers) through multiple steps including deposition, photolithography, etching, and doping
“wafer”	a thin slice of semiconductor material, on which arrays of integrated circuits or discrete devices are fabricated during the manufacturing process
“wafer fabrication”	the complex manufacturing process of creating semiconductor devices on thin slices of semiconductor material (wafers) through multiple steps including deposition, photolithography, etching, and doping

GLOSSARY OF TECHNICAL TERMS

“xMR”	a family of sensor technologies that detect changes in magnetic fields using the magnetoresistive effect, including AMR, GMR and TMR
“μm”	micrometer

FORWARD-LOOKING STATEMENTS

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as “aim”, “anticipate”, “aspire”, “believe”, “could”, “estimate”, “expect”, “goals”, “going forward”, “intend”, “may”, “objective”, “ought to”, “outlook”, “plan”, “project”, “projection”, “seek”, “schedules”, “should”, “target”, “vision”, “will”, “would”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to: our mission, goals and strategies; our future business development, financial conditions and results of operations; our expectations regarding demand for and market acceptance of our products and solutions; our expectations regarding our relationships with customers, business partners, suppliers and other third parties; changes in the macro environment, regional and global economy, as well as industry trends related to our operations; our ability to adequately protect our reputation and brand image, as well as our intellectual property rights; our ability to obtain adequate capital resources to fund future development plans; our ability to control costs, as well as to achieve and maintain operational efficiency; our ability to attract and retain qualified personnel; competition in the industries and markets in which we operate or into which we intend to expand; our proposed use of [REDACTED]; rapid developments in technology and our ability to successfully keep up with technological advancement; changes in currency exchange rates; relevant government policies and regulations relating to industries which we operate in; and all other risks and uncertainties described in “Risk Factors.”

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the Latest Practicable Date. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

RISK FACTORS

An investment in our H Shares involves significant risks. You should carefully consider all of the information in this document, particularly the risks and uncertainties described below, before making an investment in our H Shares. Any of the following risks could materially and adversely affect our business, financial condition, and results of operations. The market price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are subject to rapid fluctuations in the semiconductor industry

We offer magnetic sensor products, which are semiconductor-based products, and therefore are subject to the conditions in the semiconductor industry in which we operate. Magnetic sensors are a specialized segment within the broader semiconductor industry, as they are manufactured using semiconductor fabrication processes and technologies. In recent years, the PRC has been promoting and reshaping its domestic semiconductor industry through policy changes, leading to its semiconductor industry growing at a fast pace over the past few years. The semiconductor industry has experienced a very large expansion of fabrication capacity and production worldwide over time. As a result of increasing demand from semiconductor and other manufacturers, availability of certain basic materials and supplies, such as chemicals, gases, silicon wafers and subcontract services like wafer fabrication, have from time to time, over the past several years, been in short supply and could come into short supply again if overall industry demand continues to increase in the future. Unlike industries with more stable demand patterns, the semiconductor industry is characterized by rapid and often unpredictable changes in market conditions that can occur within short timeframes, including quarter-to-quarter or even month-to-month shifts in demand, pricing pressure, and order patterns, which can significantly impact revenue and profitability. The semiconductor industry has historically experienced rapid fluctuations, including cyclical downturns due to constant and rapid technological changes, short product life cycles, fluctuations in product supply and demand, global and regional macroeconomic conditions, economic crises, and geopolitical and trade tensions. From 2020 to 2024, the global semiconductor industry expanded from RMB3,176.2 billion to RMB4,371.0 billion, representing a CAGR of 8.3%. From 2024 to 2029, the global semiconductor industry is projected to rise from RMB4,371.0 billion to RMB6,548.0 billion, achieving a CAGR of 8.4%. Downturns in the semiconductor industry are characterized by sudden and unforeseen declines in product demand, accelerated erosion of average selling prices, lower capacity utilization rates, higher inventory levels and inventory write-downs. Since these factors are largely beyond our control, we may be unable to adjust our inventory levels quickly enough or at all to match declining demand, which could result in excess inventory and pressure on our product pricing. If we cannot anticipate market changes or adjust to unforeseen fluctuations, our business, financial condition and results of operations may be adversely affected.

Our business growth and prospects depend on our ability to continuously innovate and enhance our existing products and solutions.

Our future success relies heavily on our ability to continue to innovate and enhance our existing products and solutions and introduce new products that integrate the latest scientific and technological advancements. Many of the industry verticals in which we operate are characterized by constant changes, including rapid technological evolution, frequent introductions of new products and solutions, continual shifts in customer and user demands and constant emergence of new industry standards and practices. Many of these downstream industry verticals also require technologies, expertise, and marketing and operational infrastructure that are industry specific.

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If we are unable to respond quickly and successfully to technological developments, we may lose our competitive position, and our products, solutions or technologies may become obsolete and fall behind on technologies. The development activities related to our technologies may involve significant time, risks and uncertainties, including the risk that the expenses associated with these investments may affect our profit margin and operating results and that such investments may not generate sufficient revenue to offset liabilities assumed and expenses associated with these new investments. We must continue to invest a significant amount of time and resources in our R&D and product development . However, there can be no assurance that we will be able to develop and introduce new and improved products and solutions in a timely or efficient manner or that new and improved products and solutions, if developed, will be welcome by the market.

We had net loss and net cash used from operating activities during the Track Record Period .

We incurred net losses of RMB1,206.1 million and RMB66.6 million in 2022 and 2023, respectively. We recorded a net profit of RMB9.9 million and RMB39.8 million in 2024 and the nine months ended September 30, 2025, respectively. We recorded net cash used in operating activities of RMB77.1 million and RMB30.2 million in 2022 and 2023, respectively. We may incur net loss and net operating cash outflow in the future. A net loss position can expose us to the risk of shortfalls in liquidity, in which case our ability to raise funds, obtain bank loans and declare and pay dividends will be materially and adversely affected. If we are unable to generate adequate revenue to offset the associated costs and expenses or effectively manage our cost and expense structure, we may fail to attain expected gross profit margins, continue to incur significant loss and fail to improve liquidity position. Our failure to generate sufficient revenue and incur losses and net operating cash outflow would materially and adversely impact the value of your investment.

We recorded net liabilities and during the Track Record Period.

We recorded net liabilities of RMB1,445.5 million as of December 31, 2022 and net assets of RMB1,053.7 million, RMB1,107.3 million and RMB1,208.5 million as of 2023, 2024 and September 30, 2025, respectively. Our net liabilities as of December 31, 2022, was primarily attributable to the redemption liabilities in relation to the special rights granted to investors during several rounds of financings of our Company since the date of incorporation. The relevant special rights granted to investors were terminated in August 2023, following which the carrying amount of the redemption liabilities had been reclassified to equity. For details, see Note 37 to the Accountants’ Report as set out in Appendix I. We cannot assure you that we will not record net liabilities or net current liabilities in the future. If we are unable to maintain adequate working capital or obtain sufficient financings, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position may be adversely affected.

The magnetic sensor industry is highly competitive. If we are not able to compete successfully, our business, results of operation and prospects will be harmed.

The magnetic sensor industry is highly competitive. As of December 31, 2024, there were over 200 magnetic sensor providers worldwide with the global top ten players accounting for 31.0% market share in 2024. We expect intensive price competition from existing competitors and potential new entrants that may be able to supply magnetic sensor products for lower costs than us due to various factors, including lower production and transportation costs. If we fail to capture sufficient market share , or if our commercialization does not meet our or the market’s expectations, we may not be able to recover our costs, and our business, results of operations and prospects will be harmed.

In addition, the magnetic sensor industry is highly fragmented and the introduction of new products and technologies by our competitors, the market acceptance of products based on competitors’ new or alternative technologies, or our failure to anticipate or timely develop new or enhanced products

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or technologies in response to changing market demand, whether due to technological shifts or otherwise, could result in loss of customers and reduced competitiveness. Moreover, some of our direct and indirect competitors may have greater resources longer operating history, better financing capabilities, well developed technologies and stronger customer relations. If we are unable to stay competitive, we may experience decreases in market share and sales volume, and may have to reduce our prices or make other concessions, thereby adversely affecting our profitability, business, financial condition and results of operations.

Factors that adversely affect downstream industries and sectors or our end customer base therein may adversely impact our business, financial condition and results of operations.

Our products are primarily offered to end customers across key industries and sectors, including NEVs and automotive electronics, green energy, robotics motion sensing, advanced medical devices and life sciences, high-end equipment, and consumer electronics. Therefore, factors that adversely affect these industries and sectors or our end customer base therein could also materially and adversely affect our business, financial condition, results of operations and prospects. These factors include, among others: a decline in demand for, or negative perception of, or publicity about, products of these industries; rising material and labor costs relating to the design and production of sensors and magnetic sensors in these industries; the reduction or elimination of preferential tax treatments and economic incentives for manufacturers in these industries; regulatory restrictions, trade disputes, industry-specific quotas, tariffs, non-tariff barriers and taxes that may have the effect of limiting exports of these industries from China; a downturn in general economic conditions or major countries and regions that import products of these industries; increasing level of competition from magnetic sensor manufacturers in these industries in other countries and regions; and any financial difficulties, market share loss, or reputational harm to end customers that use our products.

We may incur significant design and development costs in connection with developing products and solutions for end customers whose products may not ultimately achieve market acceptance. If our end customers experience flaws, defects or errors bugs in their products, or if they experience changing customer requirements and developing market conditions and industry trends, they may delay, change, or cancel a project, for which we may have incurred significant development costs and may not be able to recoup our costs, which in turn would adversely affect our business, financial condition and results of operations.

If we are unable to retain existing customers, acquire new customers, and increase revenue from our customer base, our financial condition and results of operations would be materially and adversely affected.

Our ability to retain existing customers, attract new ones, and maintain our customers’ continued and broadening use of our products is critical to our revenue growth. Our customer engagement may decrease for a variety of reasons, including their level of satisfaction with our products, our pricing and the pricing and quality of competing products, overall economic conditions, or changes to our customers’ operations. If we are unable to encourage customers to contract and use our products, anticipate changing industry trends, enhance our offerings, innovate and develop new products that meet our customers’ evolving needs, and expand our operations into new markets, we may not be able to retain existing customers or attract and acquire new customers, and our business may be materially and adversely affected.

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A substantial amount of our revenue is attributable to a limited number of customers in each period, and such amount may fluctuate in any given period.

During the Track Record Period, we generated a majority portion of our revenue from our major customers, primarily including high-tech companies and distributor specializing in the green energy sector and suppliers of NEV OEMs. Revenue generated from our largest customers in 2022, 2023 and 2024, and the nine months ended September 30, 2025 accounted for 31.3%, 24.6%, 20.9% and 14.3%, respectively, of our total revenue during the respective periods. Revenue generated from our five largest customers in 2022, 2023 and 2024, and the nine months ended September 30, 2025 accounted for 65.2%, 62.4%, 62.5% and 58.5%, respectively, of our total revenue during the respective periods.

Any material adverse changes in the business, operation and financial conditions of such customers may have a material adverse effect on us. There is no assurance that we are able to maintain a good relationship with our major customers, or that our major customers will continue to have high demand for our products in the future. Under these circumstances, if we are unable to identify suitable new customers within a reasonable period of time, our business, financial condition and results of operation may be adversely affected.

The size of the markets in which we operate and the demand for our products may not increase as quickly as we anticipate due to a variety of factors, which would materially and adversely affect our business, financial condition, results of operations and prospects.

We are pursuing opportunities primarily in the magnetic sensor market, with a primary focus on products using the xMR and TMR technology, where it is difficult to predict the timing and size of the opportunities for each of our products.

In light of this context, our business, financial condition, results of operations and prospects will depend on our ability to make timely investments, technological advancements and product launches in the correct market opportunities in downstream applications including in our established markets such as green energy, NEVs, industrial automation and advanced manufacturing, as well as emerging application scenarios of our products such as embodied intelligence, AI computing, and advanced medical devices and life sciences. Even if the markets in the downstream industries grow substantially, we cannot assure you that we will be able to pursue these opportunities. If one or more of these markets experience a shift in customer demand or if customers opt for lower-cost alternatives or other technologies such as Hall effect sensors, our products may not be able to respond as effectively, if at all. We may not be able to adjust our inventory level in response to the decline in the demand of our downstream markets and the price of our products may be adversely affected. If we fail to meet the technological development, industry standards or applicable regulatory requirements, our products may not be incorporated into our end customers' commercialized products. Given the evolving nature of the markets in which we operate and the early stage of xMR technology adoption in many applications, it is difficult to predict end customer demand or the future growth of the markets in which we operate or into which we plan to enter. If we fail to adjust accordingly to changes in the market condition of our downstream industries, our business, financial condition, results of operations and prospects will be adversely affected.

Our development strategies may not succeed, which may materially and adversely affect our business, financial condition and results of operations.

We have implemented business strategies, including developing new technologies and expanding our operations. We have been and will continue introducing new products and improving existing ones to meet market demand and customer needs. However, there can be no assurance that our strategies align with market development, including technological advancements, industry trends and customer preferences. If any of our business strategies are proven to deviate from such market development, it

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could have a negative impact on our business, financial condition and results of operations. In addition, we may fail to obtain the necessary resources to fund our future plans or employ suitable personnel to manage our expanded business. If we are unable to develop and introduce new products and improve existing products in a cost-effective and timely manner, our business, financial condition, results of operations and competitive position would be materially and adversely affected.

Any disruption to the operation of our production bases could restrict our ordinary business operations and materially and adversely affect our financial condition and results of operations.

As of the Latest Practicable Date, we had four production bases across China and Germany. These production bases face potential disruption from various risks beyond our control, including physical damage from fires, floods, earthquakes, and typhoons, as well as operational challenges such as power outages, mechanical breakdowns, telecommunications failures, and loss of required licenses and permits, etc., many of which are beyond our control. As our production process, especially wafer epitaxial growth processing and safety-critical operations, require substantial amounts of electricity, any power outage, disruption or shortage in power supply could therefore have a materially adverse impact on our production and employee safety. In addition, our production operations involve certain inherently risky and hazardous activities, including, among other things, use of special equipment and management of special gases. Therefore, we are subject to risks associated with these activities, including gas leakages, equipment failures, industrial accidents, fires and explosions. These risks can result in personal injuries and fatalities, damage to or destruction of properties or production facilities, and pollution and other environmental damages and there is no assurance that our systems of safe production and related training are adequate. Any of these consequences, if significant, could disrupt the operation of our production bases and result in business interruption and legal liability, and materially and adversely affect our financial condition and results of operations.

Failure to successfully execute capacity expansion plans and our equipment maintenance and upgrades or to effectively utilize our production bases may have a material adverse effect on our business, financial condition and results of operations.

Our growth prospects and future profitability depend on, among other things our ability to upgrade the production capability and increase production capacity, either generally or with respect to demand from customers for particular products. To successfully upgrade our production capability and expand production capacity, we need to make cost-effective and efficient upgrade and expansion plans, expand and construct new facilities, maintain and purchase production equipment, and hire and train professionals necessary to operate such facilities or equipment, all of which may be affected by several factors including, but not limited to, the following: availability of working capital for constructing facilities or purchasing equipment; delays in completion of construction and shortages or delays in the delivery of equipment; difficulties or delays which may arise in installing the equipment; and implementation of new production processes.

There is no assurance that our upgrade or expansion plan, if implemented, will be operationally or financially successful and substantiated by sufficient market demand for or profit margin of our products. If we are unable to implement the upgrade or expansion plan cost-effectively and efficiently, our business and profitability may be adversely affected. Any delay or cancellation of our expansion plan or any failure to fulfill commitments in any agreement we enter into with respect to our expansion plans could also subject us to penalties or disputes with relevant counterparties.

In addition, if we do not receive sufficient orders from our customers to effectively utilize our production bases, we may be subject to low utilization rates or over-capacity for our production bases, which may harm our profitability and results of operations. Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for construction of any new production

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bases or expansion of any existing facilities and maintenance of expanded production capacity. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

If we are unable to manufacture or deliver high quality products on schedule and on a large scale, our business may be materially and adversely affected.

Mass production of our magnetic sensor products is crucial to our financial conditions and prospects. As an IDM company, we control the entire production process to timely meet our customers’ shipment orders. However, this comprehensive approach requires us to maintain rigorous quality control and monitoring across the complete production, adding operational complexity that could impact our ability to consistently deliver products that meet our quality standards. We may face difficulties managing our production facilities and meeting our delivery timelines when there is a surge in customer demand. If any of our production facilities experiences interruptions, delays or disruptions in supplying products, our ability to deliver products to customers would be impeded. Failure to fulfill customers’ requirements and quality control problems that occur in the manufacturing process could prevent us from meeting the stipulated delivery schedule. We may also experience delays in shipments caused by our third-party logistic service providers. These delays or product quality issues could have an immediate and material adverse effect on our ability to fulfill customer orders and damage our reputation and brand, affecting our business, results of operations and financial condition.

Undetected product defects, quality control failures, or reliability issues could reduce market adoption, damage our reputation, and expose us to significant liability and other claims.

Due to the complex product design and production process (such as wafer fabrication, packaging, assembly and testing) our products may contain undetected defects, errors or reliability issues when first introduced or after commercial shipments begin, which could require product replacement or recall. Minute levels of contaminants in the manufacturing environment, difficulties in the wafer fabrication process, changes in raw materials, or other factors can cause substantial portions of components to be nonfunctional. These problems may be difficult to detect early in production and are often time-consuming, expensive or impossible to correct.

The effectiveness of our quality control and quality assurance protocols rely on factors such as equipment quality and reliability, training programs, and employee adherence to protocols. However, our quality control measures may not be effective in preventing deviations from quality standards. Additionally, we depend on suppliers whose quality control procedures are beyond our control, and we cannot assure that supplier services are safe, defect-free, or meet relevant quality standards.

If defects, quality control failures or other reliability issues occur, we could experience loss of revenue, increased costs including warranty expenses and after-sales service costs, order cancellations, product returns, customer complaints, and product liability claims. We may not be able to seek indemnification from suppliers for quality issues, and legal proceedings against suppliers may be time-consuming and costly. Our reputation and brand may be damaged, which could adversely affect our ability to retain existing customers and attract new ones. Any such issues may materially and adversely affect our business, results of operations and financial condition.

We outsource certain production processes such as packaging and assembly, which exposes us to third-party risks that could disrupt our integrated production chain.

As an IDM company, we outsource certain standardized production processes such as packaging and assembly to qualified third-party service providers. Our inability to hire qualified service providers may hinder our ability to complete a project successfully. Our regular monitor and quality checks on the performance of service providers may not be effective or sufficient to ensure their service quality.

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We are exposed to risks if we are not able to monitor the performance of our service providers, or if our service providers violate any laws, rules or regulations in connection to matters such as environmental protection, and health and safety, which may affect their renewal of relevant registrations or license or may even lead to revocation of their registrations or license. The engagement of these production service providers also exposes us to risks associated with any non-performance, delayed performance or substandard performance by our service providers. In such case, we will have to appoint replacement service providers and additional costs will be incurred. We may also incur additional costs or be subject to liability due to delay in schedule or defect in the works of our service providers or if there is any accident causing personal injuries or death of our service providers’ employees. These events may impact our profitability, financial results and reputation, as well as result in litigation or damages claims.

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.

We depend on third-party suppliers to provide a variety of materials necessary for the manufacturing of our products, including ASIC chips and PCBs, injection molding plastic parts and metal structural parts, magnetic materials, circuit parts and wafer production materials. Our cost of raw materials amounted to RMB386.2 million, RMB294.3 million, RMB355.3 million and RMB310.1 million, respectively, in 2022, 2023 and 2024, and the nine months ended September 30, 2025, representing 68.4%, 60.4%, 61.0% and 66.5%, respectively, of our total cost of sales in the same periods.

Semiconductor materials and magnetic materials generally account for 50% and 20% of the total cost of magnetic sensors. Due to different technical routes and wide range of applications, there are significant differences in the average prices of raw materials for different types of magnetic sensors. For example, the performance of xMR sensors mainly relies on rare earth materials, which account for approximately 30% of the total raw material costs of chip production. Due to the surge in demand from downstream industries such as automotive and new energy sectors as well as the shortage in supply of rare earth materials, the price index of rare earth materials increased from 145.4 in 2020 to 251.9 in 2021, and further increased to 331.5 in 2022. Due to the steady increase in rare earth material production, the price index of rare earth materials decreased to 226.8 in 2023 and 167.6 in 2024. In addition, due to the growing demand from downstream industries, the average price of silicon wafers increased from RMB6.2 per square inch in 2020 to RMB6.9 per square inch in 2021, and further increased to RMB7.0 per square inch in 2022. Due to the consequent oversupply, the average price of silicon wafers decreased to RMB6.3 per square inch in 2023 and RMB5.7 per square inch in 2024.

Our production volume and production costs depend on our ability to source sufficient key raw materials at competitive prices. However, the raw materials we use are subject to price volatility caused by external factors, such as commodity price fluctuations, changes in supply and demand, logistics and processing costs, our bargaining power with suppliers, inflation, governmental regulations and policies, impact of geopolitics, and regulatory and economic and trade policies changes. There can be no assurance that raw material prices will remain stable or that supply shortages will not occur, as these factors are subject to uncertainties beyond our control.

Any material changes in raw material costs may require us to adjust our pricing policy, which could affect sales volume and cause delays in our production and delivery to customers. Semiconductor-related raw materials and supplies are subject to price volatility due to external factors beyond our control, such as changes in the international environment and foreign exchange rates, inflation, commodity price fluctuations, changes in supply and demand, governmental regulations and policies, logistics and processing costs, and bargaining power with suppliers. We do not engage in

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hedging using derivative instruments relating to the risk exposures in connection with our raw materials and there is no assurance that we will be able to effectively anticipate or monitor any future fluctuations.

We may experience future price fluctuations and supply shortages of raw materials, and the predictability of the availability and pricing of these materials may be limited. In such events, we may be required to seek alternate sources of supply, and there is no guarantee that we will be able to find alternate sources in a timely manner at reasonable prices, or at all. If we are unable to keep up with demand for our products due to raw material supply failures, our customers may reduce, delay or cancel their orders, our business could be materially impaired, and market acceptance for our products could be adversely affected.

We rely on third-party service providers and business partners to provide products and services to us and our customers.

Beyond our outsourcing of certain production processes such as packaging and assembly, we work with a broad range of third-party service providers and business partners, including logistic service providers and construction service providers. In 2022, 2023, 2024 and the nine months ended September 30, 2025, the costs incurred by third-party services for carrying out certain production processes such as packaging and assembly, 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. These third parties are also subject to their own risks relating to business interruption, systems and employee failures, and cybersecurity and data protection, and are also subject to their own legal, regulatory and market risks.

Our third-party service providers and business partners may not fulfill their respective commitments and responsibilities in a timely manner and in accordance with the terms agreed upon or applicable laws. In addition, we do not have control over their business operations or governance and compliance systems, practices and procedures, which may increase our financial, legal, operational and reputational risk. If we are unable to effectively manage our relationships with third-party service providers, suppliers and business partners, or for any reason our third-party service providers, suppliers or business partners fail to satisfactorily fulfill their commitments and responsibilities, our business, results of operations and financial condition could suffer. Upon expiry of existing contracts with third parties, we may not be able to renew such contracts at terms commercially favorable to us, if at all, or find an appropriate substitute in a timely manner, in which case our business may be adversely affected.

We are subject to credit risk related to delay in payment and defaults of customers, which could adversely affect our liquidity and financial condition.

We are exposed to credit risk related to delay in payment and defaults of our various customers. As of December 31, 2022, 2023 and 2024 and September 30, 2025, our trade receivables amounted to RMB183.7 million, RMB127.5 million, RMB133.8 million and RMB149.6 million, respectively. In 2022 and 2023 and the nine months ended September 30, 2025, we recorded provision for impairment of trade receivables of RMB2.4 million, RMB5.0 million and RMB3.9 million, respectively. In 2024, we recorded a net reversal of impairment loss of trade receivables of RMB1.5 million. Our trade receivables turnover days during the same periods were 67 days, 100 days, 72 days and 61 days, respectively. We may not be able to collect all of our trade receivables due to factors beyond our control, such as adverse operating conditions or financial conditions of our customers, and customers' inability to pay due to delays in payment from their own end users. If our customers delay or default on their payments to us, we may need to make impairment provisions and write off the relevant receivables. This would have a negative impact on our liquidity and financial condition.

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We may be exposed to liquidity risk due to a long cash conversion cycle.

We had recorded relatively long inventory turnover days and accounts receivable turnover days, which may lead to delays in converting our revenue into cash. Our cash conversion cycle — a metric to measure how efficiently we manage its working capital by tracking the number of days it takes to convert our investments in inventory and other resources into cash flows from sales — was 169 days, 258 days, 219 days and 205 days for the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2025, respectively. The cash conversion cycle is calculated by adding inventory turnover days and trade receivables turnover days, then subtracting trade payable turnover days. There can be no assurance that our long cash conversion cycle can be improved in the future, particularly in light of fluctuations in customer payment patterns, supply chain volatility, changes in customer demand and payment patterns and broader macroeconomic conditions. A long cash conversion cycle may increase our reliance on working capital and/or external financing to support our operations and future growth. If we are unable to manage our inventory levels efficiently or to secure adequate financing on acceptable terms, our liquidity position may be negatively impacted, which could in turn materially and adversely affect our business, results of operations and financial condition.

We generated a substantial portion of our revenue through our distribution network. Any decrease in sales from, or loss of our distributors would have adverse impacts on our business, results of operations and financial condition.

In 2022, 2023 and 2024, and the nine months ended September 30, 2025, our total sales to distributors accounted for 55.3%, 46.4%, 50.7% and 55.1% of our total revenue for the corresponding periods, respectively. Our revenue and sales volumes depend on our ability to maintain and expand our distribution networks. The effective management and expansion of our distribution network depends on our ability to enter into renewal agreements with existing distributors on favorable and competitive terms and develop new relationship with additional distributors. Any decrease in sales from, or loss of our distributors without a corresponding increase in sales from other distributors due to the changes in the distributors’ business models or for any other reasons would adversely impact our business, results of operations, financial condition and cash flows. In addition, there can be no assurance that we will be successful in detecting any non-compliant activities by our distributors violating the provision of our distributorship agreements or the applicable laws and regulations. Misconducts and violations may occur in the form of unauthorized misrepresentation to our end customers, misappropriation of third-party intellectual property and other proprietary rights and bribery or other unlawful payments during the course of their distribution. In any such event, we may, as a result, incur liability to our end customers for claims of misconducts committed by such distributor. Any such claim could subject us to litigation and impose a significant strain on our financial resources and divert the management attention, regardless of whether the claims have merit. Additionally, such an event could result in complaints from our end customers and subsequent adverse impact on our business and reputation.

We have been and intend to continue investing significantly in R&D activities, which may not generate the results we expect and therefore may adversely affect our business, results of operations, financial condition and prospects.

In 2022, 2023 and 2024, and the nine months ended September 30, 2025, our R&D expenses amounted to RMB42.7 million, RMB50.9 million, RMB53.7 million and RMB39.8 million, respectively. To expand our product portfolio and to remain competitive in the industry, we need to continue investing significant resources in R&D activities. There can be no assurance that our efforts will be successful or deliver the effects, functions or benefits we anticipate. We may not be able to obtain sufficient resources, including qualified R&D personnel and R&D equipment to support the R&D of new or enhanced products. Even if we succeed in our R&D efforts and generate the results we expect, these efforts may not contribute to our future results of operations within our expected

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timeframe, or at all. The success and profitability of our new products are subject to various factors such as market demand, macroeconomic conditions or the pace of technological advancement, which are beyond our control. Therefore, the contributions from our R&D efforts may not meet our expectations or even cover the costs of such efforts, which would materially and adversely affect our business, results of operations, financial condition and competitive position.

We may fail to maintain and predict inventory levels in line with demand for our products, which could cause us to face the risk of obsolescence for our inventories or lose sales.

As of December 31, 2022, 2023 and 2024 and September 30, 2025, we had inventories of RMB251.3 million, RMB254.7 million, RMB249.5 million and RMB287.3 million, respectively. In 2022, 2023, 2024 and the nine months ended September 30, 2025, our inventory turnover days were 150 days, 218 days, 191 days, and 186 days, respectively. We maintain our inventory levels based on our internal forecasts of customer demand, which can be affected by various factors beyond our control, including the rapidly changing nature of the market in which we operate, the uncertainty surrounding the market acceptance of our offerings, the emergence of new markets or new competitors, an increase or decrease in customer demand for our offerings or for offerings of our competitors, unanticipated changes in general market conditions and the weakening of economic conditions. If our forecast demand is higher than actual demand, we may be exposed to increased inventory risks due to the accumulation of excess inventory. As of December 31, 2022, 2023 and 2024 and September 30, 2025, we recorded write-downs of inventories of RMB22.9 million, RMB36.1 million, RMB46.6 million and RMB50.6 million, respectively. As our business expands, our inventory obsolescence risk may also increase with the increase in our inventories and our inventory turnover days. Conversely, if our forecast demand is lower than actual demand, we may not be able to maintain an adequate inventory level and may lose sales and market share to our competitors. Therefore, our business prospects, financial condition and results of operations may be materially and adversely affected.

Our business operations are subject to seasonal fluctuations due to varying demand from different downstream industries.

We have experienced and expect to continue to experience seasonal fluctuations in demand for our products driven by market trends in downstream industries and applications, and the corresponding effects on our business operations, especially our production cycle. 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.

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, and you may not be able to predict our annual results of operations based on a quarter-to-quarter comparison of our results of operations. If our growth rate declines or seasonal spending becomes more pronounced, seasonality could have an adverse impact on our revenue, cash flow and operating results from period to period.

The expansion into overseas markets may expose us to operational, financial and regulatory risks.

Sales to our customers outside mainland of the PRC accounted for 16.8%, 18.6%, 15.3% and 13.6% of our total revenue for 2022, 2023 and 2024, and the nine months ended September 30, 2025, respectively. Expanding our global footprint and growing overseas sales is an important part of our future growth, but these efforts may not be successful. Overseas operations are subject to a number of risks, including but not limited to: foreign exchange control and exchange rate fluctuations; increased costs associated with maintaining the ability to understand the local markets and develop and maintain

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effective marketing and distributing presence in various countries; difficulties and costs related to providing after-sales services and customer support in these markets; difficulty with staffing and managing overseas operations; failure to develop and implement appropriate risk management and internal control structures tailored to overseas operations; difficulty and cost relating to compliance with different commercial and legal requirements of the overseas markets in which we offer or plan to offer our products; failure to obtain or maintain permits for our products or services in these markets; inability to obtain, maintain or enforce intellectual property rights; stringent consumer protection and product compliance regulations on our customers’ products; unanticipated changes in prevailing economic conditions and regulatory requirements; and trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses.

As a result, we cannot guarantee that our expansion plan into overseas markets can be successfully implemented. The occurrence of any of these risks could negatively impact our overseas expansion and consequently our business, financial condition and results of operation.

Acquisitions, investments or strategic alliances may fail and materially and adversely affect our reputation, business and results of operations.

We may in the future enter into strategic alliances with various third parties. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counterparty, and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have little ability to control or monitor their actions. To the extent strategic third parties suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties.

In addition, we may acquire additional assets, technologies or businesses that are complementary to our existing businesses. Future acquisitions and the subsequent integration of new assets, technologies and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing businesses, which in turn could adversely affect our business. Acquired assets, technologies or businesses may not generate the financial or operating results we expect. In addition, acquisitions could result in the use of substantial amounts of cash, dilutive issuances of equity securities, incurrence of debt, incurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business.

We depend on the continued services and contributions of our founders, Directors, senior management and other key employees, including senior R&D personnel and skilled engineers.

Our future performance depends on the continued services and contributions of our founders, senior management and other key employees, to oversee and execute our business plans, identify and pursue new opportunities and perform effective product design and R&D. We rely on our experienced senior management team to oversee and conduct our business operations, including maintenance of distributor and supplier relationships, compliance with relevant laws and regulations and facilitation of the commercialization and production of our products. Any loss of the service of or changes in the positions of our key personnel could significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, financial condition and operating results. Hiring and integrating suitable replacements into our team also requires significant amount of time, training and resources, and may impact our existing corporate culture. We cannot assure you that we will be

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able to develop or retain qualified personnel that we will need in order to achieve our strategic objectives. If we fail to respond in a timely manner to the loss of service of or changes in the positions of our key personnel, our business, financial condition and results of operations may be adversely affected.

Our business depends on our ability to protect our proprietary know-how and intellectual property rights.

We rely primarily on a combination of our patents, trade secrets, trademarks, the confidentiality agreements signed by the employees, and confidentiality agreements signed with third parties to protect our intellectual property rights. There is no assurance that we are able to successfully apply and be granted new intellectual property rights in a timely and cost-effective manner in the future, as such applications are expensive and time consuming. Even if our intellectual property applications are approved, they may not protect us from competition or provide us with any competitive advantage and the life of a patent and the protection it affords is limited.

In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Unauthorized parties may be able to obtain and use information that we regard as proprietary. Under such circumstances, to protect our intellectual property rights and maintain our competitive advantages, we may initiate legal proceedings against parties who we believe are infringing our intellectual property rights. Legal proceedings are often costly and may divert management attention and resources away from our business. In certain situations, we may have to initiate such legal proceedings in foreign jurisdictions, in which case we are subject to additional risks related to the result of the proceedings, the amount of damages that we can recover, and the enforcement process. Accordingly, we may not be able to effectively protect or enforce our intellectual property rights in all relevant jurisdictions, which may have a material adverse effect on our business, financial condition and results of operations.

We also seek to protect our proprietary technology, including technology that may not be patented or patentable, in part by confidentiality agreements and, if applicable, inventors’ rights agreements with our collaborators, advisors, employees and consultants. We cannot assure you that these agreements will always be entered into or will not be breached or that we will have adequate remedies for any breach.

We may be subject to claims by third parties for intellectual property infringement.

We depend to a large extent on our ability to effectively develop and maintain intellectual property rights relating to our business without infringing the intellectual property rights of third parties. Our products may use patents, copyrights, trademarks or other proprietary rights owned by other third parties. However, we cannot assure you that our competitors and other third parties will not bring legal claims against us for infringing on their patents, copyrights, trademarks or other intellectual property rights, whether such claims have merits or otherwise. The intellectual property laws in China, which cover the validity, enforceability and scope of protection of intellectual property rights, may be subject to revision and development in the future, and litigation is becoming a more commonly pursued method for resolving commercial disputes. Given the foregoing and the increasing competition in the market, we are exposed to a higher litigation risk. Any intellectual property lawsuits against us, whether successful or not, may harm our brand and reputation. Defending against intellectual property claims is costly and can impose a significant burden on our management and resources. There is no guarantee that we can obtain favorable judgments in all legal cases. If we are found to be liable for infringement upon intellectual property rights of certain third parties, we may be required to pay damages or cease using certain technologies or content that are critical to our products. Any resulting liabilities or expenses or any changes to our products that we have to make to limit future liabilities may have a material adverse effect on our business, financial condition and results of operations.

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We may not be able to obtain additional funding on acceptable terms or at all, which may affect our ability to expand our business or meet unforeseen contingencies.

To grow our business and remain competitive, we may require additional capital from time to time for our daily operations and business expansion. Our ability to obtain additional capital is subject to a variety of uncertainties, including: our profitability, overall financial condition and results of operations; our market position and competitiveness in the magnetic sensor industry; general market conditions for capital-raising activities by our competitors; and economic, political and other conditions domestically and internationally. We may be unable to obtain additional capital in a timely manner or on acceptable terms, or at all. In addition, our future capital or other business needs could require us to sell additional equity securities or incur additional indebtedness. The sale of additional equity or equity-linked securities could dilute our Shareholders’ shareholding interest. The additional indebtedness and related interest expenses could lead to increased debt service obligations and restrict our operations or our ability to pay dividends to our Shareholders due to certain operating and financing covenants.

We may be subject to the risks associated with international trade policies, geopolitics and trade protection measures, including the imposition of trade restrictions and sanctions by other countries and regions, and our reputation, business, results of operations and financial condition could be adversely affected.

Our operations are subject to potential fluctuations in the political and economic relations among countries and counter-sanctions measures and export administration measures administered by the government authorities in the countries and regions in which we operate, and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability. Our revenue generated from sales in the PRC accounted 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.

The evolving trade policies of the United States and China remain uncertain, with potential changes in tariffs, regulatory requirements, and trade restrictions that could impact our ability to plan and operate effectively in the international market. Since 2018, the United States government imposed several rounds of tariffs on Chinese products. Between February and April 2025, the U.S. government further announced several rounds of new tariffs on imports from China. Meanwhile, China has implemented, and may further implement, measures in response to the heightened tariffs against Chinese products initiated by the U.S. government. While the United States and China reached a joint agreement to ease tensions by cancelling and suspending certain tariffs in May 2025, there can be no assurance as to future tariff policies. In 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, revenue generated from the United States amounted to RMB11.4 million, RMB14.6 million, RMB15.3 million, RMB12.6 million and RMB11.0 million, accounting for 1.7%, 2.5%, 2.2%, 2.3% and 1.8%, respectively, of our total revenue for the respective periods. Any future expansion into the United States may require us to adjust pricing due to tariffs, potentially making our products less competitive in that market.

Beyond tariffs, the U.S. government has continued imposing economic and trade sanctions directly or indirectly affecting technology companies. Such restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may be difficult or costly to comply with for us and our business partners and may materially and adversely affect our abilities to acquire technologies, systems, parts or components that may be critical to our technology infrastructure, product offerings and business operations. To the best of our knowledge and as of the Latest Practicable Date, none of our products have been specifically identified by any governmental

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authority as being subject to trade restrictions, nor have we been notified by any governmental authority that our products require specific export licenses or are subject to export restrictions. In addition, to the best of our knowledge and as of the Latest Practicable Date, none of our material customers or suppliers have been identified on sanctions lists published by relevant authorities, including the U.S. Department of Commerce’s Entity List or the U.S. Department of Treasury’s Specially Designated Nationals (SDN) List. If any of us, or our Shareholders, Directors, management personnel, employees and business partners, violate such laws, we could become subject to sanctions or other penalties, which could adversely affect our reputation, business, results of operations and financial condition.

Heightened scrutiny of Chinese companies has created additional challenges, including potential delisting actions in the U.S. capital markets, increased regulatory oversight of cross-border investments, and restrictions on investment or business relationships with Chinese entities. These developments could impair our access to international capital markets and limit our ability to secure financing or strategic partnerships. Certain recently issued U.S. government regulations will restrict direct and indirect investment by U.S. persons into companies with specified connections to China that use specific technologies of concern. These evolving rules may limit our ability to raise capital from U.S. and other sources, and their interpretation and enforcement remain unclear. Additionally, such regulatory uncertainty may increase the compliance burden of investors and may cause certain investors to adopt a more cautious approach in their investments, affecting investor sentiment towards us and further negatively impacting our ability to raise capital.

Given the dynamic nature of these geopolitical developments, international trade disputes, export administration, sanctions and counter-sanctions measures, and investment access may exacerbate unfavorable macroeconomic conditions, including inflationary pressures, foreign exchange volatility, financial market instability, and economic downturns. While we actively monitor these risks, any prolonged global economic deterioration or escalation in trade tensions could materially and adversely affect our business, capital market access, financial condition, and prospects.

We may not be able to avoid the occurrence of channel stuffing and cannibalisation among our distributor customers, which could reduce the number of our distributor customers and hence adversely affecting our financial and operating results.

We prevent the occurrence of channel stuffing through adopting a strict product return policy that we generally do not accept product return or exchange from our customers except for defective products. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material product returns. However, we cannot guarantee that such strict product return policy will be effective in the future at the same level as in the Track Record Period. As a result, the growth and expansion of our sales network may not lead to proportionate increase of our sales revenue. Furthermore, adverse competition and cannibalization among our sales channels may have a negative impact on the stability of our sales network, which may have a material and adverse effect on our profitability, business, financial performance and results of operations. See “Business — Quality Control — Product Returns and Warranty” for details.

Our historical results may not be indicative of our future performance, and we may not be successful in expanding our operations or managing our growth.

In 2022, 2023, and 2024, and the nine months ended September 30, 2025, our revenue was RMB666.3 million, RMB594.2 million, RMB703.4 million and RMB626.7 million, respectively. There can be no assurance that we will be able to maintain our historical growth rates in future periods. We may encounter risks and difficulties frequently experienced by rapidly growing companies in constantly evolving industries, and any predictions about our future revenue and expenses may not be as accurate

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as they would be if we had a longer operating history or operated in a more predictable industry. We cannot provide assurance that we will be able to successfully manage any challenges or risks to our future growth described herein. Any of these factors could cause our revenue growth to slow down or decline and may adversely affect our margins and profitability.

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.

We may be involved in commercial or contractual disputes, legal and administrative proceedings, and claims arising out of the ordinary course of our business. Any claims, disputes, inquiries, investigations and proceedings may result in damage to our reputation, additional operating costs and diversion of resources and management’s attention from our core business. We have been and are currently involved in various patent disputes with a Chinese magnetic sensor company, including patent invalidation proceedings and intellectual property infringement claims and related administrative litigation in PRC courts. As of the Latest Practicable Date, several of such patent invalidation proceedings are ongoing. For details, see “Business — Legal Proceedings and Compliance.” As of the Latest Practicable Date, we have also been involved in an ongoing shareholders dispute. See “History, Development and Corporate Structure — Our Principal Subsidiaries.” The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may materially and adversely affect our reputation, business, financial condition and results of operations.

Our products may fail to meet new industry standards or requirements and the efforts to meet such industry standards or requirements could be costly.

Our products are based on industry standards that are continually evolving. The development of existing industry standards and emergence of new industry standards could render our products obsolete. To identify and comply with these industry standards, we may need to redesign our products, which may be time-consuming and costly, and the outcomes of which may be uncertain. If we cannot successfully redesign our products, our products may not be able to comply with new industry standards or compete with the products offered by our competitors. In this circumstance, we could miss opportunities to achieve crucial design wins and lose market share to our competitors, which in turn could have a material adverse effect on our business, financial condition and results of operations.

If we fail to obtain or maintain the requisite licenses and approvals required in any jurisdiction where we operate, our business, financial condition and results of operations may be materially and adversely affected.

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to maintain various approvals, licenses and permits in order to operate our business. In the event that we are required to renew our existing licenses or permits or acquire new ones, whether as a result of the promulgation of new laws and regulations or otherwise, we cannot assure you that we will be able to meet the requisite conditions and requirements, or obtain all requisite approvals, licenses and permits in a timely manner or at a reasonable cost. If we are unable to obtain, or experience material delays in obtaining necessary approvals, licenses and permits, it may have a material and adverse impact on our business, financial condition and results of operations.

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Failure to obtain or maintain any of the government grants or preferential tax treatments could adversely affect our business, results of operations, financial condition.

During the Track Record Period, we received various government grants, including government grants from various Mainland China government authorities as incentives for the Group’s industry. In 2022, 2023 and 2024, and the nine months ended September 30, 2025, the government grant we recognized as other income was RMB6.2 million, RMB15.6 million, RMB20.4 million and RMB4.9 million, respectively. The PRC government authorities may decide to reduce or cancel such government grants or preferential tax treatment, which could adversely affect our business, results of operations and financial condition. As these government grants are provided typically on a one-off basis, there is no guarantee that we will continue receiving or benefiting from them in the future. In addition, we may not be able to successfully or timely obtain the government grants or preferential tax treatment that may become available to us in the future, and such failure could adversely affect our business.

We face certain risks relating to our leased properties.

We leased certain properties from third parties for our business operations. There is no assurance that we will be able to successfully extend or renew our leases upon their expiration at commercially reasonable terms, or at all. Consequently, we may have to relocate our operations, which could disrupt our business activities and lead to relocation costs, negatively impacting our business, financial condition and results of operations. As our business continues to expand, we may encounter difficulties in finding suitable alternative locations for our facilities. Any failure in relocating our operations could have a material and adverse impact on our business, financial condition and prospects.

As of the Latest Practicable Date, three of our lease agreements have not been registered with relevant authorities. As advised by our PRC Legal Advisor, the lack of such registration does not affect the validity of lease agreements, but we may be subject to a maximum penalty of RMB10,000 for each non-registered lease if we fail to register such lease agreements within the time frame prescribed by the relevant PRC government authorities. For details, see “Business — Properties.”

In addition, we were not provided with a valid title certificate in respect of three of our leased properties. As a result, there are risks that we may not be able to enforce the lease agreement in relation to this property and continue to use such property. We may not be able to continue to use such property if the validity of such lease is challenged by third parties. In such a scenario we will have to relocate to other premises, which could result in additional costs, which could adversely affect our daily operation and cause an impact on our financial condition.

We may not have sufficient insurance coverage to cover our business risks .

Our current insurance coverage may not be sufficient to prevent us from any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected. If such risk materializes, we may also suffer substantial losses as we do not have insurance coverage.

Our business and prospects depend on our ability to build our brand and reputation, which could be harmed by negative publicity regarding us, our Directors, employees, branding or products.

Any negative publicity, whether warranted or not, could adversely affect our business. The successful promotion of our brand depends on the effectiveness of our marketing efforts and the amount of word-of-mouth referrals by our customers. We may incur extra expenses in promoting our brand. However, we cannot assure you that these activities will be successful or effective as expected. In addition, any negative publicity about our Company, Directors, employees, branding or products,

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whether warranted or not, may adversely affect our reputation and business. If our brand and reputation is damaged, we may face challenges in maintaining our current business relationships with our customers and in entering into new markets, which may adversely affect our business, financial condition, results of operations and prospects.

Our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches.

We rely on our and third-party information technology systems to facilitate communications among our employees and with suppliers and customers. These information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during maintenance, power outages, hardware failures, malware attacks or catastrophic events. If the information technology systems suffer damage, disruption or shutdown, we may incur substantial costs in repairing or replacing these systems. If we do not effectively resolve the issues in a timely manner, our business, financial condition and results of operations may be materially and adversely affected. In addition, if the information technology systems fail to satisfy additional requirements related to our business expansion, our future growth may be adversely affected.

Security breaches and other disruptions could compromise our confidential and proprietary information, which could cause our business and reputation to suffer.

We collect and store business data and transaction data generated during or in connection with our business operations, including our business and transactions with our customers, suppliers and business partners. See “Business — Data Security and Privacy” for details. Our information technology and infrastructure may be vulnerable to breaches by hackers, employee error, malfeasance or other disruptions such as natural disasters, power losses or telecommunication failures. Any such breach could compromise our networks and the information stored therein, possibly resulting in legal and regulatory actions, disruption of operations and customer services, and otherwise harming our business, reputation and future operations.

We are subject to strict regulatory requirements in labor-related laws and regulations of the PRC.

We have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees, minimum wages, paying remuneration, determining the term of employees’ probation, paying various statutory employee benefits, engaging dispatched workers and terminating labor contracts. In the event that we decide to terminate some of our employees, engage dispatched workers or otherwise change our employment or labor practices, the labor-related laws and regulations and their implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. As labor-related laws and regulations are still evolving, our employment practice could inadvertently violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Due to historical reasons, differences in local practices and administrative complexities, we did not make full social insurance and housing provident fund contribution for our employees in accordance with relevant laws and regulations during the Track Record Period. 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. However, we cannot assure you that the competent government authorities will not require us to pay the outstanding amount and impose late payment fees or fines on us. If we are subject to investigations related to non-compliance

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with labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

We have granted, and may continue to grant, share-based awards , which may increase share-based payment expenses, affect our financial condition and results of operations, and potentially dilute the shareholding of our existing shareholders.

In 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, we incurred share-based payments of RMB0.1 million, RMB1.6 million, RMB1.4 million, RMB1.1 million and RMB0.9 million, respectively. We believe the granting of share-based payment is of significant importance to our ability to attract and retain key personnel and employees, and we may continue to grant share-based payment awards to employees in the future. As a result, our expenses associated with share-based payment may increase, which may affect our financial condition and results of operations, and the shareholding of existing shareholders may be diluted.

Our business growth and results of operations may be adversely affected by changes in global and regional macroeconomic conditions, natural disasters, health epidemics and pandemics, and social disruption and other outbreaks.

Uncertainties about global and regional macroeconomic conditions including fluctuation of interest rates, inflation level, conditions in the industries in which we operate, unemployment, labor and healthcare costs, access to credit, consumer confidence and other factors beyond our control may pose risks and materially and adversely affect demand for our products. In addition, natural disasters such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic, acts of war, terrorism or other force majeure events beyond our control may disrupt our R&D, manufacturing and commercialization activities and business operations, all of which could adversely affect our business, financial condition, results of operations and prospects.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA AND OTHER JURISDICTIONS

Failure to fully adapt to changes in the economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines in China could materially and adversely affect our business, financial condition, results of operations and prospects.

The majority of our business assets are located in China and vast majority of our sales and revenue was derived from China during the Track Record Period. Accordingly, our business, financial condition, results of operations and prospects are subject to the economic, political and legal conditions in China. Political and economic policies of the PRC government could affect our business and financial condition. Failure to fully adapt to these changes in political and economic policies may adversely affect our growth. In recent years, the PRC government implemented a series of laws, regulations and policies which imposed stricter standards with respect to, among other things, quality and safety control, and supervision and inspection of companies in our industry. See “Regulatory Overview” for details. Laws, regulations and policies related to our industries will continue to evolve and undergo changes or adjustments, compliance to which may incur additional costs for us. If we cannot fully comply with these Laws, regulations and policies, our business, financial condition, results of operations and prospects may be adversely affected.

RISK FACTORS

The legal systems of certain geographic markets where we operate vary significantly and could affect our business, financial condition and results of operations.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Civil law systems comparatively may give limited precedential value to prior court decisions, while recent laws or regulations may be subject to reinterpretation. As a result, legal advice and risk assessment in one jurisdiction may not accurately predict outcomes in another. For example, enforcement of contractual obligations or intellectual property rights may be delayed, denied, or require additional compliance procedures. These legal uncertainties could complicate decision-making, expose us to unforeseen liabilities, or impede the timely execution of commercial agreements, materially and adversely affecting our operations, financial condition, results of operations, and prospects.

Regulations on currency exchange may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your investment.

The conversion of Renminbi is subject to applicable laws and regulations in China. We cannot guarantee that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange needs. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE. We are required to present documentary evidence of such transactions and conduct such transactions at banks that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be registered in advance by the SAFE or its designated banks. Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, any change in these foreign exchange policies or any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements, or to capitalize our capital expenditure plans, and even our business, results of operations and financial condition, may be affected.

Fluctuations in exchange rates could result in foreign currency exchange losses.

Most of our revenue and expenditures were denominated in Renminbi while several of our subsidiaries have foreign currency sales, capital expenditure and cash and bank balances, which expose our Group to foreign currency risks involving US\$, Swiss Franc and Euro dollar. Any significant revaluation of the Renminbi or other relevant currencies may adversely affect our financial condition and results of operations. Additionally, the [REDACTED] from the [REDACTED] will be in Hong Kong dollars. Fluctuations in the exchange rates among the Renminbi, the Hong Kong dollar, the U.S. dollar and other foreign currencies will affect the relative purchasing power in Renminbi in terms of the [REDACTED] from the [REDACTED]. Fluctuations in the exchange rate may also incur foreign exchange losses and affect the relative value of any dividend issued by us, thereby adversely affecting our business, financial condition and results of operations. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or the U.S. dollar may affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business, financial condition or results of operations.

Our operations are subject to PRC tax laws and regulations.

As a company incorporated in China, we are subject to PRC tax laws and regulations. We cannot assure you that we are able to fully comply with such laws and regulations. Any violation of such laws and regulations may result in fines, other penalties, actions or proceedings that could adversely affect our business, financial condition and results of operations.

RISK FACTORS

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

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and its implementation regulations, dividends paid by a PRC resident enterprise, such as our Company, to non-PRC resident enterprise investors are subject to a 10% withholding tax, unless a lower treaty rate applies. Pursuant to the PRC Individual Income Tax Law, dividends paid by a PRC company to non-PRC resident individual investors are subject to a 20% withholding tax. This rate may be reduced under an applicable tax treaty. To simplify tax administration for shares listed in Hong Kong, a withholding tax rate of 10% is generally applied to dividends paid to non-PRC resident individual investors. There remain uncertainties as to whether gains realized by non-PRC resident investors upon the sale or other disposition of our H Shares would be considered income derived from sources within the PRC and thus be subject to PRC income tax. If such gains are subject to PRC income tax, the applicable rate for non-resident enterprises would generally be 10%, and for non-resident individuals could be 20%, subject to any relief under applicable tax treaties. If you are a non-PRC resident investor, you should consult your own tax adviser regarding the tax implications of investing in our H Shares.

You may experience difficulties in effecting service of legal process and enforcing judgments against us, our Directors, Supervisors and senior management.

We are a company incorporated under the PRC laws and a majority of our assets and subsidiaries are located in China. The majority of our Directors, Supervisors and senior management reside within China. The assets of these Directors, Supervisors and senior management also may be located within China. As a result, it may be complex and difficult to effect service of process upon or to enforce judgements against us, most our Directors, Supervisors and senior management outside China.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares and their liquidity and market price may be volatile.

There was no public market for our H Shares prior to the [REDACTED]. There can be no guarantee that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the [REDACTED]. In addition, the [REDACTED] of our H Shares is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us, which may not be indicative of the market price of our H Shares following the completion of the [REDACTED]. If an active public market for our H Shares does not develop following the completion of the [REDACTED], the market price and liquidity of our H Shares may be materially and adversely affected.

The liquidity, trading volume and market price of our H Shares following the [REDACTED] may be volatile, which could result in substantial losses to investors.

The price at which our H Shares will trade after the [REDACTED] will be determined by the marketplace, which may be affected by various factors beyond our control, including: our financial performance; changes in securities analysts' estimates, if any, of our financial performance; the history of, and the prospects for, ourselves and the industry in which we operate; an assessment on the prospects for, and timing of, our future revenue and cost structures that independent research analysts may publish, if any; the present state of our development; the valuation of publicly traded companies that are engaged in business activities similar to ours; general market sentiment regarding the industry we operate in; changes in laws and regulations of China; our actual or perceived failure to compete effectively in the market; and political, economic, financial and social conditions.

RISK FACTORS

In addition, the Hong Kong Stock Exchange has from time-to-time experienced significant volatility in trading prices and volumes that have affected the market prices of securities of companies quoted on the Hong Kong Stock Exchange. As a result, investors in our H Shares may experience volatility in the market price of their H Shares and a decrease in the value of their H Shares regardless of our operating performance or prospects.

Our Single Largest Shareholders Group has substantial influence over our Group and its interests may not be aligned with the interests of our other Shareholders.

Our Single Largest Shareholders Group has significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. The interests of our Single Largest Shareholders Group might differ from the interests of our other Shareholders. In the event that our Single Largest Shareholders Group cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, our other Shareholders could be disadvantaged, and their interests could be damaged. Any conflict of interest between our Single Largest Shareholders Group and our other Shareholders may also materially and adversely affect the aspects such as the decision and implementation of our business plans, which may in turn affect our operations and prospects.

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.

Future sales of a substantial number of our H Shares, especially by our Directors, executive officers, [REDACTED] Investors and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our H Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Single Largest Shareholders Group are subject to certain lock-up periods. We cannot assure you that they will not dispose of any Shares they may own now or in the future. Upon the completion of the [REDACTED] and the [REDACTED] of Unlisted Shares into H Shares, our Shares will only consist of H Shares. Unlisted Shares and H Shares are all ordinary Shares in the share capital of our Company and are considered as one class of Shares. For details, see “Share Capital.” In the case that there is any further [REDACTED] of Unlisted Shares and subsequent [REDACTED] into H Shares in the future, your shareholding under the class of holders of our H Shares will be diluted.

We cannot assure you when, whether and in what form or size we will pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distributions of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under IFRSs (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable laws and regulations in China, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy.

RISK FACTORS

Should the [REDACTED] be higher than the net tangible book value per Share, subject to pricing, you may experience an immediate dilution in the book value of the [REDACTED] you purchased in the [REDACTED] and may experience further dilution if we issue additional Shares in the future.

The [REDACTED] of the [REDACTED] may be higher than the net tangible book value per Share immediately prior to the [REDACTED]. As a result, you and other purchasers of the [REDACTED] in the [REDACTED] may experience an immediate dilution in [REDACTED] net tangible asset value. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the [REDACTED] may experience dilution in the net tangible asset value per share of their Shares if we [REDACTED] additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may [REDACTED] Shares pursuant to share incentive schemes, which would further dilute Shareholders’ interests in our Company.

Certain facts, forecast and statistics contained in this document are derived from publicly available official government sources and they have not been independently verified.

Certain facts, forecast and statistics contained in this document have been derived from various official government publications. We believe the sources of the above information are appropriate sources for such information and we have taken reasonable care in the extraction or reproduction of such information. We have no reason to believe that such information is false or misleading, or that any facts have been omitted that would render such information false or misleading. However, the information from the official government sources was not prepared or independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecast and statistics. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecast and statistics.

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

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

RISK FACTORS

You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this document, there has been press and media coverage regarding us and the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, a new applicant for [REDACTED] on the Stock Exchange must have sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, the new applicant’s arrangements for maintaining regular communication with the Stock Exchange.

Since our headquarters and principal business operations are located in mainland China and the management functions of our Group are carried out in mainland China, our executive Directors are based in mainland China, and are expected to continue to be based in mainland China, to better manage and attend to our Group’s business operations. We consider that it is in the best interests of our Company for our executive Directors to be based in the places where our Group has significant operations and it would be practically difficult, unduly burdensome and costly to relocate our executive Directors to Hong Kong or appoint additional executive Directors who are ordinarily resident in Hong Kong. Therefore, we do not and, in the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, [and the Stock Exchange has granted us,] a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules, provided that our Company implements the following arrangements to maintain regular communication between the Stock Exchange and us:

- (a) we have appointed Mr. Zhang Chi, our executive Director and will appoint Ms. Lin Sio Ngo (“**Ms. Lin**”), one of our joint company secretaries effective upon [REDACTED], as our authorized representatives for the purpose of Rule 3.05 of the Listing Rules. Our authorized representatives will act as the principal channel of communication between the Stock Exchange and our Company. Ms. Lin is ordinarily resident in Hong Kong, and Mr. Zhang Chi will be available to visit Hong Kong and meet with the Stock Exchange within a reasonable period of time upon request. Each of our Company’s authorized representatives will be readily contactable by the Stock Exchange by telephone and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of our authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange;
- (b) our authorized representatives have means to contact all of our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. We have provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number and e-mail address), and in the event that a Director expects to be traveling or otherwise be out of office, he/she will provide his/her phone numbers or means of communication to our authorized representatives;
- (c) each Director who is not ordinarily resident in Hong Kong has confirmed that he/she possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange upon reasonable notice;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) we have appointed Altus Capital Limited as our compliance adviser (the “**Compliance Adviser**”), pursuant to Rule 3A.19 of the Listing Rules, who will have access at all times to our authorized representatives, Directors and senior management, and will act as an additional channel of communication between the Stock Exchange and us for the period commencing from the [REDACTED] to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [REDACTED]. Our authorized representatives, Directors and other officers of our Company will provide our Compliance Adviser with such information and assistance as our Compliance Adviser may reasonably require in connection with the performance of its duties;
- (e) any meeting between the Stock Exchange and our Directors will be arranged through our authorized representatives, our Compliance Adviser or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes to our authorized representatives and our Compliance Adviser; and
- (f) we will also retain legal advisers to advise on on-going compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after [REDACTED].

We believe that the above measures and arrangements will ensure that all members of our Board can be promptly informed of any matters raised by the Stock Exchange and that there is an effective communication channel in place between the Stock Exchange and our Company.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who possesses the necessary academic or professional qualifications or relevant experience, and is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

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

- (a) length of employment with the issuer and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Our Company considers that while it is important for our company secretary to be familiar with the relevant securities regulations in Hong Kong, he/she also needs to have experience relevant to our Group’s internal administration and business operations and have a close working relationship with the management of our Company in order to perform the functions of a company secretary and take the necessary actions in the most effective and efficient manner. We consider it beneficial for our Company to appoint a company secretary who is familiar with our Company’s business and affairs.

We would appoint Ms. Zhou Siyang (“**Ms. Zhou**”) and Ms. Lin as the joint company secretaries of our Company effective upon [REDACTED]. Ms. Lin is an associate member of the Hong Kong Chartered Governance Institute, and therefore meets the qualification requirements under note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules. Although Ms. Zhou does not possess the qualification and sufficient relevant experience as stipulated in the notes to Rule 3.28 of the Listing Rules, considering Ms. Zhou’s past experience within our Group, her thorough understanding of the internal administration and business operations of our Group as well as her industry knowledge, she is a suitable person to act as a company secretary of our Company. In addition, as our headquarters and principal business operations are located in mainland China, our Directors believe that it is necessary to appoint Ms. Zhou as a company secretary whose presence in mainland China will enable her to attend to the day-to-day corporate secretarial matters concerning our Group. We believe that it would be in the best interests of our Company and the corporate governance of our Group to have Ms. Zhou as our joint company secretary. For more details of Ms. Zhou and Ms. Lin’s biographical information, see “Directors and Senior Management”.

Apart from discharging her functions in her role as one of our joint company secretaries, Ms. Lin will assist Ms. Zhou in enabling her to acquire the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. In addition, Ms. Lin will also attend relevant professional training during each financial year as required under Rule 3.29 of the Listing Rules.

We have therefore applied to the Stock Exchange for, [and the Stock Exchange has granted us,] a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in respect of the appointment of Ms. Zhou as one of our joint company secretaries on the conditions that: (i) Ms. Zhou must be assisted by Ms. Lin, who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the waiver period; and (ii) the waiver will be revoked if there are material breaches of the Listing Rules by our Company or if Ms. Lin ceases to provide assistance to Ms. Zhou during the waiver period.

We expect that Ms. Zhou will acquire the qualifications or relevant experience required under Rule 3.28 of the Listing Rules prior to the end of the three-year period after the [REDACTED]. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Ms. Zhou, having had the benefit of Ms. Lin’s assistance for three years, has acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary.

WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after [REDACTED]. We have applied to the Stock Exchange for, [and the Stock Exchange has granted us,] a waiver from strict compliance with the announcement and independent shareholders’ approval requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions. For details, see “Connected Transactions.”

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Executive Directors

Name	Address	Nationality
Dr. Wang Jianguo (王建国)	Room 701 No. 24 Lane 666 Jinxu Road Pudong New District Shanghai PRC	Chinese
Dr. Bai Jianmin (白建民)	Room 201 Building 3 Zone A Shi Dai Shang Cheng Liangxi District Wuxi City Jiangsu Province PRC	Chinese
Mr. Zhu Haihua (朱海华)	No .29 Building 5 Shuanglong North Road Jingang Town Zhangjiagang City Jiangsu Province PRC	Chinese
Mr. Zhang Chi (张弛)	Room 707 No. 1 Lane 894 Huashan Road Changning District Shanghai PRC	Chinese

Non-executive Directors

Name	Address	Nationality
Mr. Chen Guang (陈光)	Room 2006 Unit 1 Building 5 No. 28 Anli Road Chaoyang District Beijing PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
Ms. Lu Fei (呂菲)	No. 7 Unit 3 20th Floor Beijing Analytical Instrument Factory Beiqing Road Sujiatuo Town Haidian District Beijing PRC	Chinese

Independent non-executive Directors

Name	Address	Nationality
Dr. Zhang Zhong (張中)	Room 2-501 Building 7 No. 31 Xitucheng Road Haidian District Beijing PRC	Chinese
Dr. Xue Desheng (薛德勝)	905 No. 676 Dingxi Road Chengguan District Lanzhou City Gansu Province PRC	Chinese
Mr. Zhang Wei (張維)	Flat M4 4/F Block M Hing Wah Mansion 1 Babington Path Sai Ying Pun Hong Kong	American

See “Directors and Senior Management” for further details.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square 8 Connaught Place, Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Legal advisers to our Company

As to Hong Kong laws
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43/F, Gloucester Tower
The Landmark
15 Queen’s Road Central
Hong Kong

As to PRC laws
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11/F, Block A
Dragon Century Square
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As to International Sanctions laws
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Legal advisers to the Sole Sponsor

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Suite 509
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Xicheng District, Beijing
PRC

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

**Independent Auditor and Reporting
Accountants**

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
25/F
Wing On Centre
111 Connaught Road Central
Hong Kong

Industry Consultant

**Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.**
Room 2504, Wheelock Square
1717 West Nanjing Road
Jing'an District, Shanghai
PRC

Compliance Adviser

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office	Sinomags Science & Technology Industrial Park No. 321, Taibo Road Area C, Sensing Valley Economic Development Zone Bengbu, Anhui PRC
Headquarters and Principal Place of Business in the PRC	Sinomags Science & Technology Industrial Park No.321, Taibo Road Area C, Sensing Valley Economic Development Zone Bengbu, Anhui PRC
Principal Place of Business in Hong Kong	40/F Dah Sing Financial Centre No. 248 Queen’s Road East Wanchai Hong Kong
Company Website	http://www.magsens.cn/ <i>(the information contained on this website does not form part of this document)</i>
Joint Company Secretaries	Ms. Zhou Siyang (周思陽) Room 102 No. 3 Zone 2 Vanke City Garden Binhu District Wuxi City Jiangsu Province PRC Ms. Lin Sio Ngo (練少娥) 40/F Dah Sing Financial Centre No. 248 Queen’s Road East Wanchai Hong Kong
Authorized Representatives	Mr. Zhang Chi (張弛) Room 707 No. 1 Lane 894 Huashan Road Changning District Shanghai PRC

CORPORATE INFORMATION

Ms. Lin Sio Ngo (練少娥)
40/F
Dah Sing Financial Centre
No. 248 Queen’s Road East
Wanchai
Hong Kong

Audit Committee

Mr. Zhang Wei (張維) (*Chairperson*)
Dr. Zhang Zhong (張中)
Mr. Chen Guang (陳光)

Remuneration Committee

Dr. Xue Desheng (薛德勝) (*Chairperson*)
Mr. Zhang Wei (張維)
Dr. Wang Jianguo (王健國)

Nomination Committee

Dr. Xue Desheng (薛德勝) (*Chairperson*)
Dr. Zhang Zhong (張中)
Ms. Lu Fei (呂菲)

Strategic Committee

Dr. Wang Jianguo (王健國) (*Chairperson*)
Ms. Lu Fei (呂菲)
Dr. Xue Desheng (薛德勝)

[REDACTED]

Principal Bank

Bank of China Limited, Bengbu Branch
No. 1111, Yan’an Road, Bengshan District,
Bengbu City,
Anhui Province,
PRC

INDUSTRY OVERVIEW

*The information and statistics set out in this section have been extracted, in part, from various official government sources and a market research report prepared by Frost & Sullivan (the “**F&S Report**”) and commissioned by us. We believe that these sources are appropriate sources for such information and statistics and reasonable care has been exercised by us in selecting and identifying the named information sources, compiling, extracting and reproducing the information, and ensuring no material omission of the information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Neither our Company nor the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any of their respective affiliates or advisors has independently verified the information and statistics from official government sources, and no representation is given as to its accuracy.*

GLOBAL MAGNETIC SENSOR INDUSTRY

Definition and Overview of Magnetic Sensors

Magnetic sensors are devices that measure physical quantities such as current, position, angle and velocity by detecting changes in magnetic fields such as strength, direction and disturbance, and convert magnetic signals into measurable electrical signals such as changes in voltage, current and resistance. As critical sensory components, magnetic sensors provide non-contact and highly-reliable capabilities for detecting position, velocity, angle, current and proximity, serving as the foundation of numerous downstream industries including automotive, industrial automation, new energy and consumer electronics to achieve automation, intelligence, high-precision control and safety assurance. Magnetic sensors primarily include current sensor, motion sensor and others such as magnetic switch and magnetic head.

Depending on different technologies, magnetic sensors can be divided into Hall sensors and xMR sensors. The working principle of Hall sensors is the classical electromagnetic phenomenon known as the Hall effect, where charge carriers are deflected laterally in a magnetic field, whilst the working principle of xMR sensors is the magnetoresistance effect, where the resistance of magnetic materials changes with the magnetic field due to the quantum interaction between electron spin and magnetization direction. Depending on different material structures, xMR sensors can be further categorized into AMR anisotropic magnetoresistance (“**AMR**”) sensors, giant magnetoresistance (“**GMR**”) sensors, and tunnel magnetoresistance (“**TMR**”) sensors. Compared with Hall sensors, xMR sensors have significant advantages in precision, power consumption, response speed and reliability in extreme environments. Therefore, xMR sensors have increasingly extensive applications in emerging cutting-edge industries such as third-generation power semiconductor, embodied intelligence, data center power supply systems, among others.

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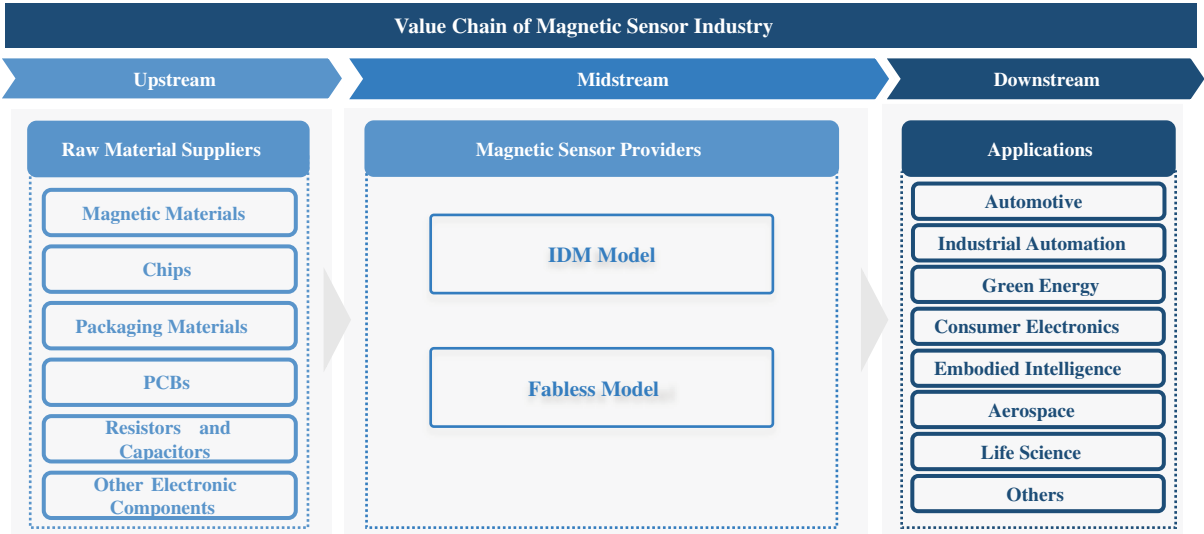
Comparison of Hall Sensors and xMR Sensors				
	Hall Sensors	xMR Sensors		
		AMR Sensors	GMR Sensors	TMR Sensors
Physical Effect	Hall effect	Magnetoresistance effect by crystallographic anisotropy	Magnetoresistance effect by spin-dependent scattering	Magnetoresistance effect by spin-dependent tunneling
Material Structure	Standard semiconductor	Single-layer thin film process	Multilayer thin film sputtering	Nano-scale insulating barrier process
Power Consumption	Require external excitation current with high power consumption	Relatively low	Relatively low	Extremely low
Precision	Relatively low	High	High	Extremely high
Response Speed	Relatively low	High	High	Extremely high
Typical Applications	Relatively low precision magnetic sensors with mature technological application	Motion sensors, electronic compass modules, mid-range magnetometers, among others	High-precision motion sensors, current sensors, hard disk drive read magnetic head, MRAM cell, among others	Ultra-high precision motion sensors, current sensors, high-density MRAM, biomagnetic sensors, among others
Pricing Range	\$0.1 - \$20	\$1 - \$30	\$2 - \$60	\$1 - \$70
Market Share*	Approximately 70%	Approximately 15%	Approximately 6%	Approximately 9%

Note: Market share is calculated in terms of the revenue of global magnetic sensor industry in 2024.

Source: Frost & Sullivan Analysis

Value Chain of Magnetic Sensor Industry

The value chain of magnetic sensor industry primarily involves upstream raw materials suppliers, midstream magnetic sensor providers and various downstream applications.



Source: Frost & Sullivan Analysis

Comparison of Operating Models in Magnetic Sensor Industry

Magnetic sensor providers mainly operate through fabless model or IDM model. The nano-multilayer film technology of xMR sensors requires atomic-level process control, with deep coordination across design, R&D and production. High-end applications of xMR sensors such as automotive and medical devices require comprehensive control of the entire processes. Therefore, the IDM model has become the inevitable choice for xMR sensor providers due to its advantages in process autonomy, high efficiency of value chain integration, and high reliability.

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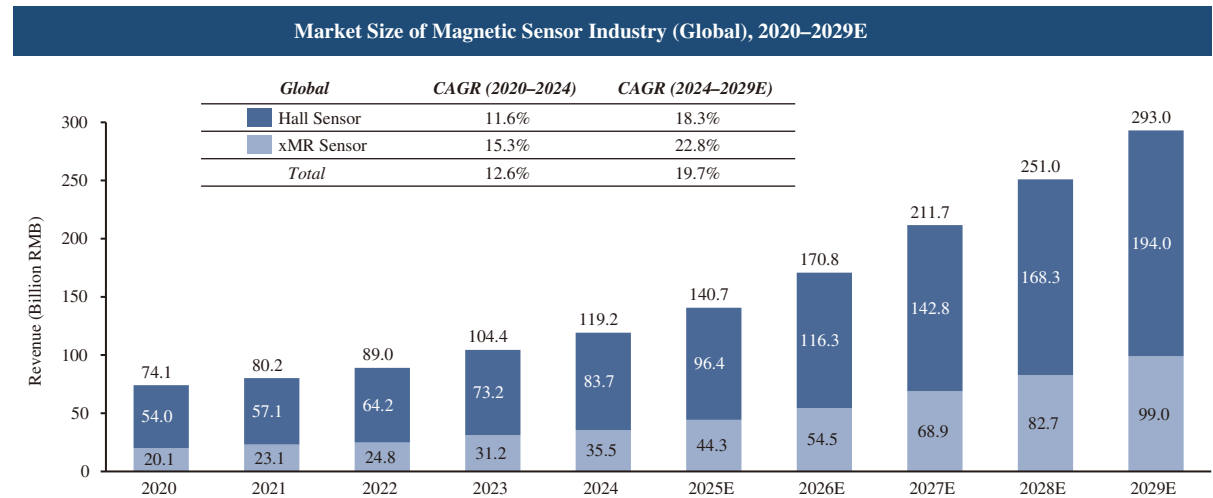
Comparison of Operating Models in Magnetic Sensor Industry		
	Fabless Model	IDM Model
Process and Technology Control	Focus on chip design and rely on OEMs for fabrication	Independently develop process and technology, with strong customization capability
Value Chain Coordination	Separation of design and production may increase supply chain risks	Deep collaboration can achieve closed-loop design and production
Investment and Cost Structure	Asset-light operation with low fixed costs	High fixed costs, and low marginal costs through mass production
Technical Barriers	Mainly design patents	Patents covering materials and processes, enabling rapid technical transformation
Quality Control	Rely on quality control by OEMs	Reliability assurance of entire process
Production Capacity	Constrained by production scheduling of OEMs	Independently adjust production capacity

Source: Frost & Sullivan Analysis

Market Size of Global Magnetic Sensor Industry

The historical growth of the magnetic sensor industry primarily relied on the development of downstream industries such as automotive, industrial automation, and green energy. In the forecast period, the further increase in demand from these downstream industries drives the growth of global magnetic sensor industry. Additionally, the rapid development of emerging industries such as embodied intelligence and third-generation semiconductors is expected to boost the demand and create new growth points for global magnetic sensor industry. Specifically, the accelerated construction of AI 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. Moreover, magnetic encoders can enhance the perception 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. Consequently, the magnetic sensor market is anticipated to grow at a faster pace during the forecast period. The following chart presents the historical and projected market size of global magnetic sensor industry in terms of revenue from 2020 to 2029:

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Source: Frost & Sullivan Analysis

Magnetic sensors primarily include motion sensors, current sensors and others. In 2024, motion sensors, current sensors and others accounted for 72.8%, 14.9% and 12.3% of the market size of global magnetic sensor industry in terms of revenue, respectively. By 2029, motion sensors, current sensors and others are expected to account for 73.4%, 19.1% and 7.5%, respectively.

Market Drivers and Future Opportunities of Magnetic Sensor Industry

Rapid growth in downstream demand. Magnetic sensors are used to detect physical information such as position, velocity, angle, current and proximity, which are widely applied in industries including green energy, automotives, industrial automation, consumer electronics, among others. The rapid development of downstream industries drives sustained growth in demand for magnetic sensors.

- Green Energy.** Magnetic sensors are widely applied in energy conversion, safety monitoring and equipment control. With high-precision detection of current and magnetic field, magnetic sensors can significantly enhance system efficiency and reliability in green energy sector. With the application of new technologies such as perovskite photovoltaics and solid-state batteries, magnetic sensors can further facilitate technological iterations in green energy sector. By 2029, the global installed capacity of photovoltaics, wind power and energy storage is expected to reach 5,499.0GW, 2,239.0GW and 430.4GW, growing at a CAGR of 22.7%, 13.9% and 21.1% from 2024 to 2029.
- Automotive industry.** Magnetic sensors are mainly used for motor control, battery management system (“BMS”), and position and velocity detection. The number of magnetic sensors used in a NEV is more than three times that in an ICE vehicle. The rapid development of NEVs has boosted demand for magnetic sensors, whilst continuous technological advancements in autonomous driving further stimulated the demand and raised higher performance requirements for magnetic sensors. From 2020 to 2024, the global NEV sales increased from 3.0 million units to 17.2 million units, with a CAGR of 54.7%, and is expected to reach 38.2 million units by 2029, growing at a CAGR of 17.3% from 2024 to 2029.
- Industrial Automation.** Magnetic sensors are widely used in applications such as precision motion control, equipment condition monitoring, safety interlocking protection, material flow management, energy efficiency optimization, among others. The trend of unmanned and low-carbon industrial automation continues to drive the evolution of magnetic sensors

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towards high precision, efficiency and intelligence. From 2020 to 2024, the market size of global industrial automation grew from RMB3.1 trillion to RMB3.6 trillion, with a CAGR of 3.8%, and is expected to reach RMB5.1 trillion by 2029, growing at a CAGR of 7.2% from 2024 to 2029.

Expansion of emerging applications. Magnetic sensors are driving breakthroughs in cutting-edge industries such as embodied intelligence, aerospace and life science. By integrating high-precision magnetic field sensing with intelligent systems, magnetic sensors enable precise control and dynamic response to the physical world.

- ***Third-generation power semiconductor.*** The third-generation power semiconductor devices, such as SiC and GaN, are leading the revolution in power electronics due to enhanced thermal and electronic properties, improved electrical strength and radiation resistance, energy-efficient and eco-friendly advantages, and compact device size, and are widely applied in EVs, green energy, consumer electronics, AI infrastructure and data centers, among others. The applications of third-generation power semiconductor devices raise higher requirements for key components in the systems, such as current sensors. TMR current sensors demonstrate significant advantages when used in conjunction with third-generation power semiconductor devices, and become a necessary choice when pursuing excellent system performances including high frequency, high efficiency, high power density and high-precision control. The market size of global third-generation power semiconductor devices industry in terms of revenue is expected to reach RMB278.9 billion in 2029, growing at a CAGR of 43.8% from 2024 to 2029. Therefore, the rapid development of third-generation power semiconductor device industry is expected to promote the surge in the demand for TMR current sensors.
- ***Embodied intelligence.*** Magnetic encoders are used for position and angle detection in robotic joints, providing critical data for precise control of robots. Magnetic encoders can enhance the perception capabilities and intelligence of robots, and enable them to better adapt to diverse environments and tasks, thereby promoting the widespread application of robots in industrial production, service industry, healthcare, and daily life. The market size of global embodied robot industry in terms of revenue is expected to increase from RMB16.6 billion in 2025 to RMB162.0 billion in 2029, growing at a CAGR of 76.7%. The rapid development of embodied robot industry is expected to stimulate enormous demand for magnetic encoders.
- ***AI infrastructure and data centers.*** Explosive demand for computing power and rapid technological advancements have significantly promoted the growth of data center industry in China. As high-energy-consuming infrastructure, data centers impose stringent requirements on power continuity and energy efficiency, thereby driving rapid development in the data center power supply systems industry. The market size of China’s data center power supply systems is expected to reach RMB117.5 billion by 2029, growing at a CAGR of 15.1% from 2024 to 2029. The operation of data center power supply systems relies on high-precision and fast-response current sensors for real-time monitoring of load current, overload protection and energy efficiency management. In the future, with the ongoing expansion of AI computing power and continued investment in data center construction, the demand for current sensors as core components of data center power supply systems is expected to witness a rapid growth.

Technological upgrading and product iteration. Technological upgrading and product iteration in the magnetic sensor industry continuously promote the expansion of application scenarios, cost reduction and efficiency improvement. For instance, with high sensitivity, low power consumption and

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temperature resistance, xMR sensors are widely applied in high-precision positioning, high-frequency systems, and devices with low power consumption, and are also expanding applications in emerging scenarios such as brain-computer interfaces and nano-level industrial positioning. Additionally, the integration of multiple physical parameter sensing on a single chip and the combination of magnetic sensors and edge computing drive the development of magnetic sensors towards miniaturization and intelligence, thereby achieving predictive maintenance while reducing system costs.

Threats and Challenges

Intensified Competition. The global magnetic sensor industry is characterised by intense competition, with a fragmented landscape of specialised magnetic sensor providers as well as large-sized semiconductor manufacturers that benefit from economies of scale, broader product portfolios and stronger bargaining power. Major downstream customers, especially in the automotive, industrial automation and consumer electronics sectors, typically have high requirements on pricing and commercial terms, and often prefer qualified suppliers with proven track records. Therefore, magnetic sensor providers are exposed to the risk of margin compression and potentially adverse impacts on revenue and profitability due to the intensified competition.

Rapid technological evolution. Magnetic sensor technologies are undergoing rapid evolution, including the transition from traditional Hall-effect sensors to higher-performance xMR sensors, and growing requirements for reliability, precision, power consumption, among others. Industry participants have to sustain high levels of R&D investment to keep pace with technological advancements and avoid product obsolescence. In addition, the magnetic sensor industry remains exposed to supply chain challenges, including fluctuations in the availability and pricing of key materials such as wafers and rare earth materials, which may adversely affect production continuity, delivery schedules and cost structures for magnetic sensor providers.

Entry Barriers of Magnetic Sensor Industry

Technology barrier. The design of magnetic sensors requires the consideration of multiple aspects such as sensitivity, temperature stability, noise suppression, among others, and market participants need to keep up with the technological development trends and promptly adjust their research directions and product strategies. For instance, TMR sensors require precise control of ferromagnetic and insulating layers at the atomic level, and rely on advanced production processes such as atomic layer deposition, which requires long-term accumulation of technical experiences. New entrants may face considerable pressures in technology research and product upgrading, making it difficult to keep pace with industry development.

Supply chain barrier. Mass production of magnetic sensors requires robust supply chain management capabilities to achieve efficient coordination of raw material procurement, logistics and production. Leading market participants have established stable and efficient supply chain systems through long-term cooperation with upstream and downstream partners or mature IDM model, which can ensure steady supply of raw materials and continuous production operation. New entrants may face challenges in establishing a reliable supply chain.

Brand and customer barriers. Renowned brands in the magnetic sensor industry can obtain customer recognition and trust more easily. Established market participants have built strong brand awareness through long-term cooperation with customers, accumulation of product and service experience, and effective market promotion. In particular, customers in the automotive, new energy and industrial automation industries have stringent requirements for stable supply and product reliability of magnetic sensors, and require magnetic sensor providers to conduct long-term and rigorous testing and verification. It is difficult for new entrants to obtain customer recognition due to lack of brand awareness.

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Competitive Landscape of Global Magnetic Sensor Industry

Market participants in the global magnetic sensor industry include magnetic sensor providers that master a single or multiple technical routes, and providers that master the comprehensive magnetic sensing technology portfolio. Magnetic sensor providers that master the comprehensive magnetic sensing technology portfolio can provide flexible product offerings in response to downstream demands and develop technical solutions integrating multiple technical routes. Our Group is one of the few companies globally with complete magnetic sensing technologies including Hall sensors and xMR sensors, as of the Latest Practicable Date, possessing strong technical expertise and product capabilities.

The global magnetic sensor industry is relatively fragmented. As of December 31, 2024, there were over 200 magnetic sensor providers worldwide, among which less than 10 magnetic sensor providers including our Group possess complete magnetic sensing technologies. In terms of revenue derived from magnetic sensors in 2024, the global top ten magnetic sensor providers accounted for 31.0%, among which our Group ranked tenth, with a market share of 0.6%. Additionally, our Group ranked sixth globally among magnetic sensor IDM companies in terms of revenue in 2024.

Top Ten Providers of Magnetic Sensors in terms of Revenue (Global), 2024

Ranking	Company	Headquarters	Business Model of Magnetic Sensors	Revenue (Billion RMB)	Market Share
1	Company A	Germany	IDM	7.7	6.5%
2	Company B	Japan	IDM	6.9	5.8%
3	Company C	Japan	IDM	5.4	4.5%
4	Company D	United States	Fabless	4.7	3.9%
5	Company E	Netherlands	IDM	3.3	2.8%
6	Company F	Switzerland	Fabless	2.7	2.3%
7	Company G	United States	Fabless	2.6	2.2%
8	Company H	Belgium	Fabless	1.5	1.3%
9	Company I	United States	IDM	1.3	1.1%
10	Our Group	Anhui Province, China	IDM	0.7	0.6%
Top 10	—	—	—	36.8	31.0%

Notes:

- (1) Company A is a group established in 1999 and listed on the Frankfurt Stock Exchange and OTCQX International over-the-counter market, engaging in the provision of automotive electronics, green industrial power, power and sensor systems and connected secure systems.
- (2) Company B is a group established in 1931 and listed on the Tokyo Stock Exchange, engaging in the provision of magnetic sensors, gas sensors, current sensors and other sensing devices.
- (3) Company C is a group established in 1935 and listed on the Tokyo Stock Exchange, engaging in the provision of magnet application products, sensor application products, passive components, energy application products, and other electronic components.
- (4) Company D is a group established in 2013 and listed on the Nasdaq Stock Exchange, engaging in the provision of sensor integrated circuits and application-specific analog power integrated circuits.
- (5) Company E is a group established in 2006 and listed on the Nasdaq Stock Exchange, engaging in the provision of high-performance mixed-signal products used in end market applications including automotive, industrial & IoT, mobile and communication infrastructure.
- (6) Company F is a group established in 1983 and listed on the SIX Swiss Exchange, engaging in the provision of current and voltage transducers for industrial, renewable energy, traction and automation applications.

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- (7) Company G is a group established in 1985 and listed on the Nasdaq Stock Exchange, engaging in the provision of aerospace technologies, industrial automation, building automation, and energy and sustainable solution.
- (8) Company H is a group established in 1989 and listed on Frankfurt Stock Exchange and Euronext Brussels, engaging in the provision of advanced integrated semiconductor devices for use in automotive electronics systems.
- (9) Company I is a group established in 1965 and listed on the Nasdaq Stock Exchange, engaging in the provision of integrated circuits, software and subsystems that leverage high-performance analog, mixed-signal and digital signal processing technologies.

Source: Annual Reports; Frost & Sullivan Analysis

As of December 31, 2024, there were approximately 80 current sensor providers worldwide. In terms of revenue derived from current sensors in 2024, the global top five current sensor providers accounted for 28.1%, among which our Group ranked third, with a market share of 3.4%.

As of December 31, 2024, there were approximately 80 magnetic motion sensor providers worldwide. The market size of global magnetic motion sensor industry in terms of revenue reached RMB86.8 billion in 2024. In terms of revenue derived from magnetic motion sensors in 2024, the global top five magnetic motion sensor providers accounted for 29.8%. Our Group falls outside the top ten, with a market share of approximately 0.1%.

Top Five Providers of Magnetic Motion Sensors in terms of Revenue (Global), 2024

Top Five Providers of Current Sensors in terms of Revenue (Global), 2024					Top Five Providers of Motion Sensors in terms of Revenue (Global), 2024				
Ranking	Company	Headquarters	Revenue (Billion RMB)	Market Share	Ranking	Company	Headquarters	Revenue (Billion RMB)	Market Share
1	Company F	Switzerland	2.6	14.6%	1	Company A	Germany	7.5	8.6%
2	Company B	Japan	0.9	5.1%	2	Company B	Japan	6.0	6.9%
3	Our Group	Anhui Province, China	0.6	3.4%	3	Company C	Japan	5.0	5.8%
4	Company D	United States	0.5	2.8%	4	Company D	United States	4.2	4.8%
5	Company C	Japan	0.4	2.2%	5	Company E	Netherlands	3.2	3.7%
Top 5	-	-	5.0	28.1%	Top 5	-	-	25.9	29.8%

Source: Annual Reports; Frost & Sullivan Analysis

Raw Material Prices Analysis of Global Magnetic Sensor Market

The raw materials of magnetic sensors primarily include semiconductor materials (such as silicon wafers), magnetic materials (such as rare earths), and packaging materials (such as ceramics and plastics). Due to the growing demand from downstream industries, the average price of silicon wafers increased from RMB6.2 per square inch in 2020 to RMB6.9 per square inch in 2021, and further increased to RMB7.0 per square inch in 2022. Due to the consequent oversupply, the average price of silicon wafers decreased to RMB6.3 per square inch in 2023 and RMB5.7 per square inch in 2024. Due to the surge in demand from downstream industries such as automotive and new energy sectors as well as the shortage in supply of rare earth materials, the price index of rare earth materials increased from 145.4 in 2020 to 251.9 in 2021, and further increased to 331.5 in 2022. Due to the steady increase in rare earth material production, the price index of rare earth materials decreased to 226.8 in 2023 and 167.6 in 2024.

GLOBAL XMR SENSOR INDUSTRY

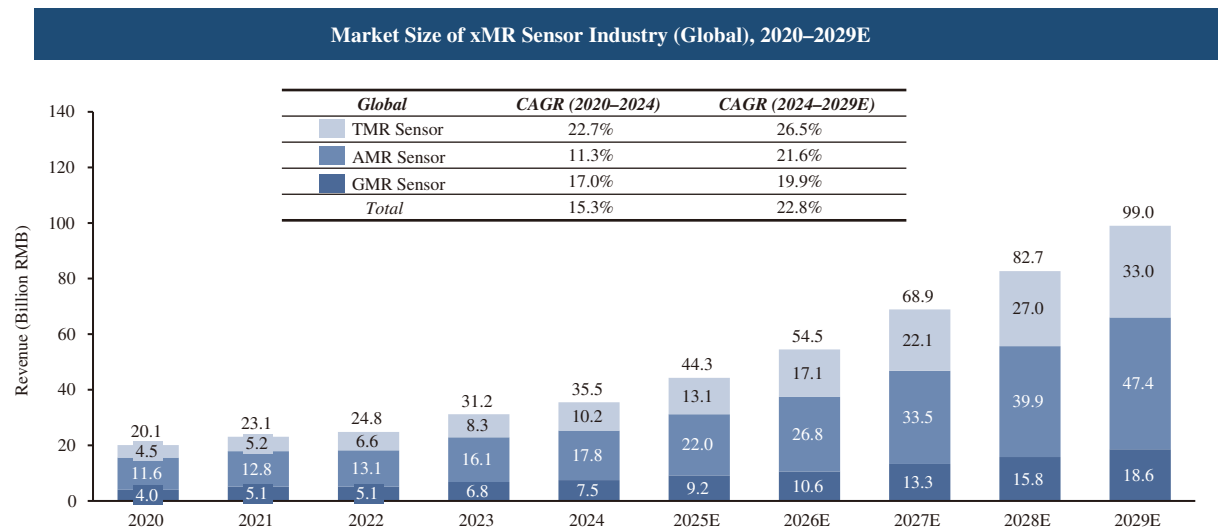
Definition and Overview of xMR Sensors

xMR sensors refer to magnetic sensors designed based on the magnetoresistance effect, which is the physical phenomenon in which the resistance of certain magnetic materials (primarily ferromagnetic materials) changes with the direction or intensity of an external magnetic field. xMR sensors accurately measure changes in the resistance value of magnetic materials to detect the direction, angle, position, current, among others, and convert into measurable electrical signals.

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Market Size of Global xMR Sensor Industry

In the historical period, the applications of xMR sensors primarily include automotive and industrial automation. However, xMR sensors have significant advantages in precision, power consumption, response speed and reliability in extreme environments. Therefore, xMR sensors have increasingly extensive applications in cutting-edge industries such as third-generation power semiconductor, embodied intelligence, data center power supply systems, among others, and further expand emerging application scenarios such as space exploration, neural interfaces and superconducting quantum computing. Consequently, the xMR sensor industry is anticipated to grow at a faster pace during the forecast period due to expanding applications across various emerging industries. The following chart presents the historical and projected market size of global xMR sensor industry in terms of revenue from 2020 to 2029:



Source: Frost & Sullivan Analysis

Market Drivers and Future Opportunities of xMR Sensor Industry

Expansion of high-end application scenarios. With the continuous technological advancements, xMR sensors are unlocking application scenarios and breaking through the technical boundaries of high-end applications. For instance, TMR sensors can detect nT-level weak magnetic fields, which significantly reduces the cost of portable magnetocardiography devices and enables commercialization. The nanoscale precision of xMR sensors empowers the cutting-edge manufacturing, enabling remote surgery to sense vascular wall pressure by embedding xMR sensors into robotic arm joints. Additionally, xMR sensors are expanding emerging application scenarios such as space exploration, neural interfaces and superconducting quantum computing, promoting the widespread adoption of magnetic field sensing.

Partial replacement of Hall sensors. Compared with Hall sensors, xMR sensors have significant advantages in sensitivity, power consumption, response speed, among others. In particular, Hall sensors require external circuits, which limits their performance in weak magnetic field environments. In several application scenarios of downstream industries such as automotive, consumer electronics and industrial automation, xMR sensors have gradually replaced Hall sensors. For instance, with the development of NEVs and autonomous driving technology, the requirements for the accuracy and reliability of magnetic sensors have increased. The penetration of xMR sensors in motor control, battery management and autonomous driving systems continues to increase. Moreover, the demand for precise

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motion and positioning in robots and conveyor systems has increased, and xMR sensors can be used to detect the position of robotic arms and material transportation on assembly lines. Due to high precision and reliability, xMR sensors gradually become the preferred choice in industrial automation.

Competitive Landscape of Global xMR Sensor Industry

The global xMR sensor industry is relatively fragmented. As of December 31, 2024, there were approximately 80 xMR sensor providers worldwide. In terms of revenue derived from xMR sensors in 2024, the global top five xMR sensor providers accounted for 27.6%, among which our Group ranked fifth, with a market share of 1.4%. Additionally, in terms of revenue derived from xMR sensors in 2024, our Group ranked first among all Chinese xMR sensor providers.

Top Five Providers of xMR Sensors in terms of Revenue (Global), 2024

Ranking	Company	Headquarters	Revenue (Billion RMB)	Market Share
1	Company C	Japan	4.0	11.3%
2	Company A	Germany	2.7	7.6%
3	Company D	United States	1.6	4.5%
4	Company E	Netherlands	1.0	2.8%
5	Our Group	Anhui Province, China	0.5	1.4%
Top 5	—	—	9.8	27.6%

Source: Annual Reports; Frost & Sullivan Analysis

Definition and Overview of TMR Sensors

TMR sensor is currently one of the most advanced magnetic sensors, which utilizes quantum tunneling effect to achieve ultra-sensitive magnetic field detection. The core structure of TMR sensors is a magnetic tunnel junction, consisting of upper/lower ferromagnetic layers and an intermediate insulating barrier layer. TMR sensors have disruptive performance advantages in sensitivity, power consumption, frequency response and temperature stability, and can be applied in various cutting-edge applications related to high-precision magnetic field detection.

Market Size of Global TMR Sensor Industry

TMR sensors have been widely applied in automotive, industrial automation, consumer electronics and emerging fields in recent years due to the significant advantages in sensitivity, power consumption and stability. The market size of global TMR sensor industry in terms of revenue increased from RMB4.5 billion in 2020 to RMB10.2 billion in 2024, representing a CAGR of 22.7%. The market size of global TMR sensor industry in terms of revenue is expected to reach RMB33.0 billion in 2029, with a CAGR of 26.5% from 2024 to 2029.

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Market Drivers and Future Opportunities of TMR Sensor Industry

TMR sensors lead the growth of xMR sensor industry. In 2024, TMR sensors accounted for 28.7% of the market size of global xMR sensor industry in terms of revenue. With the stable development of downstream industries such as automotive, new energy, industrial automation and consumer electronics, as well as the expansion of emerging applications such as embodied intelligence, aerospace and life science, the demand for TMR sensors is expected to witness a significant growth, surpassing other types of xMR sensors. By 2029, TMR sensors are expected to account for 33.3% of the market size of global xMR sensor industry.

Technological advancements. The exploration of new magnetic materials and structures is expected to achieve further breakthroughs in the performance of TMR sensors, such as the development of magnetic materials with higher magnetic reluctance and lower noise, and the design of unique magnetic tunnel junction structures. Additionally, the deep integration with other emerging technologies such as artificial intelligence, big data and edge computing will enable TMR sensors to possess stronger capabilities of intelligent perception and data processing. For instance, in the IoT application, TMR sensors can work with edge computing notes to achieve real-time data acquisition, processing and analysis, thereby improving the intelligence level and response speed of the IoT systems.

Competitive Landscape of Global TMR Sensor Industry

Due to high technical barrier, there were a limited number of TMR sensor providers worldwide. In terms of revenue derived TMR sensors in 2024, the global top five TMR sensor providers accounted for 45.1%, among which our Group ranked second, with a market share of 3.9%.

Top Five Providers of TMR Sensors in terms of Revenue (Global), 2024

Ranking	Company	Headquarters	Revenue (Billion RMB)	Market Share
1	Company C	Japan	3.5	34.3%
2	Our Group	Anhui Province, China	0.4	3.9%
3	Company A	Germany	0.3	2.9%
4	Company D	United States	0.2	2.0%
5	Company L	Jiangsu Province, China	0.2	2.0%
Top 5	—	—	4.6	45.1%

Note: Company L is a private group established in 2010, engaging in the provision of packaged chip and magnetic sensors.

Source: Annual Reports; Frost & Sullivan Analysis

SOURCE AND RELIABILITY OF INFORMATION

In connection with the [REDACTED], we engaged an independent market research consultant, Frost & Sullivan, to conduct an analysis of, and to prepare an industry report on the industries where we operate with a commission fee of RMB380,000. Founded in 1961, Frost & Sullivan is an independent global consulting firm that conducts industry research and prepares industry report on a wide range of industries, among other services. The information from Frost & Sullivan disclosed in this document is extracted from the Frost & Sullivan Report with its consent.

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In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan used the following key methodologies to collect multiple sources, validate the collected data and information, and cross-check each respondent’s information and expressions against those of others: (i) detailed primary research, which involved discussing the status of the industry with leading industry participants and industry experts; and (ii) secondary research, which involved reviewing published sources including reports of market participants, independent research reports and data based on Frost & Sullivan’s own research database.

Frost & Sullivan adopted the following primary assumptions while making projections for preparing the Frost & Sullivan Report: (i) global economy is likely to maintain steady growth in the next decade; (ii) global social, economic and political environment is likely to remain stable in the forecast period; and (iii) market drivers such as rapid growth in downstream demand, expansion of emerging applications, technological upgrading and product iteration, and favourable policies, among others.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict, or have an impact on such information.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We are an IDM company in the magnetic sensor industry.

Our history dates back to March 2014 when Ningbo Sinomags, the predecessor of our Company which was then engaged in the research and development, production and sales of magnetic sensor products, and now a principal subsidiary of our Company, was acquired by Wuxi Sinomags Electronic Technology Co., Ltd. (無錫希磁電子科技有限公司, formerly known as Sinomags (Beijing) Technology Co., Ltd (希磁(北京)科技有限公司), “**Sinomags Beijing**”). Sinomags Beijing was established as an investment vehicle with Dr. Wang, our founder, chairman of the Board, executive Director and general manager, controlling the entire voting rights thereof through his position as a general partner of Bengbu Lesi and Bengbu Xinda. For the biographical details of Dr. Wang, see “Directors and Senior Management.”

On December 14, 2018, our Company was established as a limited liability company under the laws of the PRC in Anhui, and was converted into a joint stock company with limited liability on August 31, 2023. As of the Latest Practicable Date, our Company had an issued share capital of 115,218,724 Shares with a nominal value of RMB1.00 each.

OUR KEY MILESTONES

The table below sets out the key business milestones in the history of our Group:

Year	Event
2013	Ningbo Sinomags was established as a startup project for high-end magnetic sensor research and development.
2014	Sinomags Beijing acquired Ningbo Sinomags.
2015	We have been awarded first place in the Ningbo division of China Innovation and Entrepreneurship Competition thanks to our product design.
2016–2017	We have developed a series of solar energy and new energy vehicle modules, achieved mass production, and we introduced chip-level TMR solution.
2018	Our Company was established and we commenced the construction of our production base in Bengbu, the PRC.
2019	We became a member of the first committee of the Cash Processing Equipment Committee under the China Numismatic Society (中國錢幣學會現金機具專業委員會). We began our acquisition of Sensitec GmbH. We became a council member of the China Power Supply Society (中國電源學會).
2020	We achieved sales of current sensors exceeding RMB100 million for the first time on a cumulative basis.
2021	We completed our reorganization and acquired Sensitec GmbH.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Event
2023	We commenced our production of high-end motion sensors for high-end smartphones.
2024	We have successfully launched motion sensors products in the market of Chinese mainland.
2025	We achieved growth in the mass production of motion sensors for downstream sectors such as robotics and consumer electronics.

ESTABLISHMENT AND MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

1. Early Development

Establishment of Ningbo Sinomags

Dr. Wang acquainted with Dr. Mao Sining (“**Dr. Mao**”) during his work experience in the United States after completing his doctoral degree in Portugal in a circle of friends consisting of Chinese expats working in the United States specializing in the area of magnetism.

To kickstart Dr. Mao’s startup project on high-end magnetic sensor research and development, Ningbo Sinomags was established on February 20, 2013 under the laws of the PRC with limited liability. As of the date of its establishment, Ningbo Sinomags was owned as to 45.00% by Ningbo Shengguang Packaging and Printing Co., Ltd. (寧波盛光包裝印刷有限公司) (“**Shengguang Packaging**”) and 55.00% by Ningbo Zhenhai Sining Technology Information Consulting Co., Ltd. (寧波市鎮海思寧科技信息諮詢有限公司) (“**Zhenhai Technology**”), respectively⁽¹⁾. Ningbo Sinomags was principally engaged in the research and development, production and sales of magnetic sensor products.

Dr. Wang saw the potential of high-end magnetic sensor research and the commercial potential of the startup. He solicited the support of Dr. Bai Jianmin, our executive Director who was also a fellow Chinese scholar specializing in the area of magnetism, and formed a core team with Dr. Mao’s team to explore business opportunities. Dr. Wang started the preparation of commencing his new business project by soliciting potential investors and establishing a new investment vehicle which later became Sinomags Beijing. After certain communication, it was decided among Dr. Wang, Dr. Bai and Dr. Mao that Dr. Wang would take the leading role in the development of the new business opportunity with Dr. Bai, Dr. Mao and Dr. Mao’s team providing professional support and technical advices. Dr. Mao retired in August 2023.

Acquisition of Ningbo Sinomags through nominee arrangement

As the solicitation of investors and establishment of an investment vehicle required substantial amount of time, on December 5, 2013, Lu Fei (呂菲), a then Independent Third Party and now our non-executive Director, entered into an equity transfer agreement, which was further supplemented by a supplemental agreement dated December 9, 2013, with Shengguang Packaging and Zhenhai Technology, pursuant to which Lu Fei agreed to purchase and each of Shengguang Packaging and Zhenhai Technology agreed to sell the entire share capital of Ningbo Sinomags at an aggregate consideration of RMB14,723,691.42, which was determined with reference to the then audited net asset value of Ningbo Sinomags.

Notes:

- (1) As of the date of the establishment of Ningbo Sinomags, Shengguang Packaging was owned as to 48.00%, 26.00% and 26.00% by Qian Jingguang (錢靜光), Qian Xuli (錢旭利) and Wu Zhongjing (吳忠靜), each being an Independent Third Party. Zhenhai Technology was owned as to 100.00% by Dr. Mao. Ningbo Sinomags was principally engaged in the research and development, production and sales of magnetic sensor products.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

To the best knowledge of our Directors, for the purpose of speeding up the process of business development, Lu Fei was nominated to carry out the acquisition of Ningbo Sinomags for and on behalf of Dr. Wang and the then future investors of Sinomags Beijing. Lu Fei was a then employee of Beijing Fangsheng Venture Capital Center (Limited Partnership) (北京芳晟創業投資中心(有限合夥)) (“**Beijing Fangsheng**”), one of our [REDACTED] investors in our series A investments. The consideration of RMB14,723,691.42 paid by Lu Fei was later financed by Sinomags Beijing through the proceeds of our series A investments. See “— Termination of nominee arrangement.”

Establishment of Sinomags Beijing

In January 2014, Sinomags Beijing⁽²⁾ was established as a limited liability company under the laws of the PRC in Beijing. As of the date of its establishment, the shareholders of Sinomags Beijing comprised Bengbu Lesi and Bengbu Xinda, holding 82.00% and 18.00% equity interest therein. Sinomags Beijing was established by Dr. Wang, our founder, chairman of the Board, executive Director and general manager, controlling the entire voting rights thereof through his position as a general partner of Bengbu Lesi and Bengbu Xinda.

As of the date of establishment of Sinomags Beijing, Bengbu Lesi was owned as to 47.56%, 29.27% and 23.17% by Dr. Wang its general partner, Dr. Mao its limited partner and Dr. Bai its limited partner, respectively. Bengbu Xinda was owned as to 72.22% and 27.78% by Dr. Wang, its general partner, and Wu Gang (吳剛), a then Independent Third Party.

Series A Investments in January 2014

On January 31, 2014, Sinomags Beijing, Beijing Fangsheng, Ms. Zhai Jingli (翟京麗) (“**Ms. Zhai**”), Bengbu Lesi, Bengbu Xinda, Dr. Wang, Dr. Mao, and Dr. Bai entered into a capital increase agreement, pursuant to which Beijing Fangsheng and Ms. Zhai agreed to subscribe for increased registered share capital of RMB956,250 and RMB450,000 of Sinomags Beijing at the consideration of RMB17,000,000 and RMB8,000,000, respectively. As it was agreed by the parties to the capital increase agreement that Sinomags Beijing would acquire the entire issued share capital of Ningbo Sinomags after completion of the Series A Investment, the consideration for the capital increase was determined with reference to the then valuation of Ningbo Sinomags, which was agreed upon by the investors and the founding team of Ningbo Sinomags prior to the transfer of the entire share capital of Ningbo Sinomags to Ms. Lu Fei as detailed above.

Termination of nominee arrangement

Following the completion of our Series A Investments in January 2014, on March 15, 2014, for the purpose of unwinding the nominee arrangement, Sinomags Beijing entered into an equity transfer agreement with Lu Fei, pursuant to which Lu Fei agreed to sell and Sinomags Beijing agreed to buy the entire issued share capital of Ningbo Sinomags at a consideration of RMB14,723,691.42. The consideration was determined with reference to then valuation of Ningbo Sinomags. Upon completion of the aforesaid transfer, the nominee arrangement between Lu Fei and Sinomags Beijing was terminated. As of the Latest Practicable Date, to the best knowledge of the Directors, there had been no legal proceedings between Lu Fei on one part, and Sinomags Beijing on the other in respect of the aforementioned nominee arrangement. Our PRC Legal Advisor has confirmed that both the nominee arrangement and the termination thereof comply with all applicable mandatory PRC laws and regulations.

(2) As of the date of establishment of Sinomags Beijing, Bengbu Lesi was owned as to 47.56%, 29.27% and 23.17% by Dr. Wang its general partner, Dr. Mao its limited partner and Dr. Bai its limited partner, respectively. Bengbu Xinda was owned as to 72.22% and 27.78% by Dr. Wang, its general partner, and Wu Gang (吳剛), a then Independent Third Party.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Reorganization of group structure

On December 5, 2015, Sinomags Beijing and each of the then shareholders of Sinomags Beijing, consisting of Bengbu Lesi, Bengbu Xinda, Beijing Fangsheng and Ms. Zhai, entered into an equity transfer agreement, pursuant to which Sinomags Beijing agreed to sell, and each of Bengbu Lesi, Bengbu Xinda, Beijing Fangsheng and Ms. Zhai agreed to purchase 49.37%, 12.17%, 26.15% and 12.31% of the issued share capital of Ningbo Sinomags at the consideration of RMB13,287,289.45, RMB3,275,396.246, RMB7,037,930.31 and RMB3,313,075.41, respectively. The last payment date of the consideration was December 18, 2015. The transaction was to replicate the shareholding structure of Sinomags Beijing in Ningbo Sinomags, but the shareholding percentages of Bengbu Lesi, Bengbu Xinda, Beijing Fangsheng and Ms. Zhai in Ningbo Sinomags did not align with the respective shareholding percentages in Sinomags Beijing due to inadvertent calculation, which was subsequently adjusted by way of share transfer and conversion of capital reserve into share capital. See “— 4. Series B-1 Investments and Transfer during December 2015 to April 2016.

Following the completion of the reorganization above, Sinomags Beijing ceased to have any interest in Ningbo Sinomags, and each of the then shareholder of Sinomags Beijing became a shareholder of Ningbo Sinomags.

2. Series B-1 Investments and Transfer during December 2015 to April 2016

Series B-1 Investments

On September 8, 2015, Ningbo Saibao Venture Capital Partnership Enterprise (Limited Partnership) (寧波賽寶創業投資合夥企業(有限合夥)) (“**Ningbo Saibao**”), Julong Co., Ltd. (聚龍股份有限公司) (“**Julong**”) and Beijing Zhongguancun Beidou Equity Investment Center (Limited Partnership) (北京中關村北斗股權投資中心(有限合夥)) (“**Beijing Beidou**”), Dr. Wang, Dr. Mao, Dr. Bai and the then shareholders of Sinomags Beijing entered into a capital subscription and increase agreement with Ningbo Sinomags and other then shareholders of Ningbo Sinomags, pursuant to which, Ningbo Saibao, Julong and Beijing Beidou agreed to subscribe for an increased registered capital of RMB4,945,543, RMB1,236,386 and RMB1,236,386 of Ningbo Sinomags for the consideration of RMB20,000,000, RMB5,000,000 and RMB5,000,000, respectively (the “**Series B-1 Investments**”). The consideration for the capital increase was determined with reference to the pre-money valuation of Ningbo Sinomags. On April 1, 2026, Ningbo Saibao, Julong and Beijing Beidou, Bengbu Lesi, Bengbu Xinda, Beijing Fangsheng and Ms. Zhai entered into a supplemental agreement to the capital subscription and increase agreement, pursuant to which each of Bengbu Lesi, Bengbu Xinda and Beijing Fangsheng agreed to subscribe for the increased registered capital at the nominal value of the registered capital of Ningbo Sinomags and the adjustment due to inadvertent calculation.

Transfer in April 2016

On April 25, 2016, Bengbu Xinda and Bengbu Lesi entered into an equity transfer agreement, pursuant to which Bengbu Xinda agreed to sell and Bengbu Lesi agreed to purchase the registered capital of RMB352,123 of Ningbo Sinomags at a nominal consideration of RMB352,123 (“**April 2016 Transfer**”). The consideration was determined with reference to the nominal value of the registered capital of Ningbo Sinomags. The consideration was settled on July 21, 2025. The reason of the April 2016 Transfer was to adjust the inadvertent shareholding percentage following the completion of the Series A Investments.

3. Series B-2 Investments

On April 30, 2016, Beijing Haiju Zhuli Entrepreneurship Investment Center (Limited Partnership) (北京海聚助力創業投資中心(有限合夥)) (“**Beijing Zhuli**”), Ningbo Saizhi Yunsheng New Materials Venture Capital Partnership (Limited Partnership) (寧波賽智韻升創業投資合夥企業(有限合夥))

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(“**Saizhi Yunsheng**”), Ningbo Saibao, Beijing Beidou, Julong, Dr. Wang, Dr. Mao and Dr. Bai and the then remaining shareholders of Ningbo Sinomags entered into a capital increase agreement, pursuant to which Beijing Zhuli, Saizhi Yunsheng and Beijing Beidou agreed to subscribe for the increased registered capital of Ningbo Sinomags of RMB2,472,772, RMB1,236,386 and RMB1,236,386 at a consideration of RMB10,000,000, RMB5,000,000 and RMB5,000,000, respectively (the “**Series B-2 Investments**”). The consideration was determined with reference to the pre-money valuation of Ningbo Sinomags.

4. Transfers in June 2020

On June 6, 2020, Beijing Fangsheng³, Li Yong (an employee of Ningbo Sinomags and an Independent Third Party), and Bengbu Lesi signed a triparty agreement. Under the agreement, Beijing Fangsheng sold its registered capital of RMB8,407,422 in Ningbo Sinomags and Li Yong purchased it for RMB27,000,000. The consideration was determined based on the post-money valuation of Ningbo Sinomags, with an approximately 20% discount applied due to lack of marketability. The final payment was due by June 29, 2020. The transfer was made because Beijing Fangsheng had entered its divestment period and needed to realize its investment in Ningbo Sinomags.

On June 28, 2020, Li Yong, Beijing Zhuli and Mr. Sun entered into an equity transfer agreement, pursuant to which Li Yong agreed to sell and each of Beijing Zhuli and Sun Yiqiang (孫義強) (“**Mr. Sun**”) agreed to purchase the registered capital of Ningbo Sinomags of RMB4,280,142 and RMB4,127,280 (RMB8,407,422 in aggregate) at the consideration of RMB14,000,000 and RMB13,500,000, respectively. Pursuant to a supplemental agreement entered into by and among Li Yong, Beijing Zhuli and Mr. Sun on May 30, 2024, the consideration payable by each of Beijing Zhuli and Mr. Sun was revised to RMB13,806,547 and RMB13,313,453, respectively. The aggregate consideration of RMB27,120,000 paid by Beijing Zhuli and Mr. Sun included the consideration of RMB27,000,000 for the transaction between Li Yong and Beijing Fangsheng and the related tax and expenses of RMB120,000. The said consideration was fully settled on June 29, 2020 and the relevant industrial and commercial registration was completed in October 2021. Upon completion of the aforesaid share transfer and the relevant industrial and commercial registration, the nominee arrangement among Li Yong, Beijing Zhuli and Mr. Sun was terminated. To the best of the knowledge of the Directors, Mr. Li Yong was a nominee shareholder of Beijing Zhuli and Mr. Sun in respect of the registered share capital of RMB8,407,422 of Ningbo Sinomags acquired by Li Yong from Beijing Fangsheng, and the nominee arrangement was established for the purpose of shortening the negotiation process and speeding up the transaction. The consideration of RMB27,000,000 paid by Li Yong was financed by Beijing Zhuli and Mr. Sun.

As of the Latest Practicable Date, to the best knowledge of the Directors, there had been no legal proceedings between Mr. Li Yong on one part, and each of Beijing Zhuli and Mr. Sun on the other in respect of the aforementioned nominee arrangement. Our PRC Legal Advisor has confirmed that both the nominee arrangement and the termination thereof comply with all applicable mandatory PRC laws and regulations.

(3) As of June 6, 2020, Beijing Fangsheng was owned as to 0.86% by Beijing Fangsheng Venture Capital Management Center (Limited Partnership) (北京芳晟創業投資管理中心(有限合夥)) (“**Beijing Fangsheng VC**”), its executive partner, and twelve limited partners each being a then Independent Third Party and each held not more than 30.00% partnership interest therein. Beijing Fangsheng VC was owned as to (i) 30.00% by Jiasheng Xingye (Beijing) Equity Investment Management Co., Ltd. (嘉盛興業(北京)股權投資管理有限公司) which was owned as to 70.00% and 30.00% by Ge Sheng (葛晟) and Zhao Jing (趙靖), both being an Independent Third Party; and (ii) 70.00% by Yu Miao (于淼), an Independent Third Party.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

5. Reorganization

Establishment of our Company

On December 14, 2018, our Company was established as a limited liability company under the laws of the PRC in Bengbu with an initial registered share capital of RMB10,000,000. As of the date of our establishment, our Company was wholly owned by Wuxi Lertech, which was a then subsidiary of Ningbo Sinomags.

Mirroring the shareholding structure of Ningbo Sinomags and our Company

After a minor equity transfer between Wuxi Lertech and Dr. Wang in June and July 2020, on July 30, 2021, Wuxi Lertech, Bengbu Lesi, Bengbu Xinda, Ms. Zhai, Li Yong, Ningbo Saibao, Beijing Beidou, Beijing Zhuli, Julong, and Saizhi Yunsheng entered into an equity transfer agreement, pursuant to which Wuxi Lertech agreed to transfer to Bengbu Lesi, Bengbu Xinda, Ms. Zhai, Li Yong, Ningbo Saibao, Beijing Beidou, Beijing Zhuli, Julong and Saizhi Yunsheng the registered capital of our Company of RMB3,344,444, RMB800,000, RMB888,889, RMB1,888,888, RMB1,111,111, RMB555,556, RMB555,556, RMB277,778 and RMB277,778, respectively, all of which at nil consideration. The consideration of the aforementioned transfers was determined with reference to fair value of our Company as of the date of the aforementioned equity transfer agreement. The equity transfer was completed on August 12, 2021. On September 8, 2021, each of the then shareholders of Ningbo Sinomags and our Company entered into an equity transfer agreement, pursuant to which each of the then shareholders of Ningbo Sinomags agreed to transfer their equity interest in Ningbo Sinomags to our Company. In consideration of the then shareholders of Ningbo Sinomags agreeing to transfer their equity interest therein to our Company, on September 10, 2021, our Company passed a shareholders’ resolution, pursuant to which it was approved that the registered capital of our Company shall be increased to RMB44,386,061, and the increased registered capital of RMB34,386,061 of our Company were subscribed by all the then shareholders of Ningbo Sinomags at nominal consideration in proportion to their respective shareholding in Ningbo Sinomags. The allotment and issue of Shares by our Company to each of the then shareholders of Ningbo Sinomags were completed on September 15, 2021.

6. Series C Investments

On June 26, 2019, Anhui Saizhi Bole Private Equity Fund Management Co., Ltd. (安徽賽智伯樂私募基金管理有限公司) (“**Anhui Saizhi**”), Anhui High Tech Cyber Electronic Information Industry Investment Fund (Limited Partnership) (安徽高新賽伯樂電子信息產業投資基金(有限合夥)) (“**Anhui High Tech Cyber**”), Beijing Beidou, Beijing Zhuli, Hefei Saizhi No. 1 Venture Capital Center Partnership (Limited Partnership) (合肥賽智壹號創業投資中心合夥企業(有限合夥)) (“**Saizhi No. 1**”) and Anhui Anyuan Innovation Venture Capital Fund Co., Ltd. (安徽安元創新風險投資基金有限公司) (“**Anhui Anyuan**”) (collectively, the “**Series C Investors**”), and the then shareholders of Wuxi Lertech entered into a capital subscription and increase agreement with Wuxi Lertech, pursuant to which Anhui Saizhi, Anhui High Tech Cyber, Saizhi No. 1, Anhui Anyuan, Beijing Beidou and Beijing Zhuli agreed to subscribe for the increased registered capital of our Company at a consideration of RMB50,000,000, RMB20,000,000, RMB7,500,000, RMB7,500,000, RMB10,000,000 and RMB5,000,000 (the “**Series C Investments**”). The consideration for the capital increase was determined with reference to the pre-money valuation of our Company.

Due to the need of reorganization of the assets and shareholding structure of Wuxi Lertech, Ningbo Sinomags and our Company, it was agreed that each of the Series C Investors shall pay an advance in the amount of RMB100,000,000 with reference to the pre-money valuation of our Company of RMB270,000,000 to Wuxi Lertech and such advance would be converted into the capital contribution to our Company upon completion of the reorganization of assets and shareholding structure.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On October 15, 2021, each of the Series C Investors, Wuxi Lertech and our Company entered into a debt transfer agreement, pursuant to which the parties thereto agreed to set off the consideration for the Series C Investments by way of debt in the sum of RMB100,000,000 owed by our Company to Wuxi Lertech, the effect of which was that our Company owed RMB100,000,000 to each of the Series C Investors. Thereafter, our Company passed a shareholders’ resolution on October 15, 2021, pursuant to which our Company agreed to increase our registered capital by RMB16,439,282, among which RMB8,219,641, RMB3,287,856, RMB1,232,946, RMB1,232,946, RMB1,643,928 and RMB821,965 shall be allotted and issued to Anhui Saizhi, Anhui High Tech Cyber, Saizhi No. 1, Anhui Anyuan, Beijing Beidou and Beijing Zhuli, respectively, in consideration of their respective discharge and release of the debt in the aggregate amount of RMB100,000,000.

Nominee Arrangement of Anhui Saizhi

To the best of the knowledge of our Directors, Anhui Saizhi was a nominee shareholder of Bengbu Jiuyou Innovation Industry Equity Investment Fund Partnership Enterprise (Limited Partnership) (蚌埠久有創新產業股權投資基金合夥企業(有限合夥)) (“**Bengbu Jiuyou**”) in respect of the registered share capital of our Company of RMB8,219,641 and the nominee arrangement was established for the purpose of speeding up the transaction process. The consideration of RMB50,000,000 was settled by Bengbu Jiuyou. As of the date of the capital subscription and increase agreement, Bengbu Jiuyou was controlled by its executive partner, Shanghai Jiuyou Private Equity Fund Management Co., Ltd. (上海久有私募基金管理有限公司), which was owned as to 55.00% by Liu Xiaolong (劉小龍) and other shareholders each holding not more than 30.00% equity interest therein, and each of the them being an Independent Third Party.

In July 2019, Bengbu Jiuyou and Anhui Saizhi entered into a nominee agreement (the “**Bengbu Jiuyou Nominee Agreement**”), pursuant to which Bengbu Jiuyou appointed Anhui Saizhi as its nominee shareholder for the former’s investment in the sum of RMB50,000,000 in Ningbo Sinomags, and the latter shall act as a nominee shareholder of the former.

On February 10, 2023, Bengbu Jiuyou and Anhui Saizhi entered into a supplemental agreement to the Bengbu Jiuyou Nominee Agreement, pursuant to which Bengbu Jiuyou and Anhui Saizhi agreed that the nominee arrangement shall be unwound by transferring the registered share capital in accordance with market-oriented pricing mechanism.

On February 27, 2023, Anhui Saizhi sold the registered capital of RMB8,219,641 to Bengbui Huarui Technology at a consideration of RMB181,042,435, thereby formally terminating the nominee arrangement.

As of the Latest Practicable Date, to the best knowledge of the Directors, there had been no legal proceedings between Anhui Saizhi on one part, and Bengbu Jiuyou on the other in respect of the aforementioned nominee arrangement. Our PRC Legal Advisor has confirmed that both the nominee arrangement and the termination thereof comply with all applicable mandatory PRC laws and regulations.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

7. Transfers in October 2021

On October 31, 2021, a number of transfers of the registered capital of our Company took place. The table below set forth the summary of the equity transfers:

Transferor	Transferee	Consideration	Amount of registered capital	Cost per RMB1 of the registered capital	Date of last payment of the consideration
		(RMB)	(RMB)	(RMB)	
Beijing Zhuli	Hefei Renchuang Investment Management Center (Limited Partnership) (合肥仁創投資管理中心(有限合夥)) (“Hefei Renchuang”)	9,200,000	1,190,624	7.727	November 8, 2021
Saizhi Yunsheng	Hefei Renchuang	2,300,000	297,656	7.727	November 8, 2021
Saizhi Yunsheng	Hefei Renyuan Investment Management Center (Limited Partnership) (合肥仁元投資管理中心(有限合夥)) (“Hefei Renyuan”)	2,400,000	310,597	7.727	November 8, 2021
Ningbo Saibao	Hefei Renyuan	9,100,000	1,177,682	7.727	November 8, 2021

The considerations for the aforementioned transfers were determined based on the respective arm’s length negotiation between the transferors and the transferees and the then valuation of our Company, the revenue of our Company and the then market outlook. The reason of the above transfers was the desire of Hefei Renchuang and Hefei Renyuan of investing in our Company and Beijing Zhuli, Saizhi Yunsheng and Ningbo Saibao’s desire to realize some of their investment.

8. Series D Investments and its Follow-on Investments

On April 21, 2021, FIIF, Zibo Huijia Huisheng Equity Investment Fund Partnership Enterprise (Limited Partnership) (淄博匯嘉匯盛股權投資基金合夥企業(有限合夥)) (“Zibo Huijia Huisheng”), Nanjing Haiju Zhuli Entrepreneurship Investment Center (Limited Partnership) (南京海聚助力創業投資中心(有限合夥)) (“Nanjing Zhuli”), Hefei Saizhi Fangxing Equity Investment Partnership Enterprise (Limited Partnership) (合肥賽智方興股權投資合夥企業(有限合夥)) (“Hefei Saizhi Fangxing”), Shanghai Hushan Puxin Venture Capital Center (Limited Partnership) (上海湖 杉浦芯創業投資中心(有限合夥)) (“Hushan Puxin”), Ningbo Zhenhai Huizhi Angel Investment Partnership Enterprise (Limited Partnership) (寧波市鎮海匯智天使投資合夥企業(有限合夥)) (“Zhenhai Huizhi”) and Ningbo Yujun Equity Investment Partnership (Limited Partnership) (寧波與君股權投資合夥企業(有限合夥)) (“Yujun Investment”) entered into a capital subscription and increase agreement with our Company and other then Shareholders, pursuant to which FIIF, Zibo Huijia Huisheng, Hefei Saizhi Fangxing, Hushan Puxin, Zhenhai Huizhi, and Yujun Investment agreed to subscribe for the increased registered capital of our Company of RMB11,296,136, RMB1,737,867, RMB1,737,867, RMB868,933, RMB920,600, RMB868,933 at a consideration of RMB130,000,000, RMB20,000,000, RMB20,000,000, RMB10,000,000, RMB10,594,600 and RMB10,000,000, respectively (the “Series D Investments”). The consideration for the capital increase was determined based on commercial negotiation with reference to the pre-money valuation of our Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On January 11, 2022, Zhuhai Juntai Yingfeng Investment Center (Limited Partnership) (珠海君泰盈豐投資中心(有限合夥)) (“**Juntai Yingfeng**”) entered into a supplemental agreement to the capital increase agreement of Series D Investments with the then Shareholders, pursuant to which Juntai Yingfeng agreed to subscribe for the increased registered capital of RMB1,737,867 at a consideration of RMB20,000,000. The consideration of the follow on investment was determined based on commercial negotiation with reference to the pre-money valuation of our Company immediately prior to the completion of our Series D Investments.

9. Grant of Equity Incentive in May 2022

On May 7, 2022, our Company, Dr. Wang and Bengbu Huajing Technology Center Partnership (Limited Partnership) (蚌埠華晶技術中心合夥企業(有限合夥)) (“**Bengbu Huajing**”) entered into a capital increase agreement, pursuant to which Dr. Wang and Bengbu Huajing agreed to subscribe for the increased registered capital of our Company of RMB5,404,969 and RMB5,404,969 at a consideration of RMB25,000,000 and RMB25,000,000, respectively. The capital increase was conducted for the grant of share awards to our employees. For details of our employee shareholding platforms, see “— Employee Shareholding Platforms.”

10. Transfers during March 2022 to December 2022

During the period from March 2022 to December 2022, a number of transfers of the registered capital of our Company took place. The table below set forth the summary of the equity transfers:

Date of equity transfer agreement	Transferor	Transferee	Consideration	Amount of registered capital	Cost per RMB1 of the registered capital	Date of last payment of the consideration
			(RMB)	(RMB)	(RMB)	
March 31, 2022 ⁽²⁾	Dr. Wang	Xiamen Huiyou Haojia Equity Investment Partnership (L.P.) (廈門市惠友豪嘉股權投資合夥企業(有限合夥)) (“ Huiyou Haojia ”)	17,000,000	1,591,401	10.68	April 8, 2022
May 12, 2022 ⁽¹⁾	Bengbu Xinda	Hefei Renyuan	3,500,000	452,906	7.728	May 24, 2022
	Bengbu Xinda	Hefei Renchuang	3,500,000	452,906	7.728	May 24, 2022
	Bengbu Xinda	Hefei Renci Equity Investment Partnership (Limited Partnership) (合肥仁磁股權投資合夥企業(有限合夥)) (“ Hefei Renci ”)	2,400,000	310,695	7.725	May 23, 2022
May 15, 2022 ⁽²⁾	Dr. Wang	Juntai Yingfeng	10,200,000	954,841	10.68	May 27, 2022
September 23, 2022 ⁽³⁾	Beijing Beidou	Shenzhen Maison Haoyu Equity Investment Fund Partnership (L.P.) (深圳市麥星瀚昱股權投資基金合夥企業(有限合夥)) (“ Maison Haoyu ”)	90,522,000	4,109,821	22.03	September 29, 2022

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Date of equity transfer agreement	Transferor	Transferee	Consideration	Amount of registered capital	Cost per RMB1 of the registered capital	Date of last payment of the consideration
			(RMB)	(RMB)	(RMB)	
September 30, 2022 ⁽³⁾	Ms. Zhai	Qingdao Jinyue Venture Capital Fund Partnership (Limited Partnership) (青島錦岳助力創業投資基金合夥企業(有限合夥)) (“Jinyue Zhuli”)	35,000,000	1,589,061	22.03	October 17, 2022
September 30, 2022 ⁽³⁾	Julong	Huiyou Haojia	27,156,000	1,232,947	22.03	October 31, 2022
September 30, 2022 ⁽³⁾	Anhui Anyuan	Xuzhou Huijia No.2 New Energy Industry Investment Fund Partnership Enterprise (Limited Partnership) (徐州匯嘉貳號新能源產業投資基金合夥企業(有限合夥)) (“Huijia No.2”)	27,156,868	1,232,946	22.03	November 1, 2022
December 26, 2022 ⁽¹⁾	Bengbu Huajing	Jintai VC	15,000,000	681,026	22.03	February 6, 2023
December 26, 2022 ⁽¹⁾	Bengbu Huajing	Zibo Huijia Huili Equity Investment Fund Partnership (Limited Partnership) (淄博匯嘉匯利股權投資基金合夥企業(有限合夥)) (“Zibo Huijia Huili”)	10,000,000	454,017	22.03	January 3, 2023

Notes

- (1) The reason of the transfer was due to Dr. Wang’s needs of liquidity and the transferees’ intention to increase its investment in our Company with reference to the then pre-money valuation and certain discount based on commercial negotiation.
- (2) The transfers were due to the intention of Huiyou Haojia’s intention to invest in existing Shares, and the consideration was determined based on the post-money valuation of our Company after the completion of our Series D Investments.
- (3) The transfers were due to the intention of the relevant transferees to invest in our Company and the consideration was determined based on the valuation of our Company immediately prior to our Series E Investments and a 20.00% discount due to lack of marketability. The considerations for the aforementioned transfers were determined based on the respective arm’s length negotiation between the transferors and the transferee and the then valuation of our Company.

11. Series E Investments, Series E+ Investments and Transfers in 2023

Series E Investments

On October 11, 2022, FIIF, Xuzhou Huijia No.1 New Energy Industry Investment Fund Partnership Enterprise (Limited Partnership) (徐州匯嘉壹號新能源產業投資基金合夥企業(有限合夥)) (“Huijia No. 1”), Anyi Huijia No.2 New Energy Industry Investment Fund Partnership Enterprise (Limited Partnership) (徐州匯嘉貳號新能源產業投資基金合夥企業) (“Huijia No. 2”), Huiyou Haojia, Shenzhen Hefeng Venture Capital Enterprise (Limited Partnership) (深圳市合豐創業投資企業(有限合夥)) (“Hefeng VC”), Wuhu Jishi Yitian Xinchuang Equity Investment Partnership Enterprise (Limited Partnership) (蕪湖基石逸添信創股權投資合夥企業(有限合夥)) (“Jishi Yitian”), Qingdao Jinyue Huazhang Venture Capital Fund Partnership (Limited Partnership) (青島錦岳華章創業投資基金合夥企業(有限合夥)) (“Jinyue Huazhang”), Qingdao Jinyue Hesheng Venture Capital Fund Partnership (Limited Partnership) (青島錦岳合盛創業投資基金合夥企業(有限合夥)) (“Jinyue Hesheng”), Qingdao Jinghui Venture Capital Fund Partnership (Limited Partnership) (青島璟匯創業投資基金合夥企業(有限合夥)) (“Jinghui VC”), and Xuzhou Huijia No.3 New Energy Industry Investment Fund Partnership Enterprise (Limited Partnership) (徐州匯嘉叁號新能源產業投資基金合夥企業(有限合夥)) (“Huijia No. 3”), entered into equity transfer agreements with the Company to acquire Shares.

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合夥)) (“**Jinghui VC**”) and Nanjing Dingwei Lede Intelligent Manufacturing Industry Investment Fund Partnership Enterprise (Limited Partnership) (南京鼎為樂德智造產業投資基金合夥企業(有限合夥)) (“**Dingwei Lede**”) (collectively, the “**Series E Investors**”), entered into an investment agreement with our Company and other then Shareholders, pursuant to which FIIF, Huijia No. 1, Huijia No. 2, Huiyou Haojia, Hefeng VC, Jishi Yitian, Jinyue Huazhang, Jinyue Hesheng, Jinghui VC and Dingwei Lede agreed to subscribe for the increased registered capital of our Company of RMB6,901,064, RMB3,632,139, RMB908,035, RMB1,816,070, RMB871,713, RMB1,816,070, RMB1,816,070, RMB1,180,445, RMB1,180,445 and RMB1,089,642 at a consideration of RMB190,000,000, RMB100,000,000, RMB25,000,000, RMB50,000,000, RMB24,000,000, RMB50,000,000, RMB50,000,000, RMB32,500,000, RMB32,500,000 and RMB30,000,000, respectively (the “**Series E Investments**”). The consideration for the capital increase was determined with reference to the pre-money valuation of our Company.

Series E+ Investments

On December 2, 2022, Wuxi Xichuanglian Industrial Investment Partnership (Limited Partnership) (無錫希創聯產業投資合夥企業(有限合夥)) (“**Xichuanglian**”), Zhejiang Electric Drive Innovation Center Co., Ltd. (浙江電驅動創新中心有限公司) (“**Zhejiang Electronic Drive**”) and Hainan Jintai Venture Capital Partnership Enterprise (Limited Partnership) (海南錦泰投資合夥企業(有限合夥)) (“**Jintai VC**”) entered into an investment agreement with our Company and other then Shareholders, pursuant to which Xichuanglian, Zhejiang Electronic Drive and Jintai VC agreed to subscribe for the increased registered capital of our Company of RMB1,387,477, RMB363,214 and RMB1,452,856 at a consideration of RMB38,200,000, RMB10,000,000 and RMB40,000,000, respectively (the “**Series E+ Investments**”). The consideration for the capital increase was determined with reference to the pre-money valuation of our Company.

Transfers in 2023

In February 2023, a number of transfers of the registered capital of our Company took place (the “**2023 Transfers**”). The table below set forth the summary of the equity transfers:

Date of equity transfer agreement	Transferor	Transferee	Consideration	Amount of registered capital	Cost per RMB1 of the registered capital	Date of last payment of the consideration
			(RMB)	(RMB)	(RMB)	
February 15, 2023 ⁽³⁾	Anhui Saizhi	蚌埠華瑞科技中心(有限合夥) Bengbu Huarui Technology Center (Limited Partnership) (“ Bengbu Huarui Technology ”)	181,042,435	8,219,641	22.03	March 8, 2023
February 15, 2023	Ms. Zhai	Nanjing Zhuli	5,000,000	227,009	22.03	February 22, 2023
February 15, 2023 ⁽¹⁾	Bengbu Huajing	Hangzhou Saizhi Wentao Equity Investment Partnership (Limited Partnership) (杭州賽智聞濤股權投資合夥企業(有限合夥)) (“ Saizhi Wentao ”)	40,000,000	1,816,069	22.03	March 7, 2023

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Date of equity transfer agreement	Transferor	Transferee	Consideration	Amount of registered capital	Cost per RMB1 of the registered capital	Date of last payment of the consideration
			(RMB)	(RMB)	(RMB)	
February 20, 2023 ⁽²⁾	Bengbu Huajing	Bengbu Hua'an Technology Center (Limited Partnership) (蚌埠華安科技中心(有限合夥)) (“Bengbu Huaan”)	500,000	108,099	4.625	September 8, 2023
February 20, 2023 ⁽⁴⁾	Dr. Wang	Juntai Yingfeng	19,800,000	917,769	21.57	May 27, 2022
February 20, 2023 ⁽⁴⁾	Dr. Wang	Huiyou Haojia	33,000,000	1,529,615	21.57	April 8, 2022
February 28, 2023 ⁽⁵⁾	Hefei Renchuang	Xiamen Nuoyan Baoying Investment Partnership (Limited Partnership) (廈門諾延保贏投資合夥企業(有限合夥)) (“Xiamen Nuoyan”)	16,033,410	647,062	24.78	March 28, 2023
February 28, 2023 ⁽⁵⁾	Hefei Renyuan	Xiamen Nuoyan	16,033,410	647,062	24.78	March 27, 2023
February 28, 2023 ⁽⁵⁾	Hefei Renci	Xiamen Nuoyan	2,566,438	103,574	24.78	March 27, 2023

Notes

- The transfers were due to Dr. Wang’s need of liquidity for the purpose of financing the capital increase of Bengbu Huarui Technology and the transferees’ desire to invest in our Company. The consideration was determined with reference to the then valuation of our Company.
- The transfer was due to the establishment of an employee shareholding platform as the then existing employee shareholding platforms exceeded the maximum number of limited partners under applicable PRC laws and our Company needed to establish Bengbu Huaan as a new employee shareholding platform. The consideration was determined with reference to the original acquisition cost paid by Bengbu Huajing.
- For details on the termination of nominee arrangement between Anhui Saizhi and Bengbu Jiuyou, see “— Establishment and Major Shareholding Changes of Our Company — 6. Series C Investments — Nominee Arrangement of Anhui Saizhi.”
- The transfers were due to Dr. Wang’s desire to divest and the transferees’ desire to invest in our Company. The consideration was determined with reference to the then pre-money valuation of our Company. The amount of RMB19,800,000 and RMB33,000,000 were made as a loan to Dr. Wang on May 27, 2022 and April 8, 2022, respectively, and was converted as the registered capital of our Company in the amount of RMB917,769 and RMB1,529,615, respectively, on February 20, 2023.
- The transfers were due to the transferors’ desire to divest and the transferees’ desire to invest in the existing Shares. The consideration was determined based on the then valuation of our Company and a 10.00% discount based on the commercial negotiation between the transferors and the transferees.

The consideration for the transfer were determined based on the respective arm’s length negotiation between the transferors and the transferee and the then valuation of our Company.

12. Conversion into a Joint Stock Limited Company in August 2023

On August 31, 2023, our Company was converted from a limited liability company into a joint stock limited company and renamed as Anhui Sinomags Technology Co., Ltd. (安徽希磁科技股份有限公司) with 115,218,724 issued Shares of RMB1.00 each.

For the shareholding structure of our Company upon completion of the conversion, see “— Shareholding of our Company.”

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OUR PRINCIPAL SUBSIDIARIES

The following subsidiaries made a material contribution to our results of operation during the Track Record Period:

Name of principal subsidiary	Place of incorporation	Date of incorporation	Ownership as of the Latest Practicable Date	Principal business activities
Ningbo Sinomags	Chinese mainland	February 20, 2013	100.00%	Production of automotive grade products
Wuxi Lertech ⁽¹⁾	Chinese mainland	September 14, 2009	100.00%	Research and development center
Wuxi Este Magnetic	Chinese mainland	August 29, 2023	44.94%	Production of robotic grade products
Anhui Xinst	Chinese mainland	November 20, 2023	70.00%	Production of integrated circuits, electronics and packaging products.
Sensitec GmbH.	Germany	December 18, 1998	100.00%	Development, production, and marketing of sensor chips and sensor systems.

Ongoing Shareholders’ Dispute at Wuxi Lertech

As of the Latest Practicable Date, there has been an ongoing shareholders’ dispute at Wuxi Lertech (the “**Dispute**”), which involves Wuxi Lertech, Dr. Wang and Ningbo Sinomags (collectively, the “**Defendants**”). The details of the Dispute are set out below.

History of Wuxi Lertech and the relationship between Dr. Wang and Mr. Xue

Wuxi Lertech was founded on September 14, 2009, by Dr. Wang and Mr. Xue Songshen (薛松生) (“**Mr. Xue**”), an American magnetic research specialist, as a technology venture, focusing on magnetic sensor research and development. In light of Mr. Xue’s American nationality and the relevant foreign investment restrictions in the PRC, Mr. Xue nominated his mother, Ms. Huang Chaoqiong (黄超瓊) (“**Ms. Huang**”), a Chinese national, to act as his nominee shareholder to avoid complications in Wuxi Lertech’s shareholding structure. As a result, Wuxi Lertech was initially owned 50% by Dr. Wang and 50% by Ms. Huang, and the total paid-in capital of RMB1.5 million was funded entirely by Dr. Wang, who contributed RMB0.75 million for his own shares and another RMB0.75 million on behalf of Ms. Huang (the “**Initial Capital Contribution**”) due to Mr. Xue’s inability to provide the required funding at the relevant time. As a nominee shareholder, Ms. Huang did not take part in the management of Wuxi Lertech. On the other hand, Mr. Xue was involved in the management of Wuxi Lertech and served as the chairman of the supervisory committee of Wuxi Lertech from December 15, 2009 to May 22, 2011. To facilitate the company’s operations, Dr. Wang routinely signed corporate documents of Wuxi Lertech on behalf of Ms. Huang to ensure operational efficiency. As part of this arrangement, Mr. Xue also provided Ms. Huang’s identification card to Dr. Wang when necessary.

(1) During the Track Record Period and as of the Latest Practicable Date, there has been an ongoing shareholders’ dispute on the equity interest of Wuxi Lertech. Our Directors are of the view that such dispute would not have any material adverse effect on our Group’s control over Wuxi Lertech, our business, financial condition and results of operations.

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Initial capital increase in Wuxi Lertech and establishment of Multidimension

On January 28, 2010, the registered capital of Wuxi Lertech was increased from RMB1.5 million to RMB4.5 million (the “**Initial Capital Increase**”) to reflect the aggregate capital contribution of RMB3.0 million made by two new shareholders, Wuxi New District Linghang Venture Capital Co., Ltd. (無錫新區領航創業投資有限公司) (“**Wuxi NDL VC**”) and Wuxi Venture Capital Co., Ltd. (無錫創業投資集團有限公司) (“**Wuxi Venture Capital**”), both of which are state-owned companies established under the laws of the PRC with limited liability. After the Initial Capital Increase, the shareholders of Wuxi Lertech consisted of Dr. Wang and Ms. Huang each holding 16.67% shares (with a corresponding capital contribution of RMB0.75 million from each), and Wuxi NDL VC and Wuxi Venture Capital Holding each holding 33.33% shares (with a corresponding capital contribution of RMB1.5 million from each).

Subsequent to the Initial Capital Increase, Dr. Wang, Mr. Xue along with other third parties established Multidimension Technology Co., Ltd. (江蘇多維科技有限公司) (“**Multidimension**”) in Zhangjiagang, the PRC on May 21, 2010 as another technology venture which focuses on the research and development, manufacturing and sales of magnetic sensor. Dr. Wang served as a director of Multidimension’s from May 21, 2010 to February 24, 2014 and never held any shares in Multidimension. Mr. Xue served as the director and general manager of Multidimension since May 21, 2010 and held an indirect stake in Multidimension. After the establishment of Multidimension, Wuxi NDL VC and Wuxi Venture Capital resolved to divest their respective shareholding in Wuxi Lertech and Mr. Xue left his role as the chairman of the supervisory committee of Wuxi Lertech on May 22, 2011 due to a non-compete clause in Multidimension’s articles of association, which prohibited the company’s general manager from participating in competing business activities.

Capital reduction and transfer of shares in Wuxi Lertech

Ms. Huang subsequently acquired the shares divested by Wuxi NDL VC and Wuxi Venture Capital on July 7, 2011 at an aggregate consideration of RMB3.225 million, with the acquisition funded entirely by interest-free loans provided by Wuxi Lertech to Ms. Huang (the “**Acquisition Loans**”). Following the completion of the share transfer, Wuxi Lertech was held as to 16.67% by Dr. Wang (with a corresponding capital contribution of RMB0.75 million) and 83.33% by Ms. Huang (with a corresponding capital contribution of RMB3.75million).

To facilitate the exit of Mr. Xue from Wuxi Lertech due to non-compete restrictions stated above, a shareholders’ resolution at Wuxi Lertech was passed on September 29, 2011 (the “**Resolution**”), pursuant to which Ms. Huang’s RMB3.75 million capital contribution was cancelled and the registered capital of Wuxi Lertech was reduced from RMB4.5 million to RMB0.75 million. Following the Capital Reduction, Dr. Wang became the sole shareholder of Wuxi Lertech. Up to the date of the Capital Reduction on September 29, 2011, Ms. Huang still owed to Wuxi Lertech the full sum of the Acquisition Loans and Wuxi Lertech lacked the necessary funding to repay Ms. Huang’s capital contribution. Therefore, on November 22, 2011, Multidimension, which Mr. Xue had control of, advanced RMB3.75 million (the “**Bridging Advances**”) to Ms. Huang, who then arranged at the instruction of Mr. Xue for the transfer of the Bridging Advances to Wuxi Lertech on the same day to repay the Initial Capital Contribution and to settle the Acquisition Loans. On November 24, 2011, Wuxi Lertech transferred the Bridging Advances to Ms. Huang as repayment of her capital contribution. At the instruction of Mr. Xue, Ms. Huang then arranged for the Bridging Advances to be transferred back to Multidimension, which Multidimension had received in full on April 27, 2012.

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Events prior to the shareholders’ dispute

After the Capital Reduction, the registered capital and ownership structure of Wuxi Lertech underwent further changes, beginning with a RMB1.5 million capital increase by Dr. Wang in December 2011, which increased the registered capital to RMB2.25 million. Dr. Wang subsequently transferred portions of his shares in Wuxi Lertech to Dr. Bai, Mr. Li Yong and other Independent Third Parties between March to July 2012. As part of the Group’s reorganization, all shares in Wuxi Lertech were later acquired by Sinomags Beijing in February 2014 and transferred to Ningbo Sinomags in September 2015. For details of the reorganization of the Group, see “History, Development and Corporate Structure — Establishment and Major Shareholding Changes of our Company- Reorganization”.

Due to management differences with Mr. Xue, Dr. Wang left Multidimension and was relieved of his directorship at Multidimension on February 24, 2014. Dr. Wang subsequently collaborated with Dr. Mao Sining, a fellow professional in magnetic research, to establish Ningbo Sinomags, focusing on high-end magnetic sensor research and development. For details of Ningbo Sinomags, see “History, Development and Corporate Structure — Establishment and Major Shareholding Changes of our Company — Early Development — Establishment of Ningbo Sinomags”.

Commencement of legal proceedings and first instance trial

On March 18, 2020, more than eight years after the Resolution was passed and the changes to the ownership structure of Wuxi Lertech had taken place, Ms. Huang, as the plaintiff, filed a lawsuit with the Binhu District People’s Court of Wuxi City, Jiangsu Province against the Defendants. Ms. Huang alleged that Dr. Wang signed the Resolution on her behalf without her consent, which infringed her rights as a shareholder of Wuxi Lertech. Mr. Xue, as a third party to the case, submitted to the court that Ms. Huang never held her shares as his nominee. Ms. Huang requested the court to (i) declare the Resolution invalid; (ii) order Wuxi Lertech to restore her 83.33% shareholding and shareholder status; (iii) if the second claim could not be fulfilled, order the Defendants to jointly pay her liquidated damages of approximately RMB16.7 million (the “**Liquidated Damages**”); and (iv) order the Defendants to pay her legal costs and expenses. On the other hand, the Defendants submitted to the court that (i) Ms. Huang lacked the capacity to sue as she was merely a nominee shareholder; (ii) the Resolution was duly executed as Dr. Wang had historical authority to sign corporate documents for Ms. Huang; and (iii) Ms. Huang failed to substantiate the basis of the Liquidated Damages. On October 19, 2020, the Binhu District People’s Court of Wuxi City, Jiangsu Province, issued a civil ruling to transfer the case to the Wuxi Intermediate People’s Court of Jiangsu Province and a first-instance judgment was rendered on November 15, 2021 which ruled that the Resolution was not validly formed and the remaining claims of Ms. Huang were dismissed.

Following the first-instance trial, Dr. Bai filed a petition with the Bengshan District People’s Court of Bengbu City (the “**Bengshan District People’s Court**”) in March, 2023, seeking affirmation of his ownership of shares in Wuxi Lertech which he had acquired after the Capital Reduction. The Bengshan District People’s Court rendered a judgment on May 30, 2023, affirming Dr. Bai’s ownership of his shares notwithstanding Ms. Huang’s challenges to the Resolution’s validity on the basis that Dr. Bai had acquired the shares in good faith and in compliance with applicable laws.

First appeal and second instance trial

Dissatisfied with the first-instance judgment, both Ms. Huang and Wuxi Lertech separately appealed to the Jiangsu High People’s Court. In her appeal, Ms. Huang’s primarily sought for the payment of the Liquidated Damages by the Defendants. Ms. Huang also reiterated in her submission that she was, at all relevant times, a shareholder of Wuxi Lertech. Wuxi Lertech’s appeal requested for, among others, the revocation of the first-instance judgment and dismissal of all of Ms. Huang’s claims or a remand for retrial. The Defendants submitted that Mr. Xue had participated in the capital reduction

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and they had neither infringed her rights nor caused her any loss. On December 10, 2023, the Jiangsu High People’s Court rendered a second-instance judgment which held that the Resolution was valid. The second-instance court upheld Wuxi Lertech’s appeal and ruled that (i) the first-instance judgment was revoked; and (ii) all claims of Ms. Huang were dismissed. The second-instance court also confirmed in its fact finding process that Ms. Huang held her shares as a nominee of Mr. Xue.

In addition to filing an appeal, Dr. Wang filed a separate action with the Bengshan District People’s Court in June, 2023, pursuant to which Dr. Wang petitioned the court to affirm his ownership of the shares held by Ms. Huang prior to the Capital Reduction on the basis that the Initial Capital Contribution was paid by him on behalf of Ms. Huang and the Acquisition Loans was arranged by Dr. Wang. The petition prompted the Bengshan District People’s Court to initiate a preliminary discovery process against Ms. Huang, which included interviews with Ms. Huang and Mr. Xue. Having received favourable judgment from the second instance court, Dr. Wang withdrew the action and the case was discontinued on December 28, 2023 with no judgment rendered.

Second appeal for retrial and latest development

On March 30, 2024, Ms. Huang submitted a petition for retrial to the Supreme People’s Court and requested the court to (i) revoke the second-instance judgment; (ii) rule that the Resolutions was invalid or non-existent; (iii) order the Defendants to pay her the Liquidated Damages; and (iv) require the Defendants to bear the first-instance and second-instance litigation costs. During the preliminary hearing held on December 9, 2024 (the “**Preliminary Hearing**”), the Defendants maintained that they are not liable for reasons previously submitted during the first and second instance trial. On December 25, 2024, the Supreme People’s Court issued a civil ruling, deciding to retry the case from the Jiangsu High People’s Court.

On April 2, 2025, Wuxi Lertech submitted a petition to the Supreme People’s Court and requested the court to take disciplinary action against Mr. Xue on the basis that Mr. Xue had initiated false litigations against the Defendants through Ms. Huang. The petition was grounded in the following key points: (i) Ms. Huang represented to both the first and second instance courts that no nominee arrangement existed and that she held her shares for her own benefit. However, this was directly contradicted by Mr. Xue, who confirmed during the Preliminary Hearing that Ms. Huang was, in fact, his nominee; (ii) Ms. Huang had admitted during an interview with the Bengshan District People’s Court in August 2023 that she does not know Dr. Wang personally and has never invested in Wuxi Lertech; and (iii) the legal representatives of Ms. Huang admitted during the Preliminary Hearing that (i) it was Mr. Xue who provided them with the civil petition, power of attorney and civil petition of appeal of the first and second instance trial instead of Ms. Huang and (ii) they did not witness Ms. Huang sign the aforesaid civil petition, power of attorney and civil petition of appeal.

As of the Latest Practicable Date, the parties to the Dispute are waiting for the retrial to be ordered by the Supreme People’s Court.

Directors’ views

The Directors, with the support of the Company’s special PRC legal advisor, Anhui Yufeng Law Firm (安徽禹風律師事務所) (the “**Special PRC Legal Advisor**”), are of the view that Ms. Huang will unlikely succeed in her claims against the Defendants. First, Ms. Huang never had the capacity to initiate the legal proceedings against the Defendants as she was merely a nominee shareholder of Mr. Xue, an arrangement which Mr. Xue confirmed during the Preliminary Hearing. Second, even if Ms. Huang had standing, her shareholder rights were never infringed. Dr. Wang’s act of signing the Resolution on Ms. Huang behalf was consistent with a long-standing practice where he acted for her, a fact known to and uncontested by Mr. Xue, who participated in the management of Wuxi Lertech. Furthermore, Mr. Xue’s arrangement for Multidimension to fund the capital repayment demonstrates his

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full awareness and consent to the Capital Reduction. Third, reinstating Ms. Huang as a shareholder is highly improbable even if the Resolution was invalid, given (i) there were significant changes in Wuxi Lertech’s shareholding structure, where subsequent shareholders such as Ningbo Sinomags have acquired Wuxi Lertech’s shares in good faith. As the trial records show, both the first and second instance courts have not ordered the Defendants to restore Ms. Huang’s shareholding. Notably, Ms. Huang herself only sought to invalidate the Resolution and did not request for the reinstatement of her shareholding in her petition to the Supreme People’s Court. As opined by the Special PRC Legal Advisor, the court would likely rule to preserve shareholder stability at Wuxi Lertech and to protect the right of bona fide shareholders; and (ii) Ms. Huang has claimed the Liquidated Damages in lieu of seeking restoration of her shareholding in Wuxi Lertech. This is reflected in the above stated judgment rendered by the Bengshan District People’s Court, which affirmed Dr. Bai’s ownership of shares in Wuxi Lertech despite challenges to the Resolution’s validity. Consequently, the shareholding structure of Wuxi Lertech, and by extension the Group, is expected to remain intact and unaffected by the Dispute. Fourth, Ms. Huang’s claim for Liquidated Damages is unsubstantiated as her capital contribution was fully repaid, resulting in no loss. As opined by the Special PRC Legal Advisor, any damages awarded to Ms. Huang, if any, will be based on Wuxi Lertech’s valuation at the time of the Resolution. Given that Wuxi Lertech was operating at a net loss at the relevant time, any damages awarded are likely to be minimal.

Given the low likelihood of success of Ms. Huang’s claims, the Directors are of the view that the Dispute will not result in any material legal or financial exposure to the Group. Accordingly, no provision has been made in the consolidated financial statements. As opined by the Special PRC Legal Advisor, even if Ms. Huang’s claim for damages is upheld by the court, in which case Wuxi Lertech may be liable for the payment of damages, the amount of damages awarded will be determined by the court and is unlikely to be substantial for the reasons stated above.

The Directors are also of the view that the Dispute will not have a material adverse effect on the Group’s business operations or financial position, even though it centers around Wuxi Lertech, a principal subsidiary of the Company during the Track Record Period. The total asset of Wuxi Lertech accounted for approximately 9.0%, 11.2%, 10.2% and 9.82% of our total assets in 2022, 2023, 2024 and the nine months ended September 30, 2025, respectively and the total revenue of Wuxi Lertech accounted for approximately 13.6%, 11.8%, 7.4% and 2.31% of our total revenue in 2022, 2023, 2024 and the nine months ended September 30, 2025, respectively. Wuxi Lertech has also been operating at a loss throughout the Track Record Period. As of the Latest Practicable Date, Wuxi Lertech, which is primarily responsible for conducting research and development activities, has not undertaken any major research and development projects or engaged in any material business operations and the Company has no plans to engage Wuxi Lertech in any upcoming business operations or strategic initiatives. Although Wuxi Lertech holds 12 registered patents in the PRC as of the Latest Practicable Date¹, such patents are not material to the Group’s business as they do not relate to the Group’s core technologies. Consequently, the Group’s overall business operations and financial position are expected to remain unaffected despite Wuxi Lertech’s involvement in the Dispute.

¹ One of the registered patents was subject to patent invalidation application by Multidimension in December 2023 and had its validity upheld by the PRC Patent Re-examination Board in July 2024. Multidimension has filed an administrative litigation against such decision. The relevant intellectual property court issued a first-instance administrative judgment dismissing Multidimension’s claims. In July 2025, Multidimension appealed the first-instance judgment. The appeal is still pending as of the Latest Practicable Date. Another one of the registered patents was subject to patent invalidation application by Multidimension in April 2024 and was declared partially invalid by the PRC Patent Re-examination Board in December 2024. For details, see “Business — Legal Proceedings and Compliance — Legal Proceedings.”

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Sponsor’s view

Based on the due diligence, the Sole Sponsor share the Directors’ view that the chances of the lawsuit succeeding is very low and will not materially impact the Group’s operations, financial condition, or [REDACTED] application.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We had no major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

On September 27, 2021, Sinomags Deutschland GmbH, a wholly-owned subsidiary of our Company established under the laws of Germany with limited liability, acquired the entire share capital in the amount of EUR1,500,000 of Beteiligungsgesellschaft Sensitec mbH (“BGS”) from Körber Automation GmbH and Dr. Rolf Slatter, each being an Independent Third Party, at a total consideration of EUR6.2 million. BGS was an investment holding company holding 100% of the equity interest in Sensitec GmbH which engages in the development, production and marketing of sensor chips and sensor systems. The consideration of the acquisition was determined with reference to the commercial negotiation with the counterparties and was settled in full on September 22, 2021. The reason of the transactions was to acquire the key technologies and wafer production capabilities held by Sensitec GmbH to strengthen our research and development and design capabilities. Following the completion of the acquisition, Sensitec GmbH became one of our principal subsidiaries.

Based on the advice of our German Legal Advisors, our Directors was of the view that the acquisition was properly and legally completed and settled, and all applicable regulatory approvals have been obtained.

COMPLIANCE WITH PRC LAWS AND REGULATIONS

Our PRC Legal Advisor has confirmed that we have legally and properly completed, settled, and obtained the requisite legal approvals and completed requisite governmental registrations or filings with relevant governmental authorities in the PRC with respect to all the aforesaid capital increases and equity transfers in all material respects.

[REDACTED] INVESTMENTS

1. Principal Terms of the [REDACTED] Investments

As of the Latest Practicable Date, we have received seven rounds of [REDACTED] Investments. The following table summarizes the key terms of the [REDACTED] Investments to our Company made by the [REDACTED] Investors:

Investment(s)	Date of agreement(s)	Last payment date of consideration	Registered capital subscribed for	Total amount of consideration	Cost per RMB1 of the registered capital/Share (approximation) ⁽¹⁾	[REDACTED] to the [REDACTED] (approximation) ⁽²⁾
			(RMB)	(RMB)	(RMB)	
Series A	January 31, 2014	March 5, 2014	1,406,250	25,000,000	17.78	[REDACTED]%
Series B-1	September 8, 2015	September 28, 2015	7,418,315	30,000,000	4.04	[REDACTED]%
Series B-2	April 30, 2016	May 30, 2016	4,945,544	20,000,000	4.04	[REDACTED]%
Series C	June 26, 2019	July 12, 2019	16,439,282	100,000,000	6.08	[REDACTED]%

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Investment(s)	Date of agreement(s)	Last payment date of consideration	Registered capital subscribed for	Total amount of consideration	Cost per RMB1 of the registered capital/Share (approximation) ⁽¹⁾	[REDACTED] to the [REDACTED] (approximation) ⁽²⁾
			(RMB)	(RMB)	(RMB)	
Series D.	April 21, 2021, November 3, 2021 and January 11, 2022 ⁽³⁾	January 18, 2022	19,168,203	220,594,600	11.51	[REDACTED]%
Series E.	October 11, 2022	January 16, 2023 ⁽⁴⁾	21,211,693	584,000,000	27.53	[REDACTED]%
Series E+.	December 2, 2022	December 19, 2022 ⁽⁴⁾	3,203,547	88,200,000	27.53	[REDACTED]%

Notes:

- (1) Calculated based on the amount of registered capital of Sinomags Beijing (in the case of Series A Investments), Ningbo Sinomags (in the case of Series B Investments) and our Company as adjusted after our conversion to a joint stock company in August 2023.
- (2) The [REDACTED] to the [REDACTED] is calculated based on the foreign exchange rate as of the Latest Practicable Date and the assumption that the [REDACTED] is HK\$[REDACTED] per H Share (being the mid-point of the indicative [REDACTED]).
- (3) Including the follow-on investment of Series D Investments.
- (4) The delay of settlement of consideration was due to the liquidity needs of certain investors in our Series E Investments.

Basis of determining the consideration paid

Saved as otherwise disclosed in “— Establishment and Major Shareholding Changes of Our Company” above, the consideration for each round of the [REDACTED] Investments was determined based on arm’s length negotiation amongst the respective parties after taking into consideration of (i) the timing of investments, (ii) the status and prospect of our business at the time of investment, (iii) the business resources, strategic cooperation opportunities and benefits that the [REDACTED] Investors could bring to our Company and (iv) the then valuation of Sinomags Beijing, Ningbo Sinomags and our Company (as the case may be).

Lock-up period

Under the applicable PRC Company Law, all existing Shareholders (including the [REDACTED] Investors) are subject to a lock-up period of 12 months following the [REDACTED].

Use of [REDACTED] from the [REDACTED] Investments

We utilized the [REDACTED] from other [REDACTED] Investments for research and development, business expansion, capital expenditures and general working capital of our Group. As of the Latest Practicable Date, 53.71% of the net [REDACTED] received by our Company from the [REDACTED] investments were utilized and we expect to utilize the remaining [REDACTED] from the [REDACTED] investments for the same purposes.

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Strategic benefits the [REDACTED] Investments brought to our Company We believed that our Company could benefit from the additional capital provided by the [REDACTED] Investors’ investments in our Company and the [REDACTED] Investors’ knowledge and experience. We could take advantage of the [REDACTED] Investors’ industry resources and networks, while broadening our shareholder base. The series of investments made by the [REDACTED] Investors in our Company reflected their consistent confidence in the business of our Group and served as an endorsement of our performance and future prospects.

2. Special rights of the [REDACTED] Investors

The [REDACTED] Investors have been granted certain customary special rights in relation to our Company, including, among others, pre-emptive rights, anti-dilution rights, right of first refusal, co-sale rights, information rights, redemption rights, most-favored treatment rights, veto rights in respect of certain matters at shareholders’ meetings and board meetings and rights to nominate directors, special quorum requirements in board meetings and liquidation rights. The redemption rights and the liquidation rights borne by the Company have been terminated in August 2023, and those borne by Dr. Wang, Dr. Bai, Bengbu Huajing, Bengbu Lesi and Bengbu Xinda have been terminated in August 2025. The redemption rights by Dr. Wang, Dr. Bai, Bengbu Huajing, Bengbu Lesi and Bengbu Xinda shall be automatically reinstated upon the occurrence of the following events: (a) our Company withdraws its [REDACTED] application from the Stock Exchange; (b) the [REDACTED] application is rejected by the Stock Exchange and is not resubmitted within six months of such rejection; (c) the [REDACTED] application is rejected by the Stock Exchange and our Company does not apply for a reassessment of the application or the reassessment is unsuccessful; (d) the [REDACTED] is not completed within 18 months from the date of the submission of the [REDACTED] application; (e) the Sole Sponsor terminate their engagement with our Company and our Company fails to appoint replacement sponsors; (f) the [REDACTED] application is not approved for any reasons; (g) the [REDACTED] hearing is not passed; (h) the CSRC rejects our filing in respect of the [REDACTED]; (i) our Shares are not successfully issued and [REDACTED] for trading despite having passed the [REDACTED] hearing; and (j) and other events that results in the failure of the [REDACTED]. All other special rights would be terminated upon the [REDACTED] in compliance with the Guide for New Listing Applicants.

3. Compliance with the Guide

On the basis that (i) the consideration for the [REDACTED] Investments was settled more than 28 clear days before the date of our first submission of the [REDACTED] application form to the Stock Exchange and no less than 120 clear days before the [REDACTED], and (ii) the termination of special rights granted to the [REDACTED] Investors as disclosed in “— 2. Special rights of the [REDACTED] Investors” above, the Sole Sponsor confirm that the [REDACTED] Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants.

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4. Principal [REDACTED] Investors

Set out below is a description of our principal [REDACTED] Investors, being private equity funds, limited partnerships and corporations, that have made meaningful investments in our Company (each holds or collectively controls more than 1% of our total issued and outstanding Shares immediately prior to the [REDACTED]). Save as otherwise disclosed, the [REDACTED] Investors acquainted with our Group through their own independent research:

FIIF

FIIF is a limited partnership established and registered in the PRC. As of the Latest Practicable Date, the general partner of FIIF is CS Capital (國投招商投資管理有限公司) (“**CS Capital**”). CS Capital has 10 shareholders with two largest shareholders each holding 21.05% equity interest, including China SDIC Gaoxin Industrial Investment Corp. Ltd. (中國國投高新產業投資有限公司) which is ultimately controlled by State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) and China Merchants Capital Management Co., Ltd. (招商局資本管理有限責任公司), which is indirectly owned as to 50% by China Merchants Financial Holdings Co., Ltd. (招商局金融控股有限公司), which in turn is ultimately controlled by State-owned Assets Supervision and Administration Commission of the State Council. FIIF has 37 limited partners, including the Ministry of Finance of the People’s Republic of China and State Development and Investment Group Co., Ltd. (a company wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council), holding 25.00% and 10.04% of the partnership interests, respectively, with no other limited partner holding more than 10% of the partnership interests in FIIF. CS Capital is an independent private equity fund management company. CS Capital and its affiliates manage nearly RMB100 billion in capital from diversified investors, including financial institutions, insurance companies, private enterprises, and state-owned enterprises. CS Capital focuses on four investment sectors: life sciences, intelligent new energy vehicles, intelligent manufacturing, and information and communication technology. To the best of the Directors’ knowledge, information, and belief, FIIF, its general partner and limited partners are all Independent Third Parties. The Group became acquainted with FIIF through its own independent research.

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Zhuli Capital (Beijing Zhuli, Jinyue Zhuli and Nanjing Zhuli)

To the best knowledge of the Directors, each of Beijing Zhuli, Jinyue Zhuli and Nanjing Zhuli are investment entities managed by Zhuli Capital (助力資本).

Beijing Zhuli is a limited partnership established and registered in the PRC. The general partner of Beijing Zhuli is Beijing Haiju Zhuli Investment Management Co., Ltd. (北京海聚助力投資管理有限公司) (“**Beijing Haiju Zhuli**”). As of the Latest Practicable Date, Beijing Haiju Zhuli was owned as to 49.00%, 40.00% and 11.00% by Qiu Yufang (邱玉芳), Mr. Guo Rong (郭榮), our previous Director and Lu Fei (呂菲), our non-executive Director, respectively. Qiu Yufang was an Independent Third Party. As of the Latest Practicable Date, Beijing Zhuli had ten limited partners, with Mr. Sun, our [REDACTED] Investor, and Mr. Guo Rong, our previous Director, holding 6.82% and 1.74% partnership interest therein, respectively, and each of the other eight limited partners were Independent Third Parties each holding less than 30.00% partnership interest therein.

Nanjing Zhuli is a limited partnership established and registered in the PRC. The general partner of Nanjing Zhuli is Beijing Haiju Zhuli, holding 1.00% partnership interest therein. As of the Latest Practicable Date, Nanjing Zhuli had four limited partners, with Nantong Junrong Venture Capital Center (Limited Partnership) (南通雋嶸助力創業投資中心(有限合夥)) (“**Nantong Junrong**”) holding 63.00% partnership interest therein and three other limited partners who were all Independent Third Parties, each holding less than 30.00% partnership interest therein. The general partner of Nantong Junrong was Beijing Haiju Zhuli holding 1.59% partnership interest therein. The nine limited partners of Nantong Junrong includes Nantong Sutong Technology Industrial Park Entrepreneurship Investment Co., Ltd. (南通蘇通科技產業園創業投資有限公司), a company ultimately controlled by Nantong State-owned Assets Supervision and Management Committee (南通市人民政府國有資產監督管理委員會), and Mr. Sun holding 63.49% and 15.87% partnership interest therein, and seven other limited partners who were Independent Third Parties with each of them holding less than 30.00% partnership interest therein.

Jinyue Zhuli is a limited partnership established and registered in the PRC. The general partner of Jinyue Zhuli is Shanghai Jinyue Private Equity Fund Management Co., Ltd. (上海錦岳私募基金管理有限公司) (“**Shanghai Jinyue PE**”), holding 0.03% partnership interest therein. As of the Latest Practicable Date, Jinyue Zhuli had two limited partners, and was owned as to 49.99% and 49.99% by Jinghui VC and Jinyue Hesheng, respectively. See “— [REDACTED] Investors — Jinyue Hesheng and Jinghui VC”.

To the best of the Directors’ knowledge, information, and belief, save as disclosed above, each of Beijing Zhuli, Jinyue Zhuli, Nanjing Zhuli, their respective general partners and limited partners and their respective ultimate beneficial owners was an Independent Third Party.

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They became acquainted with the Group through Ms. Lu Fei, our non-executive Director, who was previously an employee of Beijing Fangsheng, an investor in our Series A Investments, and Ms. Lu Fei later established Zhuli Capital with other partners.

Mr. Sun

Mr. Sun is an Independent Third Party and an individual [REDACTED] Investor who from time to time participates in various investment opportunities with a primary focus in China. Mr. Sun acquainted with the Group through Zhuli Capital.

Jinyue Hesheng and Jinghui VC

As of the Latest Practicable Date, Jinghui VC was owned as to 1.00% by Qingdao Jinyue Jinghui Investment Co., Ltd. (青島錦岳環匯投資有限公司), its general partner and wholly-owned by Shanghai Jinyue PE, and three limited partners consisting of Qin Yi (秦毅), Zhang Wenxiu (張文秀) and Xie Jingdong (謝敬東), each being an Independent Third Party, holding 44.55%, 39.60% and 14.85% partnership interest therein, respectively. Jinyue Hesheng was owned as to 99.00% by Zong Yanmin (宗艷民), a limited partner and an Independent Third Party, and 1.00% by Shanghai Jinyue PE. Shanghai Jinyue PE is ultimately controlled by Liu Bin (劉彬), an Independent Third Party.

Huiyou Haojia

Huiyou Haojia is a limited partnership established and registered in the PRC. The general partner of Huiyou Haojia is Xiamen Huiyou Lanying Management Consulting Partnership Enterprise (Limited Partnership) (廈門惠友藍楹管理諮詢合夥企業(有限合夥)) (“**Xiamen Huiyou**”). As of the Latest Practicable Date, Huiyou Haojia had 32 limited partners with the largest limited partner being Yang Qing (楊慶) holding 25.52% partnership interest therein, an Independent Third Party, and 31 other limited partners who were Independent Third Parties with each of them holding less than 10.00% partnership interest therein. The general partner and limited partner of Xiamen Huiyou were Shenzhen Huiyou Private Equity Fund Management Co., Ltd. (深圳市惠友私募股權基金管理有限公司) (“**Shenzhen Huiyou**”) and Yang Qing holding 90.00% and 10.00% partnership interest therein, respectively. Shenzhen Huiyou was owned as to 67.00% by Yang Longzhong (楊龍忠), an Independent Third Party, and 33.00% by Shenzhen Huiyou Kunyuan Enterprise Management Partnership (Limited Partnership) (深圳市惠友坤遠企業管理合夥企業(有限合夥)), a limited partnership, which is in turn owned as to 80.00%, 10.00% and 10.00% by Deng Jun (鄧軍), Xiao Haiwei (肖海偉), and Yang Yang (楊揚), each an Independent Third Party.

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Maison Haoyu

Maison Haoyu is a limited partnership established and registered in the PRC. The general partner of Maison Haoyu is Shenzhen Maison Capital Management Center (Limited Partnership) (深圳市麥星投資管理中心(有限合夥)) (“**Shenzhen Maison Capital**”). As of the Latest Practicable Date, Maison Haoyu had 13 limited partners with each of the limited partner being an Independent Third Party, holding less than 30.00% partnership interest therein. Shenzhen Maison Capital was owned as to 70.10% by Shenzhen Maison Capital Co., Ltd. (深圳市麥星投資管理有限公司) as the general partner and three other limited partners holding less than 30.00% partnership interest therein. Shenzhen Maison Capital Co., Ltd. was indirectly owned as to 90.00% and 10.00% by Cui Wenli (崔文立) and Wang Yi (王怡), respectively, and each being an Independent Third Party.

Cybernaut Capital (Ningbo Saibao, Anhui High Tech Cyber, Saizhi Wentao and Saizhi Yunsheng)

To the best knowledge of the Directors, each of Ningbo Saibao, Anhui High Tech Cyber, Saizhi Wentao and Saizhi Yunsheng are investment entities managed by Cybernaut Capital (賽伯樂資本).

Ningbo Saibao is a limited partnership established and registered in the PRC. The general partner of Ningbo Saibao is Ningbo Cybernaut Zhaobao Company (寧波市賽智朝寶創業投資管理有限公司) (“**Ningbo Cybernaut**”). As of the Latest Practicable Date, none of the eight limited partners of Ningbo Saibao held 30.00% or more of the partnership interest therein and each of the eight limited partners was an Independent Third Party. Ningbo Cybernaut was owned as to 40.00%, 25.00%, 15.00%, 10.00% and 10.00% by Zhejiang Cybernaut Venture Capital Management Co., Ltd. (浙江賽智伯樂股權投資管理有限公司) (“**Zhejiang Cybernaut VC**”), Chen Bin (陳斌), Huang Xin (黃昕), Ye Juli (葉聚利) and Jin Hui (金暉), each being an Independent Third Party. Zhejiang Cybernaut VC was indirectly owned as to 42.08%, 40.54% and 17.37% by Hangzhou Saishenggu, Chen Bin and Huang Xin, respectively. Hangzhou Saishenggu was owned as to 70.00% and 30.00% by Chen Bin and Huang Xin, respectively.

Anhui High Tech Cyber is a limited partnership established and registered in the PRC. The general partner of Anhui High Tech Cyber is Anhui Saizhi. As of the Latest Practicable Date, Anhui High Tech Cyber had four limited partners, with Anhui Provincial Emerging Industry Investment Co., Ltd. (安徽省高新技術產業投資有限公司), which was ultimately controlled by the State-owned Assets Supervision and Administration Commission of Anhui Provincial People’s Government (安徽省人民政府國有資產監督管理委員會) (“**Anhui SASAC**”), holding 36.36% partnership interest therein and each of the other limited partners, who were Independent Third Parties, held less than 30.00% partnership interest therein.

As of the Latest Practicable Date, Anhui Saizhi was owned as to 96.50% by Zhejiang Cybernaut VC and 3.50% by Wang Yan (汪晏), each being an Independent Third Party.

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Saizhi Wentao is a limited partnership established and registered in the PRC. The general partner of Saizhi Wentao is Zhejiang Cybernaut VC holding 5.00% partnership interest therein. As of the Latest Practicable Date, Saizhi Wentao was owned as to 42.50% by Zhejiang Saizhi Mutual Win Investment Co., Ltd. (浙江賽智互贏投資有限公司) (“**Saizhi Mutual Win**”), 37.50% by Hefei Innovation Scitech Venture Capital Co., Ltd. (合肥市創新科技風險投資有限公司) (“**Hefei Innovation VC**”) and two other limited partners each holding less than 15.00% partnership interest therein. Saizhi Mutual Win was indirectly owned as to 42.08%, 40.54% and 17.37% by Hangzhou Saishenggu Equity Investment Management Co., Ltd. (杭州賽聖穀股權投資管理有限公司) (“**Hangzhou Saishenggu**”), Chen Bin and Huang Xin, respectively. Hefei Innovation VC was ultimately controlled by the State-owned Assets Supervision and Administration Commission of Hefei Municipal People’s Government (合肥市人民政府國有資產監督管理委員會) (“**Hefei SASAC**”).

Saizhi Yunsheng (currently known as Ningbo Cybernaut Yunsheng New Material Venture Investment Partnership (Limited Partnership) (寧波賽智韻升創業投資合夥企業(有限合夥)) is a limited partnership established and registered in the PRC. Its general partner is Ningbo Saizhihuijin Entrepreneurship Investment Management Co., Ltd. (寧波賽智慧金創業投資管理有限公司), a company wholly-owned by Zhejiang Cybernaut VC, holding 1.01% partnership interest therein. As of the Latest Practicable Date, Saizhi Yunsheng had 16 limited partners and none of the limited partners held more than 15.00% of the partnership interest therein.

To the best of the knowledge of our Directors, each of Ningbo Saibao, Anhui High Tech Cyber, Saizhi Wentao and Saizhi Yunsheng, their respective general partners and limited partners and their respective ultimate beneficial owners was an Independent Third Party.

They became acquainted with the Group through introduction of the Ningbo People’s Government.

Dongfang Huijia (Huijia No. 1, Huijia No. 2, Zibo Huijia Huisheng and Zibo Huijia Huili)

Huijia No. 1 (currently known as Jinan Huijia No.1 New Energy Industry Investment Fund Partnership Enterprise (Limited Partnership) (濟南匯嘉壹號新能源產業投資基金合夥企業(有限合夥)) is a limited partnership established and registered in the PRC. The general partner of Huijia No. 1 is Beijing Dongfang Huijia Fund Management Co., Ltd. (北京東方匯嘉基金管理有限公司) (“**Beijing Dongfang Huijia**”). As of the Latest Practicable Date, Beijing Dongfang Huijia was owned as to 90.00% by Wang Weidong (王衛東) and 10.00% by Huang Bei (黃蓓), each being an Independent Third Party.

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As of the Latest Practicable Date, Huijia No. 1 had four limited partners who, together with their ultimate beneficial owners, were Independent Third Parties, and Jinan Ruixiang Investment Partnership Enterprise (Limited Partnership) 濟南瑞祥投資合夥企業(有限合夥) (“**Jinan Ruixiang**”) held 87.40% partnership interest therein and none of the three other limited partners held more than 10.00% of the partnership interest therein. Jinan Ruixiang is managed by its general partner Shandong High Speed Investment Holdings Co., Ltd. (山東高速投資控股有限公司) (“**Shandong High Speed**”) holding 99.99% partnership interest therein and owned as to 0.01% by its limited partner, Shandong Expressway Asset Management Co., Ltd. (山東高速資產管理有限公司). Shandong High Speed is owned as to 100.00% by Shandong High-Speed Group Co., Ltd. (“山東高速集團有限公司”), a company ultimately controlled by the Stated-owned Assets Supervision and Administration Commission of Shandong Provincial Government (山東省人民政府國有資產監督管理委員會) and the Shandong Provincial Department of Finance (山東省財政廳).

Huijia No. 2 (currently known as Anyi Huijia No.2 New Energy Industry Investment Fund Partnership Enterprise (Limited Partnership) (安義匯嘉貳號新能源產業投資基金合夥企業(有限合夥)) is a limited partnership established and registered in the PRC. As of the Latest Practicable Date, the general partner of Huijia No. 2 was Beijing Dongfang Huijia, and each of the other limited partners of Huijia No. 2 was an Independent Third Party and held less than 15.00% partnership interest therein.

Zibo Huijia Huisheng is a limited partnership established and registered in the PRC. The general partner of Zibo Huijia Huisheng is Beijing Dongfang Huijia holding 0.47% partnership interest therein. As of the Latest Practicable Date, Zibo Huijia Huisheng had 14 limited partners, with each of them being an Independent Third Party holding less than 10.00% partnership interest therein.

Zibo Huijia Huili (currently known as Anyi Huijia Huili Venture Capital Fund Partnership Enterprise (Limited Partnership) (安義匯嘉匯利創業投資基金合夥企業(有限合夥)) is a limited partnership established and registered in the PRC. The general partner of Zibo Huijia Huili is Beijing Dongfang Huijia. Zibo Huijia Huili had 8 limited partners who were all Independent Third Parties, with Peng Yu (彭渝) holding 33.72% partnership interest therein and each of the other limited partners holding less than 20.00% partnership interest therein.

Juntai Yingfeng

Juntai Yingfeng is a limited partnership established and registered in the PRC. As of the Latest Practicable Date, its general partner was Fan Qiaoling (樊巧玲), and its three limited partners were Xu Ling (許靈), Liu Tangzhi (劉棠枝) and Tian Chibing (田赤兵). Juntai Yingfeng was owned as to 45.99%, 43.99%, 10.00% and 0.02% by Xu Ling, Liu Tangzhi, Tian Chibing and Fan Qiaoling, respectively. As of the Latest Practicable Date, each of the general partner and the limited partners of Juntai Yingfeng was an Independent Third Party.

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Jintai VC

Jintai VC (currently known as Nanjing Jintai Venture Capital Partnership Enterprise (Limited Partnership) (南京錦泰創業投資合夥企業(有限合夥))) is a limited partnership established and registered in the PRC. Its general partner is Lai Bolin (賴柏霖), an Independent Third Party. As of the Latest Practicable Date, Jintai VC had two limited partners, and Shenzhen Weishun Zhengxin Investment Co., Ltd. (深圳市為順正新投資有限責任公司) (“**Shenzhen Weishun**”) held 99.00% partnership interest therein. Shenzhen Weishun was indirectly owned as to 60.00% and 40.00% by Zheng Yanhua (鄭燕華) and Chen Ruiyue (陳瑞岳), each being an Independent Third Party, respectively.

Ms. Zhai

Ms. Zhai was a private investor and an Independent Third Party.

Ms. Zhai became acquainted with the Group through the introduction by Beijing Fangsheng.

Jishi Yitian

Jishi Yitian is a limited partnership established and registered in the PRC. The general partner of Jishi Yitian is Xizang Tianji Jishi Venture Capital Co., Ltd. (西藏天璣基石創業投資有限公司) (“**Jishi VC**”) holding 2.00% partnership interest therein. Jishi VC is a company established in the PRC. As of the Latest Practicable Date, Jishi VC was wholly-owned by Co-stone Asset Management (基石資產管理股份有限公司) (“**Co-stone Asset Management**”) and ultimately controlled by Zhang Wei (張維), an Independent Third Party.

As of the Latest Practicable Date, Jishi Yitian was owned as to 48.00% by Anhui Jishi Intelligent Manufacturing Phase III Fund Partnership Enterprise (Limited Partnership) (安徽基石智能製造三期基金合夥企業(有限合夥)) (“**Anhui Jishi**”) and 42.50% by Wuhu Dingyu Cornerstone Equity Investment Partnership (Limited Partnership) (蕪湖鼎譽基石股權投資合夥企業(有限合夥)) (“**Wuhu Dingyu**”), and the three other limited partners who were Independent Third Parties each held less than 5.00% of the partnership interest therein. The general partner of Anhui Jishi was Ma’anshan Happiness Cornerstone Investment Management Co., Ltd. (馬鞍山幸福基石投資管理有限公司) which was wholly-owned by Co-Stone Asset Management and ultimately controlled by Zhang Wei (張維), an Independent Third Party. Anhui Jishi had four limited partners, each being an Independent Third Party, with Anhui Sanzhong Yichuang Industrial Development Fund Co., Ltd. (安徽省三重壹創業發展基金有限公司) which is ultimately controlled by Anhui SASAC, holding 40.00% partnership interest therein and three other limited partners each holding less than 30.00% partnership interest therein.

As of the Latest Practicable Date, the general partner of Wuhu Dingyu was Urumqi Kunlun Cornerstone Venture Capital Co., Ltd. (烏魯木齊崑崙基石創業投資有限公司) (“**Urumqi Kunlun**”) and Urumqi Kunlun is wholly owned by Co-stone Asset Management. Wuhu Dingyu had seven limited partners who were Independent Third Parties, and each of the limited partners held less than 30.00% partnership interest therein. Urumqi Phoenix was owned as to 51.00% by Jishi VC, its limited partner and four other limited partners who were Independent Third Parties each holding less than 30.00% partnership interest therein.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Jinyue Huazhang

Jinyue Huazhang is a limited partnership established and registered in the PRC, and its general partner is Shanghai Jinyue PE. As of the Latest Practicable Date, Jinyue Huazhang had seven limited partners, with Headway Technology Group (Qingdao) Co., Ltd. (海德威科技集團(青島)有限公司) (“**Headway Technology**”) holding 37.69% partnership interest therein and six other individual limited partners each holding less than 30.00% partnership interest therein. Headway Technology was owned as to 49.00%, 41.00% and 10.00% by Cao Xueling (曹學良), Cao Xuehui (曹學慧) and Cao Xuelei (曹學磊), respectively, and each of the aforesaid individual was an Independent Third Party.

For background information on Shanghai Jinyue PE, see “— [REDACTED] Investors — Jinyue Hesheng and Jinghui VC.”

Jinyue Huazhang became acquainted with the Group through the introduction by Jinyue Hesheng and Jinghui VC.

Hefei Saizhi Fangxing and Saizhi No. 1

Hefei Saizhi Fangxing is a limited partnership established and registered in the PRC. The general partner of Hefei Saizhi Fangxing is Hefei Sage Ventures Capital Management Co., Ltd (合肥賽智創業投資管理有限公司) (“**Hefei Sage VC**”), which, as of the Latest Practicable Date, was owned as to 52.00%, 42.00% and 6.00% by Dai Changsheng (戴長晟), Liang Lipeng (梁立鵬) and Meng Fanji (孟凡基), respectively, and each of the aforesaid individuals was an Independent Third Party.

As of the Latest Practicable Date, Hefei Saizhi Fangxing had eight limited partners, with Wang Zhiwen (王志文) holding 48.08% partnership interest and seven other limited partners who were Independent Third Parties each holding less than 20.00% partnership interest therein.

Saizhi No. 1 is a limited partnership established and registered in the PRC. The general partner of Saizhi No. 1 is Hefei Saizhi Keyuan Equity Investment Partnership Enterprise (Limited Partnership) (合肥賽智科元股權投資合夥企業(有限合夥)) (“**Hefei Saizhi Keyuan**”) holding 1.96% partnership interest therein. Hefei Saizhi Keyuan was owned as to 50.00% by Hefei Sage VC, its executive partner, 25.00% by Dai Changsheng (戴長晟), its executive partner, 20.00% by Liang Lipeng (梁立鵬), its limited partner, and 5% by Tianjin Aolin Pasi Investment Management Center (天津賽富盛元投資管理中心(有限合夥)) (“**Tianjin Aolin**”), its limited partner, all of which are Independent Third Parties. Tianjin Aolin was owned as to 35.00% by 閻安生, 24.00% by Zhao Jun (趙鈞), 20.00% by Xie Xuejun (謝學軍), 20.00% by Jin Fengchun (金鳳春) and 1.00% by Tianjin Xima Laya Investment Co., Ltd. (天津喜瑪拉雅投資諮詢有限公司), which is in turn owned as to 50.00% by Zhao Jun and 50.00% by Li Jia (李佳). Each of the aforesaid individual was an Independent Third Parties.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

As of the Latest Practicable Date, Saizhi No. 1 had nine limited partners, comprising Bian Zhenfu (卞真福), an Independent Third Party holding 30.47% partnership interest therein and eight other limited partners, each being an Independent Third Party and each holding less than 30.00% partnership interest therein.

Xiamen Nuoyan

Xiamen Nuoyan is a limited partnership established and registered in the PRC. The general partner of Xiamen Nuoyan is Xiamen Nuoyan Private Equity Fund Management Co., Ltd. (廈門諾延私募基金管理有限公司) (“**Xiamen Nuoyan PE**”) holding 0.59% partnership interest therein. Xiamen Nuoyan PE was owned as to 60.00% by Xiamen Noyan Chenyi Equity Investment Co., Ltd. (廈門諾延宸意股權投資有限公司) and 40.00% by Fuzhou Noyan Investment Partnership Enterprise (Limited Partnership) (福州諾延投資合夥企業(有限合夥)), respectively. Both entities were ultimately owned by Li Xinfei (李馨菲) and Zhuang Yingming (莊英銘), each being an Independent Third Party.

As of the Latest Practicable Date, Xiamen Nuoyan had two limited partners, namely Fujian Yifei Technology Co., Ltd. (福建翼菲科技有限公司) (“**Fujian Yifei**”) holding 58.24% partnership interest therein and Hefei Innovation VC holding 41.18% partnership interest therein. Fujian Yifei was indirectly owned as to 51.00% and 49.00% by Chen Rongsheng (陳融聖) and Li Xinfei (李馨菲), respectively and each of the aforesaid individual was an Independent Third Party. Hefei Innovation VC was ultimately controlled by Hefei SASAC.

Xichuanglian

Xichuanglian is a limited partnership established and registered in the PRC. The general partner of Xichuanglian is Wuxi Guolian Xinchuang Private Equity Investment Fund Co., Ltd. (無錫國聯新創私募投資基金有限公司) (“**Wuxi Guolian Xinchuang**”) holding 0.26% partnership interest therein. As of the Latest Practicable Date, Wuxi Guolian Xinchuang was owned as to 35.00% by Wuxi Guolian Industrial Investment Private Fund Management Co., Ltd. (無錫國聯產業投資私募基金管理有限公司), which was ultimately controlled by Wuxi SASAC, 30.00% by Wuxi Fisherman and Woodcutter Enterprise Management Partnership (Limited Partnership) (無錫漁樵企業管理合夥企業(有限合夥)) (“**Wuxi F&W**”), 25.00% by Wuxi Farming and Reading Enterprise Management Partnership Enterprise (Limited Partnership) (無錫耕讀企業管理合夥企業(有限合夥)) (“**Wuxi Farming**”), and 10.00% by Wuxi Gezhicheng Enterprise Management Partnership (Limited Partnership) (無錫格致誠正企業管理合夥企業(有限合夥)) (“**Wuxi Gezhicheng**”). Wuxi F&W is owned as to 56.67% by Shen Guangping (沈廣平) as its executive partner, and by Wuxi Xinchuang Capital Co., Ltd. (無錫新創資本有限公司) and Lei Zubao (雷祖保) each as to 21.67%, all of which are Independent Third Parties. Wuxi Farming is owned as to 34.00% by Shen Guangping as its executive partner, and 26.00%, 22.00% and 18.00% by Ji Wenyong (紀文勇), by Zhang Jun (張軍) and Shen Ying (沈穎), respectively, as limited partners, all of which are Independent Third Parties. Wuxi Gezhicheng is owned as to 50.00% by Shen Guangping as its executive partner and has seven other limited partners each holding less than 30.00% partnership interest, all of which are Independent Third Parties.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

As of the Latest Practicable Date, Xichuanglian had nine limited partners, all being Independent Third Parties, with Wuxi Taihu Lake Bay Intellectual Property Equity Investment Fund (Limited Partnership) (無錫太湖灣知識產權股權投資基金(有限合夥)) (“**Wuxi Taihuwan**”) holding 38.46% partnership interest therein and eight other limited partners each holding less than 20.00% partnership interest therein. Wuxi Taihuwan was managed by its executive partner Wuxi Guolian Xinchuang holding 0.92% partnership interest therein, and had 13 limited partners with Wuxi Innovation Investment Group Co., Ltd. (無錫市創新投資集團有限公司) (“**Wuxi Innovation**”) holding 32.26% partnership interest therein and none of the other limited partners held 15.00% or more partnership interest therein. Wuxi Innovation was ultimately controlled by Wuxi Municipal People’s Government State Assets Supervision and Administration Commission (無錫市人民政府國有資產監督管理委員會) (“**Wuxi SASAC**”).

Yujun Investment

Yujun Investment (currently known as Hainan Yujun Equity Investment Partnership (Limited Partnership)(海南與君投資合夥企業(有限合夥))) is a limited partnership established and registered in the PRC. As of the Latest Practicable Date, Yujun Investment is owned as to 94.00% and 6.00% by Li Xiaoyan (李小妍), its only limited partner, and Lou Yufeng (婁與峰), its general partner. Each of the aforesaid individuals was an Independent Third Party.

Hefei Renyuan, Hefei Renchuang, Hefei Renci

Each of Hefei Renyuan, Hefei Renchuang and Hefei Renci is a limited partnership established and registered in the PRC. The general partner of Hefei Renyuan and Hefei Renchuang is Hefei Renfa New Energy Private Equity Fund Management Co., Ltd. (合肥仁發新能私募基金管理有限公司) (“**Hefei Renfa PE**”) holding 3.26% and 0.37% partnership interest therein, respectively. The general partner of Hefei Renci is Jiang Shan (江山), an Independent Third Party. Hefei Renfa PE was ultimately owned by Jiang Shan (江山) and Xie Xiaoyong (解小勇).

As of the Latest Practicable Date, Hefei Renyuan had four limited partners, in which Hefei Shuyang Enterprise Management Partnership Enterprise (Limited Partnership) (合肥曙陽企業管理合夥企業(有限合夥)) (“**Hefei Shuyang**”), Hefei Liyang Enterprise Management Partnership Enterprise (Limited Partnership) (合肥黎陽企業管理合夥企業(有限合夥)) (“**Hefei Liyang**”) held 46.31% and 32.81% partnership interest therein, respectively, and the remaining two limited partners, each being an Independent Third Party, held less than 30.00% partnership interest therein. Hefei Shuyang was held as to 1.90% by Chai Xianli (柴先禮) and 24 limited partners who were individuals and Independent Third Parties each holding less than 30.00% partnership interest therein. Hefei Liyang was held as to 3.71% by Jin Chuanshan (金傳山), its executive partner, an individual and an Independent Third Party, and 28 limited partners who were individuals and Independent Third Parties each holding less than 30.00% partnership interest therein.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

As of the Latest Practicable Date, Hefei Renchuang had two limited partners comprising Cao Renxian (曹仁賢), an Independent Third Party holding 98.66% partnership interest and an Independent Third Party holding 0.97% partnership interest.

To the best knowledge of our Directors, Hefei Renci was a follow on investment platform of Hefei Renfa PE. As of the Latest Practicable Date, Hefei Renci had one general partner and four limited partners, comprising Jiang Shan (江山) (as general partner), Xie Xiaoyong (解小勇), Jiang Jing (姜靜), Zhao Chaoyun (趙朝雲) and Tian Liang (田亮) (each as a limited partner) holding 18.75%, 25.00%, 18.75%, 18.75% and 18.75% partnership interest therein, respectively.

Hefei Renyuan, Hefei Renchuang, Hefei Renci became acquainted with the Group through introduction by one of our customers.

SHAREHOLDING OF OUR COMPANY

The following table sets forth our shareholding structure as of the Latest Practicable Date and immediately upon the [REDACTED] (assuming the [REDACTED] and the [REDACTED] are not exercised):

Name of Shareholder	As of the Latest Practicable Date			Immediately after the completion of the [REDACTED]		
	Number Shares	Description of Shares	Approximate Ownership Percentage	Number of Shares	Description of Shares	Approximate Ownership Percentage
FIIF	18,197,200	Unlisted Shares	15.79%	[REDACTED]	H Shares	[REDACTED]%
Bengbu Lesi	16,176,253	Unlisted Shares	14.04%	[REDACTED]	H Shares	[REDACTED]%
Bengbu Huarui Technology	8,219,641	Unlisted Shares	7.13%	[REDACTED]	H Shares	[REDACTED]%
Beijing Zhuli	6,365,468	Unlisted Shares	5.52%	[REDACTED]	H Shares	[REDACTED]%
Huiyou Haojia	6,170,033	Unlisted Shares	5.36%	[REDACTED]	H Shares	[REDACTED]%
Mr. Sun	4,115,797	Unlisted Shares	3.57%	[REDACTED]	H Shares	[REDACTED]%
Maison Haoyu	4,109,821	Unlisted Shares	3.57%	[REDACTED]	H Shares	[REDACTED]%
Ningbo Saibao	3,754,103	Unlisted Shares	3.26%	[REDACTED]	H Shares	[REDACTED]%
Huijia No. 1	3,632,139	Unlisted Shares	3.15%	[REDACTED]	H Shares	[REDACTED]%
Juntai Yingfeng	3,610,477	Unlisted Shares	3.13%	[REDACTED]	H Shares	[REDACTED]%
Anhui High Tech Cyber .	3,287,856	Unlisted Shares	2.85%	[REDACTED]	H Shares	[REDACTED]%
Bengbu Xinda	2,334,376	Unlisted Shares	2.03%	[REDACTED]	H Shares	[REDACTED]%
Huijia No. 2	2,140,981	Unlisted Shares	1.86%	[REDACTED]	H Shares	[REDACTED]%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Shareholder	As of the Latest Practicable Date			Immediately after the completion of the [REDACTED]		
	Number Shares	Description of Shares	Approximate Ownership Percentage	Number of Shares	Description of Shares	Approximate Ownership Percentage
Jintai VC	2,133,882	Unlisted Shares	1.85%	[REDACTED]	H Shares	[REDACTED]%
Ms. Zhai	2,129,358	Unlisted Shares	1.85%	[REDACTED]	H Shares	[REDACTED]%
Bengbu Huajing	1,891,741	Unlisted Shares	1.64%	[REDACTED]	H Shares	[REDACTED]%
Jishi Yitian	1,816,070	Unlisted Shares	1.58%	[REDACTED]	H Shares	[REDACTED]%
Jinyue Huazhang	1,816,070	Unlisted Shares	1.58%	[REDACTED]	H Shares	[REDACTED]%
Saizhi Wentao	1,816,069	Unlisted Shares	1.58%	[REDACTED]	H Shares	[REDACTED]%
Zibo Huijia Huisheng . . .	1,737,867	Unlisted Shares	1.51%	[REDACTED]	H Shares	[REDACTED]%
Hefei Saizhi Fangxing . .	1,737,867	Unlisted Shares	1.51%	[REDACTED]	H Shares	[REDACTED]%
Jinyue Zhuli	1,589,061	Unlisted Shares	1.38%	[REDACTED]	H Shares	[REDACTED]%
Xiamen Nuoyan	1,397,698	Unlisted Shares	1.21%	[REDACTED]	H Shares	[REDACTED]%
Xichuanglian	1,387,477	Unlisted Shares	1.20%	[REDACTED]	H Shares	[REDACTED]%
Yujun Investment	1,322,950	Unlisted Shares	1.15%	[REDACTED]	H Shares	[REDACTED]%
Hefei Renyuan	1,294,124	Unlisted Shares	1.12%	[REDACTED]	H Shares	[REDACTED]%
Hefei Renchuang	1,294,124	Unlisted Shares	1.12%	[REDACTED]	H Shares	[REDACTED]%
Saizhi No. 1	1,232,946	Unlisted Shares	1.07%	[REDACTED]	H Shares	[REDACTED]%
Jinyue Hesheng	1,180,445	Unlisted Shares	1.02%	[REDACTED]	H Shares	[REDACTED]%
Jinghui VC	1,180,445	Unlisted Shares	1.02%	[REDACTED]	H Shares	[REDACTED]%
Saizhi Yunsheng	624,694	Unlisted Shares	0.54%	[REDACTED]	H Shares	[REDACTED]%
Zibo Huijia Huili	454,017	Unlisted Shares	0.39%	[REDACTED]	H Shares	[REDACTED]%
Dr. Wang	411,343	Unlisted Shares	0.36%	[REDACTED]	H Shares	[REDACTED]%
Nanjing Zhuli	227,009	Unlisted Shares	0.20%	[REDACTED]	H Shares	[REDACTED]%
Hefei Renci	207,121	Unlisted Shares	0.18%	[REDACTED]	H Shares	[REDACTED]%
Bengbu Huaan	108,099	Unlisted Shares	0.09%	[REDACTED]	H Shares	[REDACTED]%
Other existing Shareholder ⁽¹⁾	4,114,102	Unlisted Shares	3.58%	[REDACTED]	H Shares	[REDACTED]%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Shareholder	As of the Latest Practicable Date			Immediately after the completion of the [REDACTED]		
	Number Shares	Description of Shares	Approximate Ownership Percentage	Number of Shares	Description of Shares	Approximate Ownership Percentage
Sub-total	115,218,724	Unlisted Shares	100.00%	[REDACTED]	H Shares	[REDACTED]%
Other investors taking part in the [REDACTED].	—	—	—	[REDACTED]	H Shares	[REDACTED]%
Total	115,218,724	Unlisted Shares	100.00%	[REDACTED]	H Shares	[REDACTED]%

Note:

- (1) It refers to five existing shareholders each holds less than 1.00% of our issued share capital immediately prior to the [REDACTED]. These existing shareholders and their respective ultimate beneficial owners are Independent Third Parties.

FULL CIRCULATION

Our Company has applied for H Share full circulation to [REDACTED] an aggregate of [REDACTED] Unlisted Shares held by [REDACTED] existing Shareholders, representing approximately [REDACTED]% of the total issued Shares of our Company as of the Latest Practicable Date and approximately [REDACTED]% of the total issued Shares of our Company upon completion of the [REDACTED] (assuming the [REDACTED] and the [REDACTED] are not exercised). For details, see “Share Capital — Upon Completion of the [REDACTED].”

PUBLIC FLOAT

Immediately upon completion of the [REDACTED] of Unlisted Shares into H Shares and the [REDACTED] (assuming the [REDACTED] and the [REDACTED] are not exercised), the Company will have [REDACTED] H Shares, among which [REDACTED] H Shares, representing approximately [REDACTED]% of our total issued Shares as of the Latest Practicable Date and approximately [REDACTED]% of our total issued Shares upon [REDACTED] (assuming the [REDACTED] and the [REDACTED] are not exercised), will not be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules, as such H Shares are held by Dr. Wang, Bengbu Lesi, Bengbu Huarui Technology, Bengbu Xinda, Bengbu Huajing, Bengbu Huaan and FIIF, the core connected persons of our Company.

To the best of our Directors’ knowledge, information and belief and having made all reasonable inquiries, save as disclosed above, upon the completion of the [REDACTED] and the [REDACTED] of Unlisted Shares into H Shares, [REDACTED] H Shares to be held by our Shareholders who are not our core connected persons, representing approximately [REDACTED]% of our total issued Shares upon the completion of the [REDACTED] (assuming the [REDACTED] and the [REDACTED] are exercised), will be counted towards the public float. Together with [REDACTED] H Shares to be issued pursuant to the [REDACTED], representing approximately [REDACTED]% of our total issued Shares, approximately [REDACTED]% of our total issued Shares (assuming the [REDACTED] and the [REDACTED] are not exercised) will be counted towards the public float.

With respect to the indicative [REDACTED] of HK\$[REDACTED], HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED] (being the low-end, mid-point and the upper-end of the [REDACTED], respectively), the expected market capitalization of our H Shares at the time of [REDACTED] will be approximately HK\$[REDACTED] billion, HK\$[REDACTED] and HK\$[REDACTED], respectively. As the expected market value of our H Shares upon [REDACTED] exceeds HK\$6.00 billion, the minimum prescribed percentage of H Shares held by the public at the time of [REDACTED] pursuant to Rule 19A.13A(1) of the Listing Rules would be the higher

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

of (i) 15% of the total issued H Shares and (ii) such percentage of the total issued H Shares as would result in the expected market value of the H Shares held by the public to be at least HK\$1.50 billion upon [REDACTED]. Given that the total number of the H Shares expected to be held by the public represents approximately [REDACTED]% of the total issued share capital of our Company and the expected market value of such H shares held by the public would exceed HK\$1.50 billion (approximately HK\$[REDACTED] billion at the low-end price), our Company will be able to meet the minimum public float requirement under Rule 19A.13A(1) of the Listing Rules.

FREE FLOAT

To the best of our Directors’ knowledge, information and belief and having made all reasonable inquiries, based on the low-end of the [REDACTED] (being HK\$[REDACTED]), the [REDACTED] H Shares representing [REDACTED]% of the issued Shares to be allotted and issued to investors taking part in the [REDACTED] (assuming the [REDACTED] and the [REDACTED] are not exercised) and that [REDACTED] H Shares would not be subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), our Company satisfies the requirement under Rule 19A.13C of the Listing Rules.

EMPLOYEE SHAREHOLDING PLATFORMS

As of the Latest Practicable Date, Bengbu Lesi, Bengbu Huajing and Bengbu Huaan were our employee shareholding platforms.

Bengbu Lesi

As of the Latest Practicable Date, Bengbu Lesi was owned as to 47.61% by Dr. Wang, our chairman of the Board, executive Director and general manager as its general partner and executive partner, and 20.33% by Dr. Bai Jianmin (白建民), our executive Director, 7.00% by Mr. Zhang Chi (張弛), our executive Director, 1.63% by Mr. Han Hefu (韓荷福), a director of one of our subsidiaries, 1.07% by Mr. Zhu Haihua (朱海華), our executive Director, 0.81% by Mr. Wang Xingjun (王行軍), our deputy general manager, 0.27% by Ms. Li Meihong (李美紅), finance manager of Anhui Xinst, 0.10% by Ms. Zhou Siyang (周思陽), one of our joint company secretaries upon the [REDACTED] and spouse of Mr. Zhu Haihua and 0.05% by Ms. Wang Xiaohong (王曉紅), siblings of Dr. Wang.

Each of the other 38 limited partners was an employee of the Group and an Independent Third Party holding less than 10.00% of the partnership interest therein.

Bengbu Huajing

Bengbu Huajing is a limited partnership established and registered in the PRC. The general partner of Bengbu Huajing is Bengbu Huarui. As of the Latest Practicable Date, Bengbu Huajing had 15 limited partners, and was owned as to 69.00% by Bengbu Huarui, 7.68% by Zhu Haihua (朱海華), our executive Director, 5.76% by Mr. Zhang Chi (張弛), our executive Director, 4.57% by Mr. Wang Xingjun (王行軍), our deputy general manager, 1.14% by Dr. Wang, our chairman of the Board, executive Director and general manager, 2.99% by Mr. Han Hefu (韓荷福), a director of one of our subsidiaries and 10 other limited partners who were our employees and Independent Third Parties each holding less than 5.00% of the partnership interest therein.

Bengbu Huaan

Bengbu Huaan is a limited partnership established and registered in the PRC. The general partner of Bengbu Huaan is Bengbu Huarui holding 33.15% interest therein. As of the Latest Practicable Date, Bengbu Huaan had 33 limited partners, with Dr. Wang holding 2.00% partnership interest therein. None of the other 32 limited partners, who were employees of our Group and Independent Third Parties, held more than 5.00% partnership interest therein.

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As of the Latest Practicable Date, all share awards in the form of partnership interest in Bengbu Lesi, Bengbu Huajing and Bengbu Huaan were vested and there were no outstanding share awards.

PREVIOUS [REDACTED] ATTEMPT

We had historically explored the opportunity of establishing a capital market platform in the A-share market in the PRC (“**Previous [REDACTED] Attempt**”). In April 2024, we entered into a [REDACTED] guidance agreement (the “**Guidance Agreement**”) with Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) (the “**A-share Sponsor**”) for A-share [REDACTED]. On April 17, 2024, the A-share Sponsor, submitted a tutoring filing (上市輔導備案) on behalf of our Company with the Anhui Regulatory Bureau of the CSRC (中國證券監督管理委員會安徽監管局) (the “**Tutoring Filing**”). The Tutoring Filing was an administrative step for [REDACTED] preparation and did not constitute a [REDACTED] application with the CSRC. We terminated the Guidance Agreement and the A share Sponsor withdrew our Tutoring Filing with the Anhui Regulatory Bureau of the CSRC on July 9, 2025 as we have decided to pursue our [REDACTED] on the Stock Exchange due to the uncertainty surrounding our A-share [REDACTED] timetable.

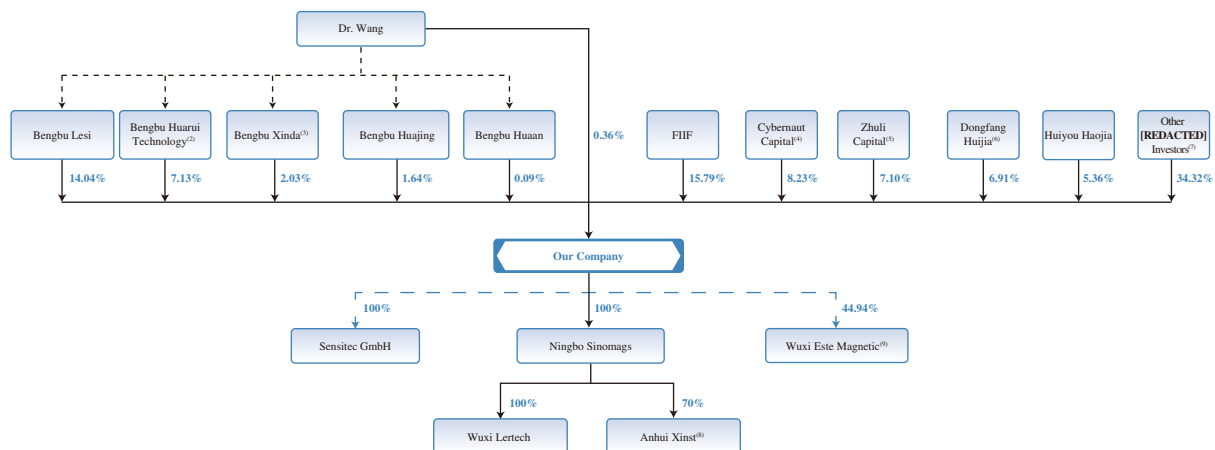
Since the execution of the guidance agreement and up to the Latest Practicable Date, our Company had not submitted any A-share [REDACTED] application. To the best of our Directors’ knowledge and belief, our Directors are not aware of (a) any disagreement between the Company and the parties involved in the Previous [REDACTED] Attempt; and (b) any other matters relating to the Previous [REDACTED] Attempt that are required to be brought to the attention of the investors.

The Sole Sponsor is of the view that there is no other matter in relation to the Previous [REDACTED] Attempt that should be brought to the attention of the Stock Exchange and the investors.

CORPORATE STRUCTURE

Corporate Structure immediately prior to the completion of the [REDACTED]

The following chart sets forth our shareholding structure immediately prior to the completion of the [REDACTED]⁽¹⁾:



Notes:

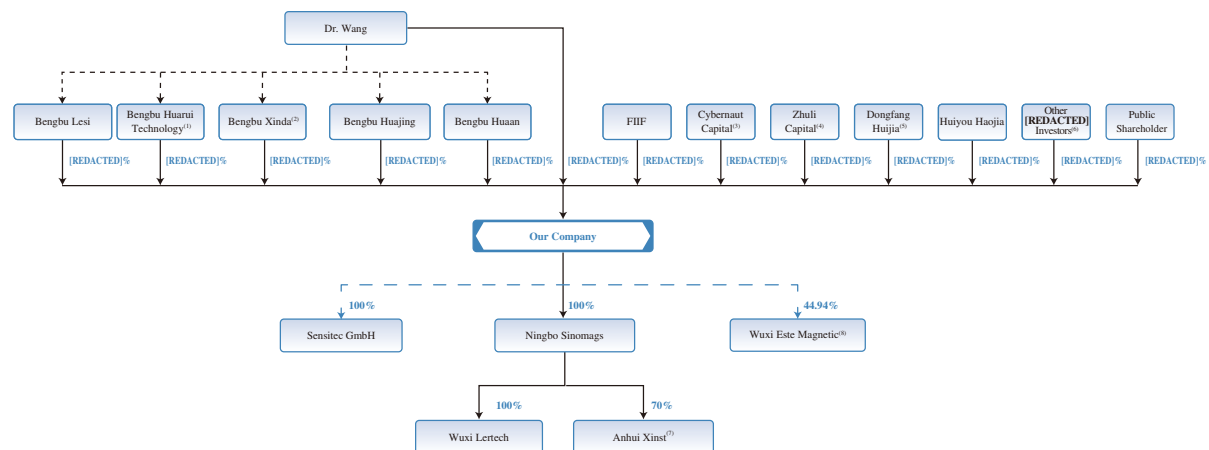
- > denotes direct shareholding.
- - -> denotes interest held through being a general partner/executive partner thereof.
- - - -> denotes indirect shareholding.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (1) The corporate structure only includes our principal subsidiaries.
- (2) Bengbu Huarui Technology is a limited partnership established and registered in the PRC. The general partner of Bengbu Huarui Technology is Bengbu Huarui with Dr. Wang holding 100.00% of the interest thereof. As of the Latest Practicable Date, the two limited partners of Bengbu Huarui Technology were Bengbu Huasheng Technology Center (Limited Partnership) (蚌埠華盛科技中心(有限合夥)) (“**Bengbu Huasheng Technology**”) and Bengbu Hengyun Investment Management Co., Ltd. (蚌埠恒運投資管理有限公司) (“**Bengbu Hengyun Investment**”), holding 66.21% and 33.10% partnership interest in Bengbu Huarui Technology, respectively. Bengbu Huasheng Technology was owned as to 50.10% and 49.90% by Bengbu Huarui (as its general partner) and Bengbu Hengyun Investment, respectively. Bengbu Hengyun Investment was indirectly wholly-owned by the State-owned Assets Supervision and Administration Commission of Bengbu People’s Government (蚌埠市人民政府國有資產監督管理委員會).
- (3) As of the Latest Practicable Date, Bengbu Xinda was owned as to 42.25% by Nantong Rongpu Enterprise Management Center (Limited Partnership) (南通榮溥企業管理中心(有限合夥)) (“**Nantong Rongpu**”) as a limited partner, 35.92% by Dr. Wang as its general partner and three other limited partners who were investors and Independent Third Parties holding less than 30.00% partnership interest therein. Nantong Rongpu is owned as to 57.33% by Guo Rong, our previous Director, as its executive partner, 8.33% by Ms. Lu Fei, our non-executive Director and five other limited partners who were Independent Third Parties each holding less than 30.00% partnership interest therein.
- (4) Cybernaut Capital collectively refers to Ningbo Saibao, Anhui High Tech Cyber, Saizhi Wentao and Saizhi Yunsheng.
- (5) Zhuli Capital collectively refers to Beijing Zhuli, Jinyue Zhuli and Nanjing Zhuli.
- (6) Dongfang Huijia collectively refers to Huijia No. 1, Huijia No. 2, Zibo Huijia Huisheng and Zibo Huijia Huili.
- (7) As of the Latest Practicable Date, each of the other [REDACTED] Investors held less than 5.00% of the issued Shares.
- (8) As of the Latest Practicable Date, Anhui Xinst was owned as to 30.00% by Anhui Guokong Lingang Industry Fund Partnership Enterprise (Limited Partnership) (安徽國控臨港產業基金合夥企業(有限合夥)) which was ultimately controlled by State-owned Assets Supervision and Administration Commission of Anhui Province People’s Government (安徽省人民政府國有資產監督管理委員會) and an Independent Third Party.
- (9) As of the Latest Practicable Date, Wuxi Este Magnetic was owned as to 38.93%, 8.95% and 7.17% by Anhui Guosheng, Wuxi Xinwu District Xintou Xiyuan Emerging Industry Venture Capital Fund Partnership Enterprise (Limited Partnership) (無錫市新吳區新投溪源新興產業創業投資基金合夥企業(有限合夥)) (“**Wuxi Xinwu**”) and Nantong Precision Measurement Enterprise Management Center (Limited Partnership) (南通精測企業管理中心(有限合夥)) (“**Nantong Precision**”), respectively. As of the Latest Practicable Date, Anhui Guosheng was owned as to 79.37% by FIIF, our substantial Shareholder. See “— [REDACTED] Investors — FIIF.” Wuxi Xinwu was ultimately controlled by the People’s Government of Xinwu District, Wuxi City, the PRC. Nantong Precision was owned as to 50.00%, 45.00% by two limited partners, namely Lin Xinsong (林新松), an Independent Third Party, Lu Fei (呂菲), our non-executive Director, and as to 5.00% by Nanjing Haiju Zhuli Technology Co., Ltd. (南京海聚助力科技有限公司), which was wholly-owned by Beijing Haiju Zhuli, its executive partner. For further details, see “— [REDACTED] Investors — Zhuli Capital”

Corporate Structure immediately following the completion of the [REDACTED]

The following chart sets forth our shareholding structure immediately following the completion of the [REDACTED] (assuming the [REDACTED] and the [REDACTED] are not exercised):



Notes:

- > denotes direct shareholding.
- - - - -> denotes interest held through being a general partner/executive partner thereof.
- - - - -> denotes indirect shareholding.

For notes (1) to (9): Please see “Corporate structure immediately before completion of the [REDACTED].”

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THE PRC LAWS, REGULATIONS AND POLICIES

This section sets out summaries of the principal China laws, regulations and policies relevant to the Company’s current ordinary course of business operations in China.

POLICIES ON SENSOR INDUSTRY

In November 2016, the State Council issued the Notice of the State Council on the “13th Five-Year Plan” for the Development of National Strategic Emerging Industries (《國務院關於印發「十三五」國家戰略性新興產業發展規劃的通知》), aiming to enhance the supply capacity of core foundational hardware. The plan focuses on improving the design capabilities of key chips and developing chips for new applications. It accelerates the industrialization of 16/14-nanometer process technology and the construction of memory production lines while upgrading the technological level and industry concentration of packaging and testing. Additionally, it emphasizes strategic deployment in post-Moore’s Law chip-related fields. The plan also seeks breakthroughs and large-scale adoption of domestically developed technologies, including active matrix organic light emitting diode (AMOLED), ultra high definition (4K/8K) quantum dot liquid crystal displays, and flexible displays. Furthermore, it promotes R&D and industrialization of key technologies in smart sensors, power electronics, printed electronics, semiconductor lighting, and inertial navigation, while improving the supply guarantee capability of new surface mount components, optical communication devices, and specialized electronic materials.

In March 2021, the National People’s Congress (the “NPC”) approved the Outline of the 14th Five-Year Plan (2021–2025) for National Economic and Social Development and Long-Range Objectives for 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), proposing to focus on key areas, including high-end chips, operating systems, core AI algorithms, and sensors, while accelerating R&D breakthroughs and iterative applications in fundamental theories, algorithms, and equipment materials and strengthening integrated research and development of general-purpose processors, cloud computing systems, and core software technologies.

In December 2021, the State Council issued the Notice of the State Council on the “14th Five-Year Plan” for the Development of Digital Economy (《國務院關於印發「十四五」數字經濟發展規劃的通知》), pointing out that during the 14th Five-Year Plan period, key technological innovation capabilities should be strengthened, strategic forward-looking fields such as sensors, quantum information, network communication, integrated circuits, key software, big data, artificial intelligence, blockchain and new materials should be targeted. It called for leveraging China’s institutional advantages under the socialist system, the strength of the new nationwide system, and the benefits of a super-large market to strengthen fundamental R&D capabilities in digital technologies. The plan also highlighted making up for the shortcomings of key technologies, optimize and innovate the organizational methods such as “Open bidding for selecting the best candidates”, focus on breaking through key core technologies in the fields of high-end chips, operating systems, industrial software, core algorithms and frameworks, and strengthen the integrated R&D of general-purpose processors, cloud computing systems and software key technologies. In addition, the competitiveness of key links in the industrial chain should be improved and the supply chain systems of key industries such as 5G, integrated circuits, new energy vehicles, artificial intelligence, and industrial Internet should be improved.

In 2022, the Ministry of Industry and Information Technology and five other departments issued the Guiding Opinions on Promoting the Development of the Energy Electronics Industry (《關於推動能源電子產業發展的指導意見》), encouraging the development and application of key information technology products for the new energy sector. This mainly includes power electronics, flexible electronics, sensing and IoT, smart energy information systems, as well as adaptive technologies and

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products such as advanced computing, industrial software, transmission and communication, and industrial robotics tailored to new energy needs. The document calls for research into miniaturized, high-performance, high-efficiency, and highly reliable power semiconductors, sensor devices, optoelectronic devices, and other basic electronic components, as well as specialized equipment and advanced processes. It also supports the construction of new energy supply and consumption systems, such as ultra-high voltage.

In June 2023, the Ministry of Industry and Information Technology and four other departments issued the Implementation Opinions on Enhancing Reliability in Manufacturing (《製造業可靠性提升實施意見》). Emphasis is placed on implementing a reliability “foundation-building” project for sensors, highly adaptable sensor modules, and automotive-grade high-precision sensors in the machinery, electronics, and automotive industries, strengthening the assessment and evaluation of reliability indicators, promoting reliability growth, and creating a good environment.

In December 2023, the National Development and Reform Commission issued the Catalogue for Guiding Industry Restructuring (2024 Version) (《產業結構調整指導目錄(2024年本)》), which includes sensitive components and sensors in the encouraged category.

LAWS AND REGULATIONS ON FOREIGN INVESTMENT

The establishment, operation, and governance of Chinese corporate entities are regulated by the Company Law of the People’s Republic of China (“**PRC Company Law**”), which was promulgated by the Standing Committee of the National People’s Congress (“**NPC Standing Committee**”) on December 29, 1993, latest amended on December 29, 2023, and took effect on July 1, 2024. Both limited liability companies and joint stock limited companies incorporated in China are subject to the PRC Company Law. Unless otherwise stipulated by foreign investment laws, foreign-invested enterprises are also governed by the PRC Company Law.

The Foreign Investment Law of the PRC, which was promulgated by the NPC on March 15, 2019 and implemented on January 1, 2020, establishes the management system for pre-access national treatment and negative list for foreign investment in the PRC. Pre-access national treatment means that foreign investors and their investments shall be treated no less favorably than domestic investors and their investments at the stage of investment access; negative list refers to the special administrative measures for access of foreign investment in specific fields as prescribed by the PRC. The PRC gives national treatment to foreign investment outside the negative list. In addition, the Regulation for Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**Implementation Regulations**”), which was promulgated by the NPC on December 26, 2019 and came into effect on January 1, 2020, further stipulates that the PRC shall, according to the needs of national economic and social development, formulate a catalogue of encouraged foreign-invested industries, and specify the specific industries, fields and regions in which foreign investors are encouraged and guided to invest.

The National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM) jointly revised and issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 version) (《外商投資准入特別管理措施(負面清單) (2024年版)》) (the “**Negative List**”) on September 6, 2024, which came into effect on November 1, 2024, to replace the previous negative list. Domestic enterprises engaged in business activities within the prohibited sectors on the Negative List that seek to issue and list securities overseas must obtain prior approval from the relevant state authorities. For such enterprises, overseas investors shall not participate in corporate management, and their shareholding ratio shall be implemented with reference to the relevant regulations governing overseas investors’ securities investments in the mainland market.

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Pursuant to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) jointly promulgated by the NDRC and the MOFCOM on December 19, 2020 and effective from January 18, 2021, foreign investments that affect or may affect national security are subject to security review in accordance with the said Measures. Foreign investors or relevant domestic affiliate shall proactively file an application with the working mechanism office before they conduct any investment into any of the following fields: (1) investment in the military industry or military-related industry, and investment in areas in proximity of defense facilities or military establishment; and (2) investment in any important agricultural product, important energy and resources, critical equipment manufacturing, important infrastructure, important transportation services, important cultural products and services, important information technologies and internet products and services, important financial services, critical technologies and other important fields which concern the national security where actual control over the invested enterprise is obtained.

REGULATIONS ON OVERSEAS INVESTMENT

Pursuant to the Administrative Measures for Overseas Investments (《境外投資管理辦法》) which was promulgated by the MOFCOM on September 6, 2014 and came into effect on October 6, 2014, the MOFCOM and provincial competent commerce departments shall conduct filing or approval management depending on different circumstances of overseas investments of enterprises. Overseas investments involving sensitive country or region, sensitive industry shall be subject to approval management, overseas investments under other circumstances shall be subject to filing management.

Pursuant to the Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) which was promulgated by the NDRC on December 26, 2017 and came into effect on March 1, 2018, an enterprise located within the territory of the PRC (the “**Investor**”) making an outbound investment shall go through such formalities as the approval and filing for the outbound investment project (the “**Project(s)**”), the reporting of relevant information, and the cooperation in the supervision and inspection over the outbound investment. Sensitive Projects carried out by Investors directly or through overseas enterprises controlled by them shall be subject to approval; non-sensitive Projects directly carried out by Investors, namely, the non-sensitive Projects involving Investors’ direct investment of assets and equities or the provision of financing or guarantees shall be subject to filing. The aforementioned “sensitive project” means a project involving a sensitive country or region or a sensitive industry. The NDRC promulgated the Catalogue of Sensitive Industries for Outbound Investment (Edition 2018) (《境外投資敏感行業目錄(2018年版)》), effective on March 1, 2018 to list the sensitive industries for overseas investment in detail.

Pursuant to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) which was promulgated by the SAFE on February 13, 2015 and came into effect on June 1, 2015, abolishing the verification and approval of foreign exchange registration of overseas direct investment. The banks shall directly examine and handle foreign exchange registration of overseas direct investment. SAFE and its branches shall conduct indirect regulation of foreign exchange registration of overseas direct investment via banks.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) (the “**Patent Law**”) promulgated by the SCNPC on March 12, 1984 and latest amended on October 17, 2020 and came into effect on June 1, 2021, and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the State Council on June 15, 2001 and latest amended on December

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11, 2023 and came into effect on January 20, 2024, there are three types of patents, namely “invention,” “utility model” and “design”. The duration of patent rights for an invention shall be 20 years, the duration of patent rights for a utility model shall be 10 years and the duration of patent rights for a design shall be 15 years, commencing from the filing date. Following the grant of patent rights for an invention or a utility model, unless otherwise stipulated in this Law, no organization or individual shall implement the patent without licensing from the patentee. Following the grant of design patent rights, no organization or individual shall implement the patent without licensing from the patentee, i.e. shall not manufacture, offer to sell, sell or import the design patented products for manufacturing and business purposes.

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982 and latest amended on April 23, 2019 and came into effect on November 1, 2019, and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002 and latest amended on April 29, 2014 and came into effect on May 1, 2014, trademarks approved and registered by the Trademark Bureau are registered trademarks, trademark registrants enjoy exclusive rights to use trademark and are protected by the law. The validity period of a registered trademark is 10 years, commencing from the date of registration.

Domain Name

Pursuant to the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and became effective on November 1, 2017. The MIIT is the main regulatory authority responsible for implementing supervision and administration over domain name services nationwide. No organization or individual shall impair the security or stable operation of the internet domain name system.

LAWS AND REGULATIONS ON PRODUCT QUALITY

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and latest amended on December 29, 2018, producers and sellers shall establish a sound internal product quality control system, strictly adhere to a job responsibility system in relation to quality standards and quality liabilities, and implement corresponding examination and inspection measures. The forgery or imitation of quality marks such as certification marks is prohibited; falsifying the place of origin of product, and falsifying or imitating the name or address of another factory is prohibited; adulteration of, or mixing of improper elements with products under manufacturing or on sale, passing off the sham as the genuine or passing off the inferior as the superior is prohibited.

LAWS AND REGULATIONS ON IMPORT AND EXPORT TRADE

Pursuant to PRC Customs Law (《中華人民共和國海關法》) promulgated on January 22, 1987, and latest amended on April 29, 2021, for import and export goods, unless otherwise stipulated, the consignee or consignor of import and export goods may go through customs declaration and tax payment formalities by himself, or may entrust the customs declaration enterprise to go through customs declaration and tax payment formalities. The consignee or consignor of import and export goods and the customs declaration enterprise shall file the customs declaration formalities with the customs in accordance with the law.

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the Standing Committee of the NPC on May 12, 1994, and latest amended on December 30, 2022 and the Regulations on the PRC on the Administration of the Import and Export of Goods (《中華人民共和

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國貨物進出口管理條例》) issued by the State Council on December 10, 2001, last amended on March 10, 2024 and took effect on May 1, 2024, no entity or individual may impose or maintain any prohibition or restriction on the import or export of goods except for the goods which is explicitly prohibited or restricted by laws or administrative regulations.

Pursuant to the Provisions on the Registration of Customs Declaration Entities of the People’s Republic of China (《中華人民共和國海關報關單位備案管理規定》) which was promulgated by the General Administration of Customs (the “GAC”) on November 19, 2021 and took effect on January 1, 2022, the consignee or consignor of imported or exported goods or a customs declaration enterprise needs only to apply for record-filing to the customs, with no registration with the GAC necessary any longer. The record-filing information shall be made public via the Import and Export Credit Information Publicity Platform of the Customs of China.

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994, and latest amended on December 30, 2022, the requirements for foreign trade operators engaging in goods or technology import and export to go through the record-filing registration with the foreign trade department of the State Council or its authorized agencies have been abolished.

LAWS AND REGULATIONS ON LABOR AND SOCIAL SECURITY

Labor Law, Labor Contract Law and Implementing Regulations of the Labor Contract Law of the PRC

According to the Labor Law of the PRC (《中華人民共和國勞動法》), latest amended by the SCNPC on December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), latest amended by the SCNPC on December 28, 2012 and became effective on July 1, 2013, and the Implementing Regulations of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which was promulgated by the State Council and became effective on September 18, 2008, a labor contract shall be concluded for establishment of work relationships. Employers shall establish and improve labor rules and regulations in accordance with the law to safeguard employees’ labor rights and ensure the fulfillment of labor obligations. Labor contracts must be concluded in writing, with more stringent requirements imposed on employers regarding the execution of fixed-term labor contracts, engagement of temporary workers, and termination of employment relationships.

Social Insurance and Housing Provident Fund

According to the Social Security Law of the PRC (《中華人民共和國社會保險法》), which was latest amended and implemented by the SCNPC on December 29, 2018, and the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was latest amended and implemented by the State Council on March 24, 2019, social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance have been established. Any premium paying entity shall carry out social insurance registration at the local social insurance agency and participate in social insurance. Premium paying entities or individuals shall pay social insurance premiums on time and in full amount.

Pursuant to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) which was latest amended and implemented by the State Council on March 24, 2019, an entity shall make registration of contribution to the housing provident fund with the housing provident fund management center, and go through the formalities of opening housing provident fund accounts on behalf of its employees. An entity shall timely and fully deposit housing accumulation fund.

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LAWS AND REGULATIONS ON TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) promulgated by the SCNPC, latest amended and implemented on December 29, 2018 and the Implementation Regulations for the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council, latest amended on December 6, 2024 and implemented on January 20, 2025, the unified enterprise income tax rate is 25%. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishments or premises in the PRC but there is no actual relationship between the relevant income derived and the established institutions or premises set up by them, enterprise income tax is set at the rate of 10% with respect to their income sourced from the PRC. A uniform 25% enterprise income tax rate is imposed to both foreign invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. The recognized high-tech enterprises will enjoy a reduced tax rate of 15% for Enterprise Income Tax.

Value-Added Tax

Pursuant to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council and was latest amended and implemented on November 19, 2017, and the Implementation Rules for the Provisional Regulations the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance and was latest amended on October 28, 2011 and effective from November 1, 2011, entities and individuals engaging in selling goods, providing processing, repairing or replacement services or importing goods within the territory of the PRC are taxpayers of the value-added tax (“VAT”), and are subject to VAT. Unless otherwise specified, the tax rate for taxpayers selling or importing goods and providing processing, repairing and replacement services within China is 17% and 11%, 6% and 0% under certain specific circumstances.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-Added Tax Rates, which was issued on April 4, 2018 and implemented on May 1, 2018, the taxpayers with regard to the occurrence of value-added tax taxable sales or imported goods, that were originally applied to the tax rates of 17% and 11%, the tax rates were adjusted to 16% and 10% respectively.

According to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform, issued by Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on March 20, 2019 and implemented on April 1, 2019, the ordinary value-added tax taxpayers with regard to the occurrence of value-added tax taxable sales or imported goods that were originally applied to the tax rate of 16%, the tax rate were adjusted to 13%; if they were originally applied to the tax rate of 10%, the tax rate were adjusted to 9%.

On December 25, 2024, the SCNPC issued the VAT Law of the PRC (the “VAT Law”) will come into effect on January 1, 2026, and the Provisional Regulations of the PRC on Value-added Tax will be abolished at the same time. According to the VAT Law, entities and individuals (including individual industrial and commercial households) who sell goods, services, intangible assets, real estate and import goods within the PRC are taxpayers of value-added tax and shall pay VAT in accordance with the law. Unless otherwise specified, the tax rate for taxpayers selling goods and providing processing, repairing and replacement services, leasing services of tangible movable property and importing goods is 13% and 9%, 6% and 0% under certain specific circumstances.

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LAWS AND REGULATIONS ON FOREIGN EXCHANGE

According to the Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) latest amended by the State Council on August 5, 2008, the regulations apply to the foreign exchange receipts and payments or foreign exchange business activities of domestic institutions and domestic individuals, as well as the foreign exchange receipts and payments or foreign exchange business activities of overseas institutions and foreign individuals in China.

According to the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) announced by the SAFE on December 26, 2014, the SAFE and its branch offices and administrative offices shall oversee, regulate and inspect domestic companies regarding their business registration, opening and use of accounts, trans-border payments and receipts, exchange of funds and other conduct involved in overseas listing. Domestic company shall, within 15 working days upon the end of its public offering overseas, handle registration formalities for overseas listing with the foreign exchange authority at its place of registration with the relevant materials.

According to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by SAFE on June 9, 2016, the relevant policies have clearly implemented foreign exchange income from capital account (including foreign exchange capital, foreign debt funds and funds transferred from overseas listing, etc.) that will be settled in banks according to the actual operating needs of domestic institutions. If there are restrictive provisions on the settlement of foreign exchange income from capital account of domestic institutions in current laws and regulations, such provisions shall prevail.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their funds received by way of capital contribution, foreign debts and overseas listing, with no need to provide the evidentiary materials concerning authenticity of such payment to banks on a case-by-case basis in advance, provided that their capital use shall be authentic and compliant, and conform with the prevailing administrative regulations on the use of income under capital accounts. According to the Circular on Further Deepening the Reform to Facilitate Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) issued by the SAFE on December 4, 2023, foreign exchange funds raised by domestic enterprises through overseas listing, may be directly remitted to the settlement account of capital accounts. Funds in the settlement account of capital accounts may be settled and used at discretion.

LAWS AND REGULATIONS ON OVERSEAS SECURITIES ISSUANCE AND LISTING BY DOMESTIC ENTERPRISES

Laws and Regulations on Securities

The Securities Law of the People’s Republic of China (《中華人民共和國證券法》, the “**Securities Law**”) which was latest amended by the SCNPC on December 28, 2019 and became effective on March 1, 2020, comprehensively regulate the activities of the domestic securities market in China, including the issuance and trading of securities, the acquisition of listed companies, information disclosure, investor protection, securities trading venues, securities companies, securities registration and clearing institutions, securities service institutions, securities industry associations and securities regulatory authorities, etc. The Securities Law further stipulates that domestic enterprises directly or indirectly issuing securities overseas or listing their securities overseas shall comply with the relevant regulations of the State Council. If domestic company shares are subscribed and traded in foreign currencies, the

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specific measures shall be separately stipulated by the State Council. The CSRC is a securities regulatory agency established by the State Council, which is responsible for supervising and managing the securities market according to law, maintaining market order and ensuring the legal operation of the market.

Overseas Listing

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Measures**”) and relevant guidelines, which took effect on March 31, 2023. According to the Trial Measures, if an enterprise in China directly or indirectly issues or lists shares overseas, it shall file with the CSRC within 3 working days after submitting the application documents for issuance and listing overseas; no overseas offering and listing shall be made under any of the following circumstances: where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; where the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or have undermined the order of socialist market economy during the latest three years; the domestic company intending to make the securities offering and listing is currently under investigation for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; there are material ownership disputes over equity held by controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and actual controller.

According to the Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Provisions on Strengthening Confidentiality and Archives Administration**”) jointly issued by the CSRC and other relevant departments on February 24, 2023, which took effect on March 31, 2023, in the course of overseas issuance and listing of domestic enterprises, domestic enterprises and securities companies and securities service agencies which provide the corresponding services shall strictly comply with the relevant laws and regulations of the PRC and the requirements of the Provisions on Strengthening Confidentiality and Archives Administration, strengthen legal awareness of confidentiality of state secrets and archives administration, establish a sound system for confidentiality and archives work, adopt the requisite measures to perform the responsibilities of confidentiality and archives administration, and shall not divulge state secrets and work secrets of state agencies or harm state and public interests. To provide or publicly disclose to the relevant securities companies, securities service agencies, overseas regulatory authorities and other entities and individuals, or to provide or publicly disclose, through its overseas listing entities, any document or data involving state secrets or work secrets of state agencies, a domestic enterprise shall apply to the competent department with examination and approval authority for approval in accordance with the law, and file the same with the secrecy administration at the same level for the record. To provide or publicly disclose to the relevant securities companies, securities service agencies, overseas regulatory authorities and other entities and individuals, or to provide or publicly disclose, through its overseas listing subjects, other documents and materials, the disclosure of which will cause adverse impact on the national security or public interests, a domestic enterprise shall strictly go through the corresponding procedures pursuant to the relevant provisions of the state.

REGULATORY OVERVIEW

GERMANY

Corporate law

Most common legal form of German enterprises is the Limited Liability Company (*Gesellschaft mit beschränkter Haftung* — **GmbH**). A GmbH has one or several shareholders. The liability of the shareholders is limited to their capital contribution (Sec. 13 limited liability companies act — **GmbHG**); the shareholders are not liable for the company’s debts, except for fraud and piercing the corporate veil. The shares are freely transferable and inheritable; however, the articles of association may impose further restrictions such as consent requirements. Each share transfer requires notarization (Sec. 15 GmbHG). After effectiveness of the share transfer, the acting notary submits a list of shareholders to the commercial register for documentation purposes. However, vis-à-vis the company, the persons listed as shareholders in such list qualify as shareholders entitled to adopt shareholders’ resolutions (Sec. 40 GmbHG). There are rules on the acquisition of shares in good faith from persons being registered in the list of shareholders. The shares are not represented by share certificates. The minimum share capital is EUR25,000 and the minimum nominal amount of a share is EUR 1; it is possible and was best practice in the past that all shares have individual nominal amounts.

A GmbH must have at least two corporate bodies: the management (*Geschäftsführung*) and the shareholders’ meeting (*Gesellschafterversammlung*); a supervisory board (*Aufsichtsrat*) or an advisory board (*Beirat* or similar) may be established voluntarily by shareholders’ resolution through an amendment of the articles of association. In particular with regard to the advisory board, the shareholders can determine the rights and obligations of its members. If the company has more than 500 employees, a supervisory board must be established with employee representatives elected to such board. The number of employee representatives in the supervisory board depends on the number of employees (1/3 from 500 to 1,999 employees; 1/2 from 2,000 employees onwards). The managing directors are appointed by the shareholders’ meeting (unless the supervisory board is competent) and registered with the commercial register. Such registration serves documentation purposes and is not constitutive; however, persons registered in the register can represent the company in transactions even if the appointment as managing director is void or recalled. German law distinguishes between the office as managing director (through appointment) and the contractual basis for the services rendered by the managing director (service agreement between the company and the managing director). The invalidity of one thereof does not impact the validity of the other; it is not even mandatory that a separate service agreement exists. Usually, managing directors are appointed for an indefinite period of time. The powers of the managing directors are unlimited and unlimitable. However, the shareholders’ meeting may adopt rules of procedure which constitute internal rules only (i.e. they cannot be enforced against third parties). Moreover, the managing directors are bound by instructions from the shareholders’ meeting and conducts business in accordance with its resolutions (Sec. 37 GmbHG). In contrast to other jurisdictions, German law does not know an ultra vires doctrine; i.e. the actions by the managing directors are valid even if the managing directors act outside the corporate object of the company. As there is no such doctrine, the corporate purpose, as set forth in the articles of association, is usually rather generic.

Changes to the articles of association require a registration with the commercial register for being effective. The articles of association are amended by the shareholders meeting with a qualified majority of 75% of the votes cast. They include, amongst others, the company name, the corporate seat, company object and the nominal share capital.

REGULATORY OVERVIEW

Employment

The German Verification Act (*Nachweisgesetz* — *NachwG*) obliges employers to set out the essential terms and conditions of the employment relationship and to hand them over to the employee in text form (e.g. by email). Only a few employment conditions (e.g. limitation of term, post-contractual non-competition obligation) need to be agreed upon in writing (wet ink). All employees are entitled to be paid at least the national minimum wage for all working hours — as of 1 January 2025: EUR12.82 (gross) per hour. Employees are entitled to 20 working days paid statutory holiday each year, if they have a five-day working week. Usually, in employment contracts the parties agree on longer paid holiday, where 30 working days paid holiday is standard market practice. There are several additional regulations (e.g. as regards working hours, sickness, pregnant employees) which further regulate the employment relationship.

Under German labour law, there are two kinds of unilateral dismissals: ordinary dismissals and dismissals for good cause. Alternatively, the parties can terminate the employment contract by mutual agreement.

- As a general rule, an ordinary dismissal is valid if the applicable notice period (depending in the seniority between four weeks and seven months to the end of the calendar month) is observed and the dismissal does not violate public policy (e.g., if based on discriminatory grounds). Furthermore, employees in an operation with more than ten full-time-equivalent, and with more than six months’ seniority, enjoy protection under the German Dismissal Protection Act. Accordingly, a dismissal has to be “socially justified”, which means there has to be (1) person-related reasons, (2) conduct-related reasons or (3) operational reasons. Dismissals for conduct reasons are generally only permissible if the employee has previously been warned for their breach of duty.
- Employment relationships can also be terminated for good cause with immediate effect. Such serious cause exists if facts exist on the basis of which — taking all circumstances of the individual case into account and weighing the interests of employer and employee — the employer cannot reasonably be expected to continue the employment relationship until the notice period has lapsed. Some examples include repeated persistent refusal to work, theft of the employer’s property, or work for a competitor of the employer. Furthermore, a dismissal for good cause has to be notified to the employee within two calendar weeks after the employer has obtained knowledge of the facts resulting in the dismissal. Otherwise, the dismissal is invalid.

Besides this, there is special protection against dismissals for certain employees: Pregnant employees, employees on parental leave, severely handicapped persons or those with equal status to severely handicapped persons can only be dismissed with the prior consent of the authorities. Works council members can only be dismissed for good cause or in case of a company shutdown. If a works council exists, it has to be informed at least one week (ordinary dismissal) or three days (dismissal for good cause) before the termination is issued. The works council cannot prevent the dismissal. However, if it has not been properly informed, the dismissal is invalid. In each case, there is no statutory severance in Germany. Employees are only entitled to severance payments under a social plan with the works council (often agreed on in the case of mass layoffs) or under a collective bargaining agreement. However, in practice, many employers and employees will agree on a severance pay to avoid lengthy court proceedings concerning the effectiveness of the termination. This severance will often amount to 50% of the monthly salary per year of service. However, this can vary significantly depending on the strength of the case for dismissal and the previous practice of the employer.

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In Germany there are no basic trade union organizations in the company. Instead, if at least five employees are regularly employed in the relevant company, the works councils are the most important points of contact for operational problems. The works councils, in turn, work closely with the union. The works council represents the interests of employees in the company. It monitors that the applicable laws, occupational safety regulations, collective agreements and organization-level agreements are observed by the employer. The works council also advocates the equal treatment of employees and the integration of foreign employees. The works council has certain powers and organizational options within the company which enable it to fulfil its tasks. For example, the works council must agree to every new hiring, must be heard before each dismissal, ensures a fair pay classification or may negotiate with the employer on several working conditions and conclude works council agreements with the employer, which apply for all employees of the company or for certain employee groups. Works council agreements can, for example, generate general holiday principles or holiday plans, working hours, recording of working hours, break regulations or behavioural guidelines for dealing with colleagues or customers and general principles for payment entitlements, e.g. commissions, wage extra payments or annual target planning.

For employee participation in the supervisory board, please refer to the corporate law section.

Foreign Direct Investment (FDI)

Under certain circumstances, acquisitions of German entities by non-German acquirers may be subject to the Foreign Direct Investment control provisions of the German Foreign Trade and Payments Act (*Außenwirtschaftsgesetz*, **AWG**), in combination with the Foreign Trade and Payments Ordinance (*Außenwirtschaftsverordnung*, **AWV**) entitling the German Federal Ministry of Economic Affairs and Climate Action (*Bundesministerium für Wirtschaft und Klimaschutz*, **BMWK**) to investigate and prohibit such investments.

As a rule, the cross-sector investment review procedure applies here (Sec. 4 para. 1 no. 4, Sec. 5 para. 2 AWG, Sec. 55–59 AWV). This procedure applies in principle to all sectors regardless of the size of the companies involved in the acquisition. Special rules apply to the acquisitions of certain defense and IT security companies (in these cases, there is a sector-specific investment review, Sec. 4 para. 1 no. 1, Sec. 5 para. 3 AWG, Sec. 60–62 AWV).

In principle, any acquisition of a company by investors located outside the territory of the EU or the EFTA region whereby investors acquire ownership of at least 25% of the voting rights of a company resident in Germany can be subjected to such review. If the German company operates critical infrastructure within the meaning of the Act on the Federal Office for Information Security, or if it provides other services of particular relevance to security within the meaning of Sec. 55 para. 1 sent. 2 no. 1 to 6 AWV, the threshold for the review is only at least 10%. If the direct buyer is resident in the territory of the EU, such review may be performed if there are indications of an abusive approach or a circumvention transaction (Sec. 55 para. 2 AWV).

Special rules for investment reviews apply to the acquisition of companies that operate in sensitive security areas. This includes manufacturers and developers of war weapons and other key military technologies, and products with IT security features that are used for processing classified government information. Similar special rules also apply to the acquisition of a company that operates a high-grade earth remote sensing system (Sec. 10 of the Act on Satellite Data Security). Any acquisition of a company by foreign investors whereby these acquire ownership of at least 10% of the voting rights of a company resident in Germany can be subjected to such review. In this so-called “sector specific” review procedure, the BMWK will examine whether the acquisition by the non-German acquirer conflicts with essential security interests of Germany.

REGULATORY OVERVIEW

German Merger Control

A concentration of undertakings, including the acquisition of a German business, must be notified to the German Federal Cartel Office (*Bundeskartellamt*, **BKartA**), pursuant to Sections 35 and 39 of the German Act against Restraints of Competition (*Gesetz gegen Wettbewerbsbeschränkungen*, **GWB**), prior to the execution of the concentration if,

- combined worldwide turnover of the participating companies was higher than EUR500 million or more in the business year preceding the merger; and
- domestic turnover of at least one participating company was more than EUR50 million; and
- domestic turnover of another participating company was more than EUR17.5 million

or

- the combined aggregated worldwide turnover of all participating undertakings is more than EUR500 million, and
- the domestic turnover of one participating undertaking is more than EUR50 million, and
- neither the target undertaking nor any other undertaking concerned achieved a domestic turnover of more than EUR17.5 million,
- the consideration for the acquisition exceeds EUR400 million and
- the target undertaking has substantial operations in Germany.

Furthermore, the German Federal Cartel Office can issue a decree ordering companies to notify certain concentrations in specific industries for a period of three years if these industries were previously the subject of a sector inquiry.

The acquisition of 25% of the shares in another undertaking is already deemed a concentration under German law.

Foreign Subsidies Regulation

The Foreign Subsidies Regulation (**FSR**) aims at preventing anti-competitive influences on the EU internal market through subsidies granted by non-EU countries to companies operating within the EU. This regulation is particularly relevant for foreign acquirers.

Any concentration must be notified to the European Commission prior to its implementation if:

- at least one of the merging undertakings, the acquired undertaking or the joint venture is established in the Union and generates an aggregate turnover in the Union of at least EUR500 million; and
- in the companies involved have jointly received third-country benefits totalling more than EUR50 million in the three years preceding the conclusion of the agreement, the announcement of the public bid, or the acquisition of a controlling interest.

The European Commission will assess whether the granted subsidies distort the internal market. The assessment considers factors such as the amount of the subsidy, the recipient's market position, and the subsidy's impact on competition. If the European Commission concludes that the subsidies have a distortive effect, it will apply the so-called balancing test to determine whether the distortion for the internal market is outweighed by benefits. Such benefit could relate to an EU policy objective (e.g. environmental protection, digital transformation or creating jobs).

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Contract law/Commercial law

German contract law is primarily governed by the German Civil Code (*Bürgerliches Gesetzbuch* — **BGB**) and by the German Commercial Code (*Handelsgesetzbuch* — **HGB**). The BGB applies to all kind of transactions, such as sales agreements (Sec. 433 BGB), rental agreements (Sec. 53 BGB), whereas the HGB applies to B2B transactions only. In cross-border transactions, the parties can agree on the applicable legislation; in lack of such agreement, the contract is governed by the law pursuant to which the party, which is rendering the service or selling the goods, operates, where such party is located (i.e. not the payor’s law is decisive). The use of terms and conditions (T&C) is limited as deviations from main legal principles are null and void; moreover, surprising T&Cs such as obligations not relating to the subject matter of an agreement are void.

The statutory warranty period applicable to sales agreements is 2 years. Deviations are possible if agreed to in the individual case and, in case of B2B transactions, to a certain degree by T&C. However, if the good is designated to be on-sold to consumers, the warranty period commences for all parties along the distribution chain with the delivery to the consumer; insofar, shortening of the warranty period is not possible. A shortening of the warranty period is possible with respect to parts which are designated to be built into other products.

Data Protection

Germany’s data protection framework is primarily governed by the General Data Protection Regulation (**GDPR**) and the German Federal Data Protection Act (*Bundesdatenschutzgesetz*, **BDSG**). Under these applicable data protection laws, organizations processing personal data as a controller have, for example, the following obligations:

- Compliance with data protection principles: Controllers must at all times comply with the data protection principles. This includes, e.g., ensuring the lawfulness of the processing of personal data, the principle of purpose limitation, transparency and data minimization. Controllers must also ensure that personal data they process is accurate (Art. 5 para. 1 GDPR). Controllers must also ensure that transfers of personal data to third countries (outside of the EU/EEA) are protected by an adequate level of data protection (Art. 44 et seq. GDPR).
- Documentation requirements: Controllers must document their compliance with applicable data protection law and must be able to prove their compliance. Under the GDPR, controllers bear the burden of proof for compliance meaning that, if, for example, it is unclear whether consent was obtained in a legally valid manner, the processing will be deemed unlawful unless the controller is able to prove otherwise (Art. 5 para. 2 GDPR).
- Incident notifications and cooperation with supervisory authorities: Organizations are obligated to cooperate with these authorities, in particular notify them of data breaches within 72 hours after becoming aware of a breach (Art. 33 GDPR).
- Further obligations under the BDSG: The BDSG may impose further obligations and/or elaborate on obligations under the GDPR. Such clarifications may concern, e.g., technical and organizational measures to be considered when processing special categories of personal data (Art. 9 GDPR, in connection with Section 22 para. 2 BDSG).

The BDSG also mandates the appointment of a Data Protection Officer (DPO) under certain conditions in addition to appointment obligations under the GDPR, such as when an organization employs at least 20 individuals involved in data processing (Section 38 para. 1 BDSG). Additionally, Germany has sector-specific data protection laws, like the Telecommunications-Telemedia-Data Protection Act, which addresses data protection in telecommunications and digital services.

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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

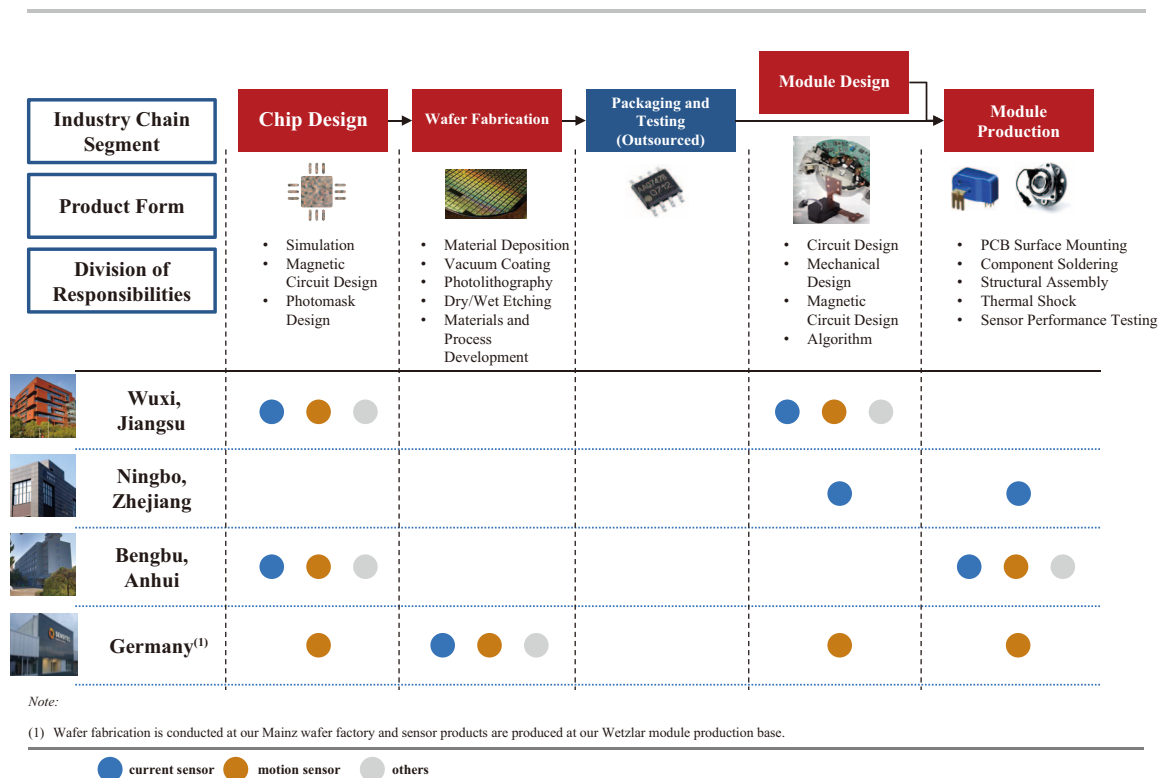
We operate under an integrated IDM model that enables deep collaboration with our customers to explore application scenarios, drive technology validation, and define products. This collaborative approach ensures our solutions meet the evolving needs of customers across different industries with various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

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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,

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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).

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- 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.

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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

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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,

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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.

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- *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.

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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.

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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.

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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.

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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

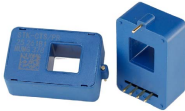
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reliability. Unlike conventional magnetic sensing technologies, TMR sensors can detect extremely small magnetic field changes while maintaining robust performance across wide temperature ranges and harsh operating environments. During the Track Record 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.

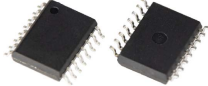
Current sensors

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)

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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.

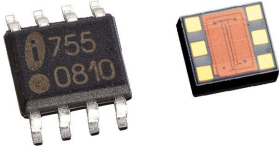
Magnetic encoders represent a particularly important and advanced subset of our motion sensor offerings. These robust and highly reliable sensors detect angular or linear displacement in rotating machinery by utilizing magnetic fields rather than optical systems. This magnetic approach enables superior 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.

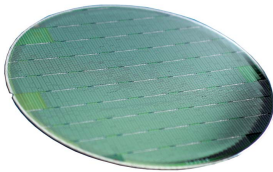
The table below sets forth certain representative motion sensor products and their characteristics and applications:

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.

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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.

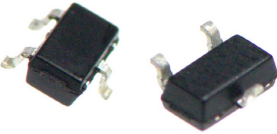
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Product	Product picture	Magnetic sensing technology type	Features	Application scenario
Bare die chip . . .			Depending on specific requirements of customers and their downstream applications	

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

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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

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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

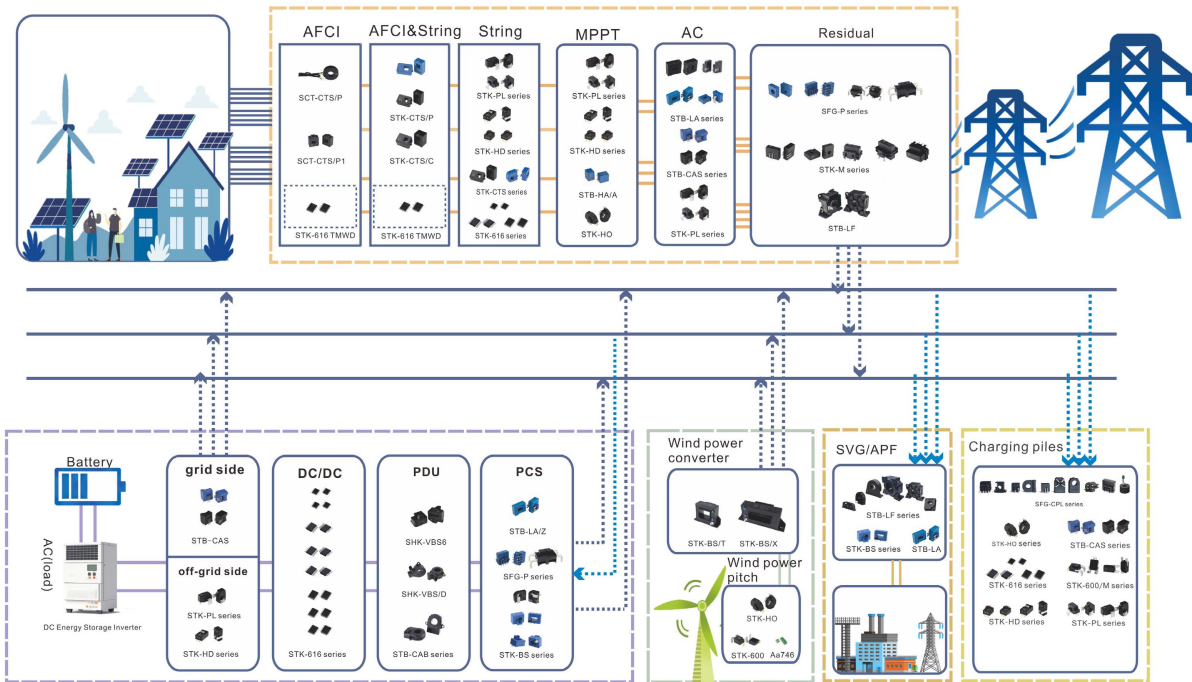
The global transition toward renewable energy sources and the increasing adoption of distributed energy systems have created substantial growth opportunities for the current sensor market. Our products play critical roles in new energy applications, addressing the evolving demands for precision, reliability,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

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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).

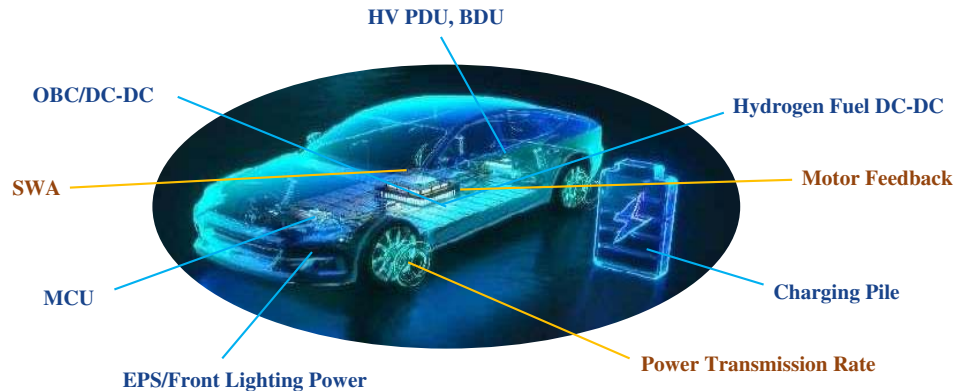
- **MCU:** The motor control unit acts as the “brain” that controls how power flows from the battery to the electric motor, managing speed and torque output. Our current sensors monitor the electrical current flowing to the motor, ensuring optimal performance and efficiency.
- **BMS:** The battery management 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.

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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.

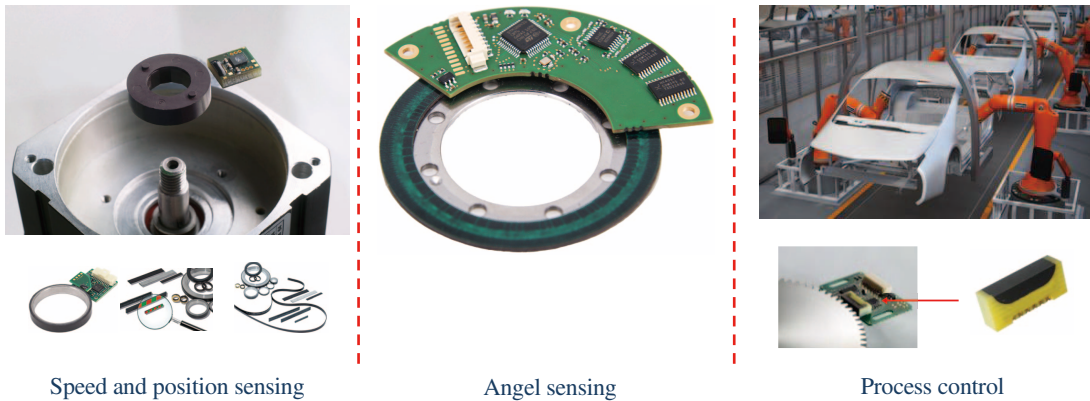
Our TMR sensor products enable critical functions in robotic applications, particularly in positioning and angle sensing where our encoders provide precise position feedback. This capability enables robots to maintain accurate position awareness and supports complex motion trajectories essential for 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

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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%

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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.

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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.

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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.

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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.

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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.

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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

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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

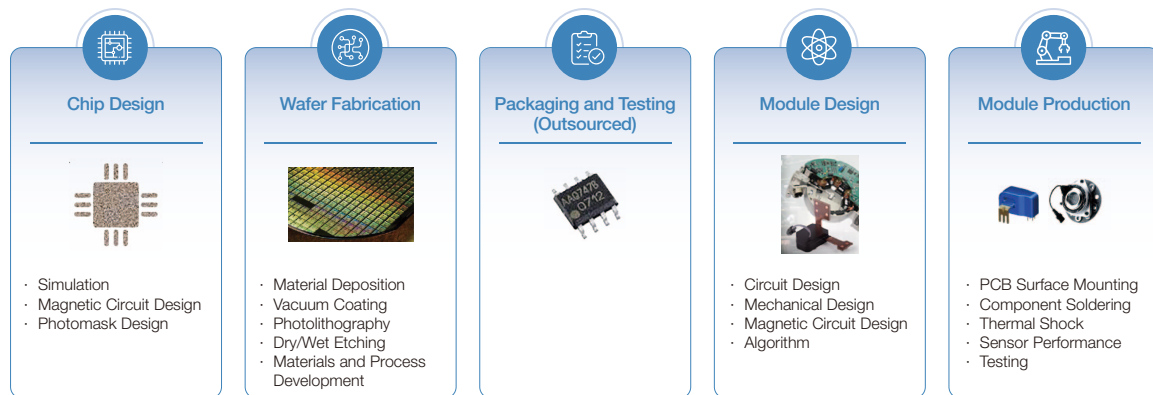
We have adopted a vertically integrated IDM model that provides in-house control over the key stages of the value chain from design and manufacturing of magnetic sensor chips through to the design and manufacturing of magnetic sensor modules. This integrated operational framework fosters coordination 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.

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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

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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

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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

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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.

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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>

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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

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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.

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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.

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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

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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.

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- **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.

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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

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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

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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.

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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.

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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

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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.

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- 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)

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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

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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

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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.

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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.

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(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.

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- **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

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- 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.

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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.

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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 planned 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

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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 Sensitec’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

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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.

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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 “—

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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

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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

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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

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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.

CONNECTED TRANSACTIONS

OVERVIEW

We have entered into certain transactions with Wuxi Este Magnetic and Anhui Guosheng which will, upon the [REDACTED], become our connected persons. Upon the [REDACTED], the transactions disclosed under this section will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The following persons, with whom we intend to enter into certain continuing transactions in our ordinary course of business upon the [REDACTED], will become our connected persons upon [REDACTED]:

Connected Persons	Connected Relationship
Wuxi Este Magnetic, a company principally engaged in the production of robotic grade products in the PRC.	As of the Latest Practicable Date, Wuxi Este Magnetic, a subsidiary of our Company, was owned as to 38.93% by Anhui Guosheng, which was in turn owned as to 79.37% and 20.63% by FIIF and our Group, respectively. Accordingly, FIIF, our substantial Shareholder, can control the exercise of 38.93% of the voting power at Wuxi Este Magnetic’s general meeting, and Wuxi Este Magnetic would become a connected subsidiary within the meaning under Rule 14A.16 of the Listing Rules upon [REDACTED].
Anhui Guosheng, a company principally engaged in the principally engaged in the research and development, design and production of silicon wafers	As of the Latest Practicable Date, Anhui Guosheng, was owned as to 79.37% and 20.63% by FIIF and our Company, respectively. Anhui Guosheng is an associate of FIIF and would therefore become our connected person within the meaning under Rule 14A.13 of the Listing Rules upon [REDACTED].

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Set out below is a brief summary of our continuing connected transactions and relevant waiver [sought]:

Transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31,	
			2026	2027
			(RMB million)	(RMB million)
Fully exempt continuing connected transactions				
Wuxi Este Magnetic Sub-lease Agreement	14A.76(1)(c)	Not applicable	[0.8]	[0.8]
Partially exempt continuing connected transaction				
Anhui Guosheng Cooperation Framework Agreement	14A.76(2)(a)	Not applicable		
— Supply of TMR thin-film			[0.2]	[0.2]
— Purchase of TMR wafer			[1.4]	[2.6]
— Sub-lease			[0.3]	[0.4]
Non-exempt continuing connected transaction				
Wuxi Este Magnetic Cooperation Framework Agreement	[14A.35, 14A.36, 14A.53, 14A.105]	[Announcement, independent shareholder approval, circular]		
— Supply of products			[65.2]	[97.8]
— Purchase of raw materials			[1.0]	[0.8]

CONNECTED TRANSACTIONS

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Wuxi Este Magnetic Sub-lease Agreement

Parties	:	(1) Wuxi Lertech (as tenant); and (2) Wuxi Este Magnetic (as sub-tenant).
Term	:	The initial term of the Wuxi Este Magnetic Sub-lease Agreement will commence on August 1, 2025 to July 31, 2027.
Subject Matter	:	Wuxi Lertech and Wuxi Este Magnetic entered into a sub-lease agreement (the “Wuxi Este Magnetic Sub-lease Agreement”), pursuant to which Wuxi Lertech agreed to sub-lease our leased property situated in Wuxi City, the PRC to Wuxi Este Magnetic for office use at an annual rent of approximately RMB0.5 million per year. Wuxi Este Magnetic shall be responsible for all actual expenses related to the use of the subleased property, including but not limited to water, electricity, gas, telecommunications, maintenance, and property management fees. The gross floor area of the sub-leased area of the property amounted to approximately 1,030 square metre.
Pricing Policy	:	The rental payment, water, electricity, gas, telecommunications, maintenance, and property management fees receivable under the Wuxi Este Magnetic Sub-lease Agreement were determined based on arm’s length negotiation between our Group and Wuxi Este Magnetic with reference to the estimated utility expenses calculated with reference to the number of machineries and equipment in the sub-leased area and the relevant rental payment and expenses under the main tenancy agreement signed between our Group and the owner of the property.
Reasons for transaction	:	Wuxi Este Magnetic, a connected subsidiary of our Company, was established in 2023. As the property owner prefers to enter into lease agreement with an entity registered in the Wuxi Economic and Technological Development Zone (the “ ETD Zone ”), the property owner and Wuxi Lertech, which was registered in the ETD Zone, entered into the main lease and, upon consent from the property owner, subleased the property to Wuxi Este Magnetic, allowing it to utilize the leased properties. This arrangement ensured that Wuxi Este Magnetic had access to the necessary facilities and resources during its early stages of growth while leveraging the Group’s existing leasing arrangements.
Historical transaction amounts	:	The historical transaction amounts in respect of the sub-lease arrangement between our Group and Wuxi Este Magnetic were nil, RMB0.2 million, RMB0.7 million and RMB0.5 million for years ended December 31, 2022, 2023 and 2024 and the nine months ended September 30, 2025.

CONNECTED TRANSACTIONS

Annual caps	:	The annual caps in respect of the rental payment, utility expenses and property management fees receivable from Wuxi Este Magnetic for the years ending December 31, 2026 and 2027 are RMB0.8 million and RMB0.8 million, respectively, taking into account the addition of new machineries and equipment in the sub-leased area in 2025 and the historical transaction amount during the nine months ended September 30, 2025.
Listing Rules Implications	:	As all of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules in respect of the above transaction, which is conducted on normal commercial terms or better, are expected to be less than 5% and the total consideration of the transaction thereunder is expected to be less than HK\$3,000,000 on an annual basis, it will fall within the de minimis threshold under Rule 14A.76(1) of the Listing Rules and will be exempted from the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Anhui Guosheng Cooperation Framework Agreement

On [•], our Company and Anhui Guosheng entered into a cooperation framework agreement (the “**Anhui Guosheng Cooperation Framework Agreement**”), the principal terms and other details of which are set out below:

Parties	:	(1) Our Company; and (2) Anhui Guosheng
Term	:	The initial term of the Anhui Guosheng Cooperation Framework Agreement will commence on the date of [REDACTED] to December 31, 2027 subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.
Subject Matter	:	Pursuant to the Anhui Guosheng Cooperation Framework Agreement, our Company agrees to: (1) produce and supply TMR thin-film to Anhui Guosheng; and (2) purchase TMR wafer from Anhui Guosheng; and (3) sub-lease our leased property situated in Bengbu, the PRC to Anhui Guosheng for office use at an annual rent of approximately RMB94,133 per year. Anhui Guosheng shall be responsible for all actual expenses related to the use of the subleased property, including but not limited to water, electricity, gas, telecommunications, maintenance, and property management fees. The gross floor area of the sub-leased area of the property amounted to approximately 784.44 square metre.

CONNECTED TRANSACTIONS

Pricing Policy : *Supply of TMR thin-film*

The price of the TMR thin-film supplied by our Company would be determined on arm’s length basis taking into account the market price of similar products offered by Independent Third Parties.

Purchase of TMR wafer

The price of the TMR wafer to be purchased by our Company under the Anhui Guosheng Cooperation Framework Agreement would be determined on arm’s length basis taking into account the prevailing market price of similar products offered by Independent Third Parties.

Sub-lease

The rental payment, water, electricity, gas, telecommunications, maintenance, and property management fees receivable under the Anhui Guosheng Cooperation Framework Agreement were determined based on arm’s length negotiation between our Company and Anhui Guosheng with reference to the estimated utility expenses calculated with reference to the number of machineries and equipment in the sub-leased area and the relevant rental payment and expenses under the main tenancy agreement signed between our Company and the owner of the property.

Reason for transaction : Anhui Guosheng was formed by our Group and FIIF, and is principally engaged in the research and development, design and production of silicon wafers. As of the Latest Practicable Date, Anhui Guosheng’s business remains in the development stage with its production base still under construction, and it is expected that it would be primarily focused on the initial testing and research of its products in the upcoming years. Given Anhui Guosheng’s current lack of production capability and its expected business growth, our Company could benefit from the supply of our TMR thin-film, a key component required by Anhui Guosheng in the development of its TMR wafers, and the sub-leasing of our facilities as such arrangements could provide steady revenue streams for our Company. Concurrently, the Company’s prospective purchase of TMR wafers from Anhui Guosheng would secure a strategic and cost-effective supply of a critical component.

CONNECTED TRANSACTIONS

Historical transaction amounts	<i>Supply of TMR thin-film</i> There are no historical transaction amounts with respect to the supply of TMR thin-film for the years ended December 31, 2022, 2023 and 2024, and the relevant historical transaction amount for the nine months ended September 30, 2025 was approximately RMB35,000. <i>Purchase of TMR wafer</i> There are no historical transaction amounts with respect to the purchase of TMR wafer for the years ended December 31, 2022, 2023 and 2024 and the nine months ended September 30, 2025. <i>Sub-lease</i> There are no historical transaction amounts with respect to the rental payment, utility expenses and property management fees receivable from Anhui Guosheng for the years ended December 31, 2022, 2023 and 2024, and the relevant historical transaction amount for the nine months ended September 30, 2025 was RMB0.2 million.
Annual caps	Our Directors estimate that the maximum transaction amount (i) in relation to the supply of TMR thin-film by our Company under the Anhui Guosheng Cooperation Framework Agreement for the years ending December 31, 2026 and 2027 will be approximately RMB[0.2] million and RMB[0.2] million, respectively. In arriving at the above annual caps, our Directors have taken into account the expected completion of the necessary supporting infrastructure, the progression of product research and development of Anhui Guosheng, the relevant historical transaction amount for nine months ended September 30, 2025 and a 10% buffer to cope with the demand for TMR thin-film from Anhui Guosheng to meet its research and development activities from time to time; (ii) in relation to the purchase of TMR wafer by our Company under the Anhui Guosheng Cooperation Framework Agreement for the years ending December 31, 2026 and 2027 will be approximately RMB[1.4] million and RMB[2.6] million, respectively. In arriving at the above annual caps, our Directors have taken into account the expected completion of the necessary supporting infrastructure and the progression of product research and development of Anhui Guosheng for the years ending December 31, 2026 and 2027, the current market price for TMR wafer of EUR1,800 (approximately RMB14,400 per unit) and the expected production capacity of Anhui Guosheng of 100 units and 180 units for the years ending December 31, 2026 and 2027, respectively; and

CONNECTED TRANSACTIONS

- (iii) in respect of the rental payment, utility expenses and property management fees receivable from Anhui Guosheng for the years ending December 31, 2026 and 2027 will be approximately RMB[0.4] million and RMB[0.4] million, respectively, taking into account the total resources to be shared with Anhui Guosheng under the sub-lease and the expected increase in property management fees and utility expenses.

Listing rules implications : As one or more of the applicable percentage ratios (other than the profits ratio) of the proposed aggregated annual caps in respect of the purchase of raw materials pursuant to the Anhui Guosheng Cooperation Framework Agreement exceed 0.1% but are all less than 5% on an annual basis, the transactions under the Anhui Guosheng Cooperation Framework Agreement will be subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Wuxi Este Magnetic Cooperation Framework Agreement

On [•], our Company and Wuxi Este Magnetic entered into a cooperation framework agreement (the “**Wuxi Este Magnetic Cooperation Framework Agreement**”), the principal terms and other details of which are set out below:

Parties : (1) Our Company for and on behalf of members of our Group other than Wuxi Este Magnetic (“**Other Group Members**”); and
(2) Wuxi Este Magnetic.

Term : From the date of [REDACTED] to December 31, 2027 (both days inclusive) subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Subject Matter : Pursuant to the Wuxi Este Magnetic Cooperation Framework Agreement, our Company for and on behalf of the Other Group Members agrees to cooperate with Wuxi Este Magnetic for producing and supplying motion sensors (including surface mounting, assembly and finished product testing, the packaging, aging and testing of chips).

For the purpose of producing and supplying the aforesaid products, the Other Group Members may from time to time purchase raw materials (including but not limited to PCBAs, electronic components and other ancillary materials such as screws and bolts) from Wuxi Este Magnetic.

Separate agreements will be entered into between the Other Group Members and Wuxi Este Magnetic which will set out the specific quantity of the products, payment terms, product specifications and other details of the arrangement in the manner as provided in the Wuxi Este Magnetic Cooperation Framework Agreement.

CONNECTED TRANSACTIONS

Pricing Policy : *Supply of Products*

The price of the products supplied by the Other Group Members under the agreements would be determined on arm’s length basis taking into account the cost of production of the relevant products plus a mark-up rate on the cost of production which is determined with reference to the average profit margin of products sold in the preceding financial year to customers who are Independent Third Parties.

The Other Group Members would only supply motion sensors to Wuxi Este Magnetic if the unit price of such motion sensors is not less than the unit cost of production of such motion sensors plus the above mark-up rate.

The motion sensors supplied by the Other Group Members to Wuxi Este Magnetic were tailor-made and no reference market price is available. Therefore, the above pricing policy, which is based on cost of production and the mark-up rate, were adopted.

Purchase of Raw Materials

The Other Group Members would only purchase raw materials from Wuxi Este Magnetic if the price of such raw materials is lower than the price offered by Independent Third Parties. In particular, the Other Group Members will ascertain the prevailing market price of the relevant raw materials through obtaining at least three other quotations of comparable raw materials from suppliers who are Independent Third Parties.

Reasons for transaction : Wuxi Este Magnetic is principally engaged in the research and development and design of motion sensors for robotic use scenario and has no production base of its own. Accordingly, our Group would benefit from the synergy effect arising from the transactions contemplated under the Wuxi Este Magnetic Cooperation Framework Agreement by utilizing our production capacity while supporting the research and development and design function of Wuxi Este Magnetic, and at the same time recognize steady income stream from our provision of our production service.

Historical transaction amounts : *Supply of Products*

The historical transaction amounts in relation to the supply of products to Wuxi Este Magnetic for the years ended December 31, 2022, 2023 and 2024 and the nine months ended September 30, 2025 were nil, nil, RMB3.4 million and RMB8.0 million, respectively.

CONNECTED TRANSACTIONS

Purchase of Raw Materials

The historical transaction amounts in relation to the purchase of raw materials from Wuxi Este Magnetic for the years ended December 31, 2022, 2023 and 2024 and the nine months ended September 30, 2025 were nil, nil, RMB0.1 million and RMB2.0 million, respectively.

- Annual caps** : Our Directors estimate that the maximum transaction amount
- (i) in relation to the supply of products by the Other Group Members under the Wuxi Este Magnetic Cooperation Framework Agreement for the years ending December 31, 2026 and 2027 will not exceed RMB[65.2] million and RMB[97.8] million, respectively. In arriving at the above annual caps, our Directors have considered (i) the anticipated amount of sale by Wuxi Este Magnetic to its customers for the years ending December 31, 2026 and 2027; (ii) the expected continuous expansion in business scale of Wuxi Este Magnetic for the years ending December 31, 2026 and 2027; and (iii) the assumption that all products to be sold by Wuxi Este Magnetic would be exclusively produced by the Other Group Members; and
 - (ii) in relation to the purchase of raw materials by the Other Group Members under the Wuxi Este Magnetic Cooperation Framework Agreement for the years ending December 31, 2026 and 2027 will not exceed RMB[1.0] million and RMB[0.8] million, respectively. In arriving at the above annual caps, our Directors have considered (i) our Group’s business plan of gradually phasing out of the current transaction model in which Wuxi Este Magnetic would source relevant raw materials and sell the same to the Other Group Members for the purpose of production; and (ii) the assumption that 1.0% and 0.5% of the estimated total sales of Wuxi Este Magnetic would be made to the Other Group Members for the raw materials, aligning with the aforesaid business plan and the historical percentage derived from previous transactions between the Other Group Members and Wuxi Este Magnetic.

- Listing Rules Implications** : Our Directors currently expect that the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. Accordingly, the transactions contemplated under the Wuxi Este Magnetic Cooperation Framework Agreement will be subject to the reporting, annual review, announcement and the independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

WAIVER APPLICATION

As the continuing connected transactions described in “— Non Exempt Continuing Connected Transactions” above have been and will continue to be carried out by our Group on a continuing and recurring basis and are expected to extend over a period of time, our Directors are of the view that compliance with the announcement requirement under Chapter 14A of the Listing Rules would impose

CONNECTED TRANSACTIONS

unnecessary administrative costs and burden to our Group. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for[, and the Stock Exchange has granted,] a waiver from strict compliance with the announcement requirement under the Listing Rules relating to each of the aforementioned continuing connected transactions subject to the conditions that (a) the aggregate amounts of the transactions as contemplated under each of the aforementioned continuing connected transactions for each relevant financial year shall not exceed the relevant amounts set forth in the respective proposed annual caps as stated above; and (b) we will comply with the other relevant requirements under Chapter 14A of the Listing Rules applicable to the aforementioned continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements.

DIRECTORS’ VIEW

Our Directors (including the independent non-executive Directors) are of the view that (i) the continuing connected transactions described above have been and will be entered into in the ordinary and usual course of our business and on normal commercial terms or better, (ii) the terms of the continuing connected transactions described above are fair and reasonable and in the interest of our Group and Shareholders as a whole, and (iii) the proposed annual caps for the continuing connected transactions described in “Non-exempt Continuing Connected Transaction” above in this section are fair and reasonable and in the interests of our Group and Shareholders as a whole.

SPONSOR’S VIEW

The Sole Sponsor are of the view that the non-exempt continuing connected transactions as set out above [have been] and will be entered into on normal commercial terms or better and in the Group’s ordinary and usual course of business and are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and the proposed annual caps are fair and reasonable and in the interests of the Group’s Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of nine Directors, comprising four executive Directors, two non-executive Directors, and three independent non-executive Directors. The following table sets forth certain information regarding our Directors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as our Director	Roles and responsibilities	Relationship with other Directors or Senior Management
Dr. Wang Jianguo (王健國)	52	Chairman of our Board, executive Director and general manager	September 14, 2009	December 7, 2018	Formulating the overall development strategy of our Group and supervising our Group’s operations	None
Dr. Bai Jianmin (白建民)	50	Executive Director and deputy general manager	May 13, 2013	July 30, 2021	Management of the marketing department of our Group	None
Mr. Zhu Haihua (朱海華)	38	Executive Director, employee Director and senior research supervisor	May 13, 2013	August 15, 2023	Management of the research and development department of our Group	None
Mr. Zhang Chi (張弛)	43	Executive Director, deputy general manager and Board secretary	October 8, 2019	July 30, 2021	Management of the strategy department of our Group	None
Mr. Chen Guang (陳光)	39	Non-executive Director	November 3, 2021	November 3, 2021	Provide strategic advice to the Board	None
Ms. Lu Fei (呂菲)	41	Non-executive Director	August 29, 2023	July 25, 2025	Provide strategic advice to the Board	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Date of joining our Group	Date of appointment as our Director	Roles and responsibilities	Relationship with other Directors or Senior Management
Dr. Zhang Zhong (張中)	52	Independent non-executive Director	February 5, 2024	February 5, 2024	Providing independent advice and judgment to our Board	None
Dr. Xue Desheng (薛德勝)	59	Independent non-executive Director	February 5, 2024	February 5, 2024	Providing independent advice and judgment to our Board	None
Mr. Zhang Wei (張維)	39	Independent non-executive Director	July 25, 2025	July 25, 2025	Providing independent advice and judgment to our Board	None

Executive Directors

Dr. Wang Jianguo (王健國), aged 52, is the chairman of our Board, our executive Director and general manager. He has served as our Director and general manager since December 7, 2018 and was re-designated as our executive Director on July 25, 2025. Dr. Wang is primarily responsible for formulating the overall development strategy of our Group and supervising our Group’s operations.

Dr. Wang has over 20 years of research and development and corporate management experience in the magnetic sensor industry. From October 2004 to October 2006, Dr. Wang served as a quality control manager at Sae Magnetics (HK) Ltd, a company principally engaged in the manufacture and sale of passive components, sensor application products, magnetic application products and energy application products. From November 2006 to November 2009, Dr. Wang served as engineering supervisor at Seagate, a company principally engaged in the manufacture and sale of data storage products. Dr. Wang commenced his career in our Group in September 2009, where he served as general manager of Wuxi Lertech, a position which he still holds as of the Latest Practicable Date. Dr. Wang also served as chief executive officer of Ningbo Sinomags from February 2013 to December 2015. Dr. Wang currently holds directorships in several of our subsidiaries including Ningbo Sinomags, where he served as a director and the chairman of the board of directors since December 2015, Wuxi Lertech, where he served as a director since September 2009, Shenste, where he served as a director since April 2022, and Anhui Xinst, where he served as a director since November 2023. Dr. Wang is currently serving as a deputy of the 14th Anhui Province People’s Congress, a position which he has held since January 2023. He is also a committee member of the advisory committee to the Advanced Manufacturing Industry Investment Fund (先進製造業產業投資基金), a position which he has held since August 2024, and a member of the second council of the alumni association of the college of physics of Lanzhou University in the PRC, a position which he has held since November 2023.

Dr. Wang obtained his bachelor’s degree in magnetism and a master’s degree in condensed matter physics from Lanzhou University in the PRC in June 1995 and July 1998, respectively. Dr. Wang studied at the University of Minnesota in the United States from December 2003 to August 2004. Dr. Wang obtained his doctoral degree in physical technological engineering from the University of Lisbon in Portugal in March 2005.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Wang was a supervisor of the following company which was established in the PRC prior to its deregistration:

Name of relevant company	Nature of business	Method of dissolution	Reason for dissolution	Date of dissolution
Wuxi Puruisi Microelectronics Technology Co., Ltd. (無錫普銳思微電子科技有限公司)	Engineering and technical research and experimental development	Deregistration	The company has no business operation since its establishment	April 7, 2015

Dr. Wang confirmed that, to the best of his knowledge, information and belief, (i) the above company was not involved in any material legal proceedings in any jurisdiction relating to its deregistration; (ii) the above company was solvent immediately prior to its deregistration; (iii) there was no wrongful act on his part leading to the deregistration of the above company; and (iv) the deregistration of the above company has not resulted in any liability or obligation on his part, nor has it affected his right to serve as a director of other companies.

Dr. Bai Jianmin (白建民), aged 50, is our executive Director and deputy general manager. He has served as our Director since July 30, 2021 and was re-designated as our executive Director on July 25, 2025. He is primarily responsible for the management of the marketing department of our Group.

Dr. Bai has extensive research and development and corporate management experience in the magnetic sensor industry. Dr. Bai has served as the chairman of the board of directors of Wuxi Este Magnetic, since April 30, 2025. Dr. Bai served as a postdoctoral associate at the University of Minnesota in the United States from June 2004 to September 2006. Dr. Bai also served as an assistant professor at Lanzhou University in the PRC. Dr. Bai is currently a supervisor at Shenste, a position which he has held since April 2022.

Dr. Bai obtained a bachelor of physics in magnetic study and a doctoral degree in condensed matter physics from Lanzhou University in the PRC in June 1997 and June 2022, respectively.

Mr. Zhu Haihua (朱海華), aged 38, is our executive Director, employee Director and senior research supervisor. He has served as our Director and senior research supervisor since August 15, 2023 and December 1, 2018, respectively, and was re-designated as our executive Director on July 25, 2025. He is primarily responsible for the management of the research and development department of our Group.

Mr. Zhu has extensive research and development and corporate management experience in the magnetic sensor industry. Mr. Zhu first joined our Group in 2013, where he served as a research engineer at Ningbo Sinomags from May 2013 to April 2016. Mr. Zhu has also served as a R&D manager and senior R&D director at Wuxi Lertech since April 2016. Mr. Zhu has served as our employee representative Director since July 25, 2025.

Mr. Zhu obtained a bachelor’s degree in electronic information engineering from Jiangsu Technical Normal College (江蘇技術師範學院)(the predecessor of Jiangsu University of Technology (江蘇理工大學)) in the PRC in June 2009.

Mr. Zhang Chi (張弛), aged 42, has served as our Director since July 30, 2021 and has also served as our deputy general manager and Board secretary since October, 2019. He was re-designated as our executive Director on July 25, 2025 and is primarily responsible for the management of the strategy department of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang has over 18 years’ experience in the investment industry. Prior to joining our Group, Mr. Zhang has worked at various investment firms, including working at Xinna Investment Consulting (Shanghai) Co., Ltd. (新納投資諮詢(上海)有限公司) from May 2007 to December 2009, as assistant investment manager, investment manager, and senior investment manager at China Jianyin Investment Co., Ltd. (中國建銀投資有限責任公司) from March 2010 to October 2012, as general manager of business investment department, managing director, investment officer and deputy general manager at JIC Investment (建投投資有限責任公司) from November 2012 to July 2018, and as managing director of Shanghai Zhonghande Enterprise Management Consulting Co., Ltd. (上海仲哈德企業管理諮詢有限公司) from August 2018 to August 2019. Mr. Zhang is also the director of Anhui Xinst, a position which he has held since May 2025.

Mr. Zhang obtained a bachelor of science in computer science from the University of Southern California in the United States in May 2005.

Mr. Zhang was a supervisor of the following company which was established in the PRC prior to the revocation of its business license:

Name of relevant company	Nature of business	Status of company	Reason of revocation	Date of revocation
Andui’an Economic Trade Development Co., Ltd. (上海岸對岸資產管理有限公司).	Investment and asset management	Business license revoked	The company has no business operation since its establishment	May 6, 2019

Mr. Zhang confirmed that, to the best of his knowledge, information and belief, (i) the above company was not involved in any material legal proceedings in any jurisdiction relating to the revocation of its business license; (ii) the above company was solvent immediately prior to the revocation of its business license; (iii) there was no wrongful act on his part leading to the revocation of its business license of the above company; and (iv) the revocation of its business license of the above company has not resulted in any liability or obligation on his part, nor has it affected his right to serve as a director of other companies.

Mr. Chen Guang (陳光), aged 39, is our non-executive Director. He has served as our Director since November 3, 2021 and was re-designated as our non-executive Director on July 25, 2025. He is primarily responsible for providing strategic advice to the Board. Mr. Chen was nominated by FIIF, one of our [REDACTED] Investors. He was also appointed as the director of Wuxi Este Magnetic on April 30, 2025.

Mr. Chen has accumulated experience in the investment industry. He worked as an analyst and investment manager and vice president at SDIC Fund Management (Beijing) Co., Ltd. (國投創新投資管理(北京)有限公司) from September 2010 to January 2020. He has successively served as director of the investment team and executive director at Guotou Zhaoshang (Nanjing) Investment Management Co., Ltd. since January 2020 and is currently serving as managing director at the firm.

Mr. Chen obtained a bachelor’s degree at the school of economics and management at the Tsinghua University in the PRC in July 2008.

Ms. Lu Fei (呂菲), aged 41, was appointed as our non-executive Director on July 25, 2025. She is primarily responsible for providing strategic advice to the Board. Ms. Lu was nominated by Beijing Zhuli, one of our [REDACTED] Investors. Ms. Lu was the chairman of the board of directors, executive director and deputy general manager of Wuxi Este Magnetic from August 29, 2023 to April 30, 2025.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Lu has extensive experience in the investment industry. Prior to joining the group, Ms. Lu worked at Jiasheng Xingye (Beijing) Investment Co., Ltd. (嘉盛興業(北京)投資有限公司工作) and Beijing Fangsheng Venture Capital Center (Limited Partnership) (北京芳晟投資管理中心(有限合夥)) from July 2012 to February 2014, and March 2014 to May 2015, respectively. Ms. Lu is currently the partner of Beijing Haiju Investment Management Co., Ltd. (北京海聚助力投資管理有限公司), a position which she has held since June 2015.

Ms. Lu obtained a bachelor of science in geographic information systems from the Capital Normal University in the PRC in July 2006, and a master of science, majoring in urban habitat management, from the University of Adelaide in Australia in December 2008. Ms. Lu also obtained the intermediate accountant title awarded by the Ministry of Human Resources and Social Security of the PRC and the Ministry of Finance of the PRC in September 2021.

Independent non-executive Directors

Dr. Zhang Zhong (張中), aged 52, was appointed as our independent non-executive Director on February 5, 2024. He is primarily responsible for providing independent advice and judgment to our Board. Dr. Zhang has over 20 years of research and teaching experience in the field of law in the PRC. Dr. Zhang has been serving as the associate dean of the institute of evidence law and forensic science at the China University of Political Science and Law in the PRC since September 1, 2016 and is concurrently serving as a part-time lawyer at Yingke Law Firm (北京市盈科律師事務所) in the PRC since May 2021.

Dr. Zhang obtained his bachelor of laws from Zhengzhou University in the PRC in July 1997. Dr. Zhang subsequently obtained a master of laws and a doctor of laws from the China University of Political Science and Law in the PRC in July 2001 and June 2005, respectively. Dr. Zhang is a registered lawyer in the PRC and has obtained his legal qualification certificate from the Ministry of Justice of the PRC in March 2000.

Dr. Xue Desheng (薛德勝), aged 59, was appointed as our independent non-executive Director on February 5, 2024. He is primarily responsible for providing independent advice and judgment to our Board.

Dr. Xue has over 30 years of experience in the field of education with a specialization in physics studies. He is currently a professor at the department of physics at Lanzhou University in the PRC and has previously served as a teaching assistant, lecturer, associate professor, and professor in the same institution in 1988, 1990, 1992, and 1998, respectively.

Dr. Xue obtained a bachelor's degree in physics with a focus on magnetic study, a master's degree in physics with a focus on magnetic study and a doctoral degree in atomic nuclear physics from Lanzhou University in the PRC in July 1985, June 1988, and June 1995, respectively. Dr. Xue obtained a teacher qualification certificate in higher educational institutions from the Gansu Education Commission in the PRC in July 1997.

Mr. Zhang Wei (張維), aged 39, was appointed as our independent non-executive Director on July 25, 2025. He is primarily responsible for providing independent advice and judgment to our Board.

Mr. Zhang has over 15 years of experience in the finance and audit industry. Mr. Zhang's audit related experience includes working as an auditor at Deloitte & Touche LLP from September 2008 to September 2011 and as an audit manager of KPMG from October 2011 to December 2015. Mr. Zhang has previously worked as a finance manager at CMC Capital Partners HK Limited, and he has also served as a senior finance manager at Asia-Germany Industrial Promotion Limited since June 2017, as

DIRECTORS AND SENIOR MANAGEMENT

the vice president at Lunar Capital Management Limited since April 2020, as the director of fund services at ICS Corporate Services since June 2021, and as the current managing director and member of ICS CPA Limited.

Mr. Zhang has been registered as a certified public accountant with the Board of Accountancy of the Department of Professional and Financial Regulation Office of Professional and Occupational Regulation of the State of Maine in the United States since October 2020 and has also been registered as a certified public accountant with the Hong Kong Institute of Certified Public Accountants since March 2021. Mr. Zhang is a certified anti-money laundering specialist, the certification of which was awarded by the Association of Certified Anti-Money Laundering Specialist in March 2020. Mr. Zhang obtained a bachelor of science in business administration and accounting and corporate finance from San Francisco State University in the United States in May 2008.

SENIOR MANAGEMENT

Our executive Directors and senior management are responsible for the day-to-day management and operation of our business. For information concerning our executive Directors see “— Directors — Executive Directors.” The table below sets out certain information regarding our senior management:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors or senior management members
Mr. Wang Xingjun (王行軍).	53	Deputy general manager	November 16, 2018	November 16, 2018	Responsible for our Group’s daily operations	None
Ms. Liu Qingyi (劉晴漪).	40	Chief Financial Officer	August 12, 2024	August 12, 2024	Responsible for our Group’s financial management	None

Mr. Wang Xingjun (王行軍), aged 53, has served as the deputy general manager of our Company since November 2018 and is responsible for our Group’s daily operations.

Prior to joining the Group, Mr. Wang worked at Seagate International Technology (Wuxi) Co., Ltd. (希捷國際科技(無錫)有限公司) from April 2007 to September 2015. Mr. Wang obtained a bachelor of science in mechanical manufacturing from Kunming University of Science and Technology in July 1995.

Ms. Liu Qingyi (劉晴漪), aged 40, has served as the chief financial officer of our Company since August 12, 2024 and is responsible for our Group’s financial management.

Ms. Liu has over 18 years’ experience in accounting and financial management. Her relevant industry experiences include working at KPMG from July 2007 to July 2011, as the finance manager at Panduit Communication Components (Wuxi) Co., Ltd. (泛達通訊零部件(無錫)有限公司) from August 2011 to January 2016, as a senior investment manager in the strategic investment department of Yiwu China Commodities City Financial Holding Co., Ltd. (義烏中國小商品城金融控股有限公司) since March 2018, as the Asia finance manager at LEONI Cable (China) Co., Ltd. (萊尼電氣線纜(中國)有限公司) from December 2018 to May 2020, at certain PRC subsidiary of Keppel Ltd., a company listed on the Singapore Stock Exchange (stock code: BN4), from May 2020 to April 2023 and as the chief financial officer at Baolu Precision Technology Co., Ltd. (寶露精工科技(無錫)有限公司) from June 2023 to July 2024.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Liu obtained a bachelor’s degree in financial studies from the East China University of Science and Technology in the PRC in July 2007 and a master’s degree in business administration (financial investment) from the Shanghai University of Finance and Economics in the PRC in January 2019. Ms. Liu obtained the intermediate English interpreter certificate from the Shanghai Shortage Talent Training Office in December 2006. Ms. Liu subsequently obtained the intermediate accountant title awarded by the Ministry of Human Resources and Social Security of the PRC and the Ministry of Finance of the PRC in October 2014, and the certified public accountant qualification awarded by the Chinese Institute of Certified Public Accountants in June 2015.

GENERAL

Save as disclosed above, each of our Directors confirms with respect to himself or herself that he or she (1) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (2) there are no other matters concerning our Directors’ appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or required be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

Save as disclosed in “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interests of our Directors and Chief Executive,” each of our Directors confirms with respect to himself or herself that he or she did not hold any interest in our Shares which would be required to be disclosed pursuant to Part XV of the SFO.

Save as disclosed above and in this document, each of our Directors confirms with respect to himself or herself that he or she had no other relationship with any Directors, senior management or substantial shareholders of our Company as of the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Ms. Zhou Siyang (周恩陽) would be appointed as a joint company secretary of our Company effective upon [REDACTED]. Ms. Zhou has served as the assistant to the general manager at Ningbo Sinomags from January 2014 to June 2016, administrative manager at Wuxi Lertech from June 2016 to January 2025, and administrative manager at our Company since January 2025.

Ms. Zhou obtained a bachelor’s degree in English from the Southwest Jiaotong University in the PRC in July 2013. Ms. Zhou also obtained the qualification certificate for the board secretary training for the main board of the Shanghai Stock Exchange in October 2024.

Ms. Lin Sio Ngo (練少娥), would be appointed as a joint company secretary of our Company effective upon [REDACTED]. Ms. Lin has over 20 years of experience in the corporate secretarial and administration management fields and has been providing professional corporate services to Hong Kong listed companies as well as private companies. Ms. Lin is currently serving as the company secretary or joint company secretary of several companies listed on the Main Board of the Stock Exchange. Ms. Lin is also the manager of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specializing in corporate services.

Ms. Lin has been an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute since September 2004. Ms. Lin obtained a bachelor’s degree in business administration and a master’s degree in corporate governance from Hong Kong Metropolitan University in Hong Kong in June 2000 and June 2004 respectively.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

We have formed four board committees, namely, the audit committee of the Board (the “**Audit Committee**”), the remuneration committee of the Board (the “**Remuneration Committee**”), the nomination committee of the Board (the “**Nomination Committee**”) and the strategic committee of the Board (the “**Strategic Committee**”).

Audit Committee

Our Company established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the “**CG Code**”). The Audit Committee consists of three members, namely Mr. Zhang Wei and Dr. Zhang Zhong our independent non-executive Directors, and Mr. Chen Guang, our non-executive Director. Mr. Zhang Wei has been appointed as the chairman of the Audit Committee and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the Audit Committee include, but are not limited to, the following:

- proposing the appointment or change of external auditors to our Board, and monitoring the independence of external auditors and evaluating their performance;
- examining the financial information of our Company and reviewing financial reports and statements of our Company;
- examining the financial reporting system, the risk management and internal control system of our Company, overseeing their rationality, efficiency and implementation and making recommendations to our Board; and
- dealing with other matters that are authorized by our Board.

Remuneration Committee

Our Company established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee consists of Dr. Xue Desheng and Mr. Zhang Wei, our independent non-executive Directors, and Dr. Wang Jianguo, our executive Director. Dr. Xue Desheng has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, but are not limited to, the following:

- making recommendations to the Board on the Company’s policy and structure for all Directors’ and senior managements’ remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- monitoring the implementation of remuneration system of our Company;
- making recommendations on the remuneration packages of our Directors and senior management; and
- dealing with other matters that are authorized by our Board.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

Our Company established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the CG Code. The Nomination Committee consists of Dr. Xue Desheng and Dr. Zhang Zhong, our independent non-executive Directors and Ms. Lu Fei, our non-executive Director. Dr. Xue Desheng has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, but are not limited to, the following:

- conducting extensive search and providing to our Board suitable candidates for our Directors, chief executive officer and other members of the senior management;
- reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually, assisting our Board in maintaining a board skills matrix and making recommendations on any proposed changes to our Board to complement the Company’s corporate strategy;
- researching and developing standards and procedures for the election of our Board members, chief executive officer and members of the senior management, and making recommendations to our Board;
- assessing the independence of independent non-executive Directors;
- supporting our Company’s regular evaluation of our Board’s performance; and
- dealing with other matters that are authorized by our Board.

Strategic Committee

Our Company established a Strategic Committee with written terms of reference. The Strategic Committee consists of Dr. Wang Jianguo, our executive Director, Ms. Lu Fei, our non-executive Director, and Dr. Xue Desheng, our independent non-executive Director. Dr. Wang Jianguo has been appointed as the chairman of the Strategic Committee. The primary duties of the Strategic Committee include, but are not limited to, the following:

- Reviewing proposals in relation to our Company’s future visions, missions and values;
- Researching and providing recommendations in relation to our Company’s long-term development strategy and major investment decisions;
- Reviewing our Company’s market positioning;
- Reviewing our Company’s strategy implementation plans and strategic adjustment plan;
- Reviewing the feasibility analysis report for major project investments;
- Reviewing the implementation plan for major project investments, including funding arrangements and usage plans;
- Reviewing reports on negotiations with partners regarding major project investments;
- Reviewing the strategy plans of our Company’s subsidiaries;
- Reviewing major matters concerning capital increases, reductions, mergers, divisions, liquidations, and public listings of our Company’s subsidiaries; and
- Exercising other powers as granted by the Board.

DIRECTORS AND SENIOR MANAGEMENT

BOARD DIVERSITY

We have adopted our board diversity policy (the “**Board Diversity Policy**”) which sets out the objectives and approaches to achieve and maintain diversity on our Board. Our Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategies.

We seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Nomination Committee is delegated by our Board to be responsible for monitoring our compliance with the relevant code provisions governing board diversity under the CG Code. After [REDACTED], our Nomination Committee will review our Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of our Board Diversity Policy on an annual basis.

Our Board comprises nine members, including four executive Directors, two non-executive directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including experiences in overall management and strategic development, information technology, big data, finance, investment banking, risk control and law in addition to industry experience relevant to our Group’s operations and business. Furthermore, our Board has a diverse age and gender representation. Our Board consists of one female member and eight male members, ranging from 38 years old to 59 years old, and they are able to bring a balance of diverse perspectives to our Board. After due consideration, our Board believes that based on the meritocracy of our Directors, the composition of our Board satisfies our Board Diversity Policy.

WAIVER GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirement of Rules 8.12 and 19A.15 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see “Waiver from Strict Compliance with the Listing Rules — Waiver in Relation to Management Presence in Hong Kong.”

We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirement of Rules 3.28 and 8.17 of the Listing Rules in relation to the academic or professional qualifications of our Company’s joint company secretaries. For details of the waiver, see “Waiver from Strict Compliance with the Listing Rules — Waiver in Relation to Joint Company Secretaries.”

CORPORATE GOVERNANCE

Our Company aims to achieve high standards of corporate governance, which are crucial to our development, and safeguard the interests of our Shareholders. Our Company expects to comply with all code provisions in the CG Code after [REDACTED] save for the below.

Code provision C.2.1 of Part 2 of the CG Code as set out in Appendix C1 to the Listing Rules recommends, but does not require, that the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company deviates from this provision because Dr. Wang performs both the roles of the chairman of the Board and the chief executive officer of the Company. The Board considers this arrangement beneficial due to Dr. Wang’s significant time commitment to the Group and his extensive experience in its operations and management, which ensures consistent leadership, more effective strategic planning, and prompt decision-making. The Board believes the balance of power and authority remains intact, as major decisions are made in

DIRECTORS AND SENIOR MANAGEMENT

consultation with the full Board (including relevant committees) and supported by three independent non-executive Directors. The Board will periodically reassess this structure and may separate the roles in the future depending on the Group’s circumstances.

COMPENSATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of fees, salaries, allowances and benefits in kind, pension scheme contributions and discretionary bonuses.

The aggregate amount of remuneration our Directors and Supervisors have received (including fees, salaries, allowances and benefits in kind, pension scheme contributions and discretionary bonuses) for the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2025 were approximately RMB2.6 million, RMB4.4 million, RMB5.5 million, and RMB3.8 million, respectively.

The aggregate amount of fees, salaries, allowances and benefits in kind, pension scheme contributions and discretionary bonuses paid to the five highest paid individuals of our Company, excluding Directors, for the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2025 were approximately RMB5.7 million, RMB6.7 million, RMB5.3 million, and RMB6.0 million, respectively.

It is estimated that remuneration equivalent to approximately RMB4.6 million (including fees, salaries, allowances and benefits in kind, pension scheme contributions and discretionary bonuses) in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2026 under the arrangements in force at the date of this document.

No remuneration was paid or payable by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2025. Further, none of our Directors had waived or agreed to waive any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2025 by our Group to our Directors.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the [REDACTED], will receive recommendation from our Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and the performance of our Group.

CONFIRMATION FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to in Rule 3.09D of the Listing Rules in July 2025, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors confirms (i) his or her independence with regard to each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules; (ii) that he or she has no past or present financial or other interest in the business of our Company or its subsidiaries or any

DIRECTORS AND SENIOR MANAGEMENT

connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date; and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointment.

Rule 8.10 of the Listing Rules

Save as disclosed below, each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company’s business which would require disclosure under Rule 8.10 of the Listing Rules.

As of the Latest Practicable Date, Dr. Wang, our executive Director, and Mr. Chen Guang, our non-executive Director, each serve as a director of Anhui Guosheng Electronics Co., Ltd. (安徽國盛電子有限公司) (“**Anhui Guosheng**”), an entity formed by our Group and FIIF engaging in the research and development, design and production of silicon wafers. For details of the business operation of Anhui Guosheng, see “Relationship With Our Single Largest Shareholders Group — Independence From Our Single Largest Shareholders Group — Competition.” On the basis of the aforesaid, our Directors believe that the directorships held by Dr. Wang Jianguo and Mr. Chen Guang in Anhui Guosheng would not give rise to any competing interest which would require disclosure under Rule 8.10 of the Listing Rules.

COMPLIANCE ADVISOR

We have appointed Altus Capital Limited as our compliance advisor (the “**Compliance Advisor**”) upon [REDACTED] of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will provide advice to us when consulted by us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;
- where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry of our Company concerning unusual movements in the price or [REDACTED] of our Shares, the possible development of a false market in our Shares, or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment of the Compliance Advisor shall commence on the [REDACTED] and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the [REDACTED] and this appointment may be subject to extension by mutual agreement.

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

OUR SINGLE LARGEST SHAREHOLDERS GROUP

As of the Latest Practicable Date, Dr. Wang controls approximately 25.29% of the voting rights of the Company through (i) Bengbu Lesi, a limited partnership under the laws of the PRC of which Dr. Wang was a general partner, holding 14.04% of our total issued Shares; (ii) Bengbu Huarui Technology, a limited partnership established under the laws of the PRC of which Bengbu Huarui (a company established under the laws of the PRC with limited liability and wholly-owned by Dr. Wang) is the general partner and holds 7.13% of our total issued Shares; (iii) Bengbu Xinda, a limited partnership established under the laws of the PRC of which Dr. Wang is the general partner and holds 2.03% of our total issued Shares; (iv) Bengbu Huajing, a limited partnership established under the laws of the PRC of which Bengbu Huarui is the general partner and holds 1.64% of our total issued Shares; (v) Bengbu Huaan, a limited partnership established under the laws of the PRC of which Bengbu Huarui is the general partner and holds 0.09% of our total issued Shares; and (vi) direct beneficial interest held by Dr. Wang amounting to 0.36% of our total issued Shares. Accordingly, Dr. Wang and his controlled entities comprising Bengbu Lesi, Bengbu Huarui Technology, Bengbu Huarui, Bengbu Xinda, Bengbu Huajing and Bengbu Huaan constitute our single largest group of Shareholders (the “**Single Largest Shareholders Group**”) as of the Latest Practicable Date.

Immediately following the completion of the [REDACTED] and assuming that no new Shares are issued under the [REDACTED] and the [REDACTED], and no other changes are made to the issued share capital of the Company between the Latest Practicable Date and [REDACTED], the Single Largest Shareholders Group will be entitled to collectively control the exercise of approximately [REDACTED]% of the total voting rights of our Company. Accordingly, our Company would not have any controlling shareholder as defined under the Listing Rules upon [REDACTED].

INDEPENDENCE FROM OUR SINGLE LARGEST SHAREHOLDERS GROUP

Management independence

Our business is managed and conducted by our Board and senior management. Upon the [REDACTED], our Board will consist of nine Directors, comprising four executive Directors, two non-executive Director and three independent non-executive Directors, and we also have two additional senior management members (who are not Directors). Each of our Directors and senior management possesses relevant management, financial or industry-related experience to contribute to the management of our business. For details on the qualifications and experience of our Directors and senior management, see “Directors and Senior Management.”

Our Directors consider that our Board and senior management will function independently of the Single Largest Shareholders Group after the [REDACTED] because:

- (a) each Director is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
- (b) our daily management and operations are carried out by our executive Directors and the members of our senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors, representing one-third of the Board. The independent non-executive Directors will represent an element of independence at the board level, and certain matters of our Company must always be referred to the independent non-executive Directors for review, to protect the interests of our Company and the Shareholders as a whole;

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

- (d) there are no business dealings between our Company on one part and each of Bengbu Lesi, Bengbu Huarui Technology, Bengbu Huarui, Bengbu Xinda, Bengbu Huajing and Bengbu Huaan on the other part. Furthermore, as of the Latest Practicable Date, (i) Bengbu Lesi, Bengbu Huajing and Bengbu Huaan were employee shareholding platforms with no substantive business operations; and (ii) Bengbu Huarui Technology, Bengbu Huarui and Bengbu Xinda were shareholding platforms for Dr. Wang and certain external investors. Although Dr. Wang was a director of Bengbu Huarui, and indirectly controls Bengbu Huarui Technology, Bengbu Huajing and Bengbu Huaan through his control over Bengbu Huarui, and being a general partner of each of Bengbu Lesi and Bengbu Xinda, there is no material conflict of interest. In the event that there is a material conflict of interest arising out of any transaction to be entered into between our Group and a Director or his or her respective associates, the interested Director shall abstain from voting and shall not be counted in the quorum in respect of such transactions; and
- (e) we have adopted other corporate governance measures to manage potential conflicts of interest, if any, between our Group and our Single Largest Shareholders Group, which would enhance our independent management. See “— Corporate Governance Measures.”

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role in our Group independently from our Single Largest Shareholders Group.

Operational independence

Our Group is operationally independent from our Single Largest Shareholders Group. Our Company (through our subsidiaries) holds all relevant licenses necessary to carry out our business operations. We own or are legally licensed to use all relevant intellectual property and own facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Single Largest Shareholders Group. We also have independent access to our customers and independent departments, each with specific areas of responsibilities. We have adopted a set of internal control procedures to maintain effective and independent operation of our business.

In addition, we have established our internal organizational and management structure which includes shareholders’ meetings, our Board and other committees, and formulated the terms of reference of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure.

Based on the above, our Directors believe that our business is operationally independent of our Single Largest Shareholders Group.

Financial independence

We have an independent financial system and make financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. We have sufficient capital to operate our business independently, and have adequate internal resources and working capital to support our daily operations. We do not expect to rely on the Single Largest Shareholders Group and their close associates for financing after the [REDACTED] as we expect that our working capital will be funded by cash flows generated from operating activities, equity financing, bank loans as well as the [REDACTED] from the [REDACTED].

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by the Single Largest Shareholders Group or their respective close associates. As of the Latest Practicable Date, there were no outstanding loans to or from any members of the Single Largest Shareholders Group, and all guarantees previously provided by members of the Single Largest Shareholders Group were released. We had received a series of [REDACTED] Investments from third party investors independently. See “History, Reorganization and Corporate Structure.”

Based on the above, our Directors are of the view that we are able to maintain financial independence from our Single Largest Shareholders Group.

Competition

Each of the members of the Single Largest Shareholders Group does not currently have any interest in a business (save for the business of our Group) that competes or is likely to compete, whether directly or indirectly, with our Group’s business, which would otherwise require disclosure under Rule 8.10 of the Listing Rules.

As of the Latest Practicable Date, Dr. Wang, a member of our Single Largest Shareholders Group, was a director of Anhui Guosheng, an entity formed by our Group and FIIF engaging in the research and development, design and production of silicon wafers. As of the Latest Practicable Date, the production base of Anhui Guosheng was still under construction and no production activities had commenced.

Our Directors are of the view that the businesses of our Group and Anhui Guosheng are clearly delineated from each other such that there would be no competition and risk of potential conflicts of interest is comparatively low, because our Group’s manufacturing of wafers is made primarily for our own production needs, and our sale of silicon wafers produced by our Mainz production base was mainly made to third party customers in Europe. Conversely, upon completion of the construction of the production base of Anhui Guosheng, it is expected that the target customers of Anhui Guosheng would be customers located in the PRC.

Further, Dr. Wang only act as a non-executive director of Anhui Guosheng and does not participate in the operation and management of Anhui Guosheng.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Single Largest Shareholders Group:

- (a) under the Articles, where a Shareholders’ meeting is held to consider proposed transactions in which our Single Largest Shareholders Group or any of their associates are, under the Listing Rules, required to abstain, members of the Single Largest Shareholders Group(s) shall abstain from voting and their votes shall not be counted in respect of such transactions;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with any member of the Single Largest Shareholders Group or any of their respective associates, our Company will comply with the applicable requirements under the Listing Rules;

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

- (c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Single Largest Shareholders Group and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Single Largest Shareholders Group will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its interim and annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expense;
- (g) we have appointed Altus Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (h) we have established our audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix C1 to the Listing Rules.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Single Largest Shareholders Group, and to protect our minority Shareholders’ interests after the [REDACTED].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] (without taking into account any H Shares which may be issued pursuant to the exercise of the [REDACTED] and the [REDACTED]), the following persons will have an interest or a short position in our Shares or underlying Shares which will be required to be disclosed to us and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of Interest	As of the Latest Practicable Date ⁽¹⁾		Immediately after the [REDACTED] (without taking into account any H Shares which may be issued pursuant to the exercise of the [REDACTED] and the [REDACTED]) ⁽¹⁾	
		Number	Approximate Percentage	Number	Approximate Percentage
Dr. Wang ⁽²⁾	Interest in controlled corporation	28,730,110	24.93%	[REDACTED] H Shares	[REDACTED]%
	Beneficial owner	411,343	0.36%	[REDACTED] H Shares	[REDACTED]%
Bengbu Lesi ⁽²⁾	Beneficial owner	16,176,253	14.04%	[REDACTED] H Shares	[REDACTED]%
Bengbu Huarui Technology ⁽²⁾	Beneficial owner	8,219,641	7.13%	[REDACTED] H Shares	[REDACTED]%
Bengbu Huarui ⁽³⁾	Interest in controlled corporation	10,219,481	8.87%	[REDACTED] H Shares	[REDACTED]%
Bengbu Huasheng ⁽³⁾	Interest in controlled corporation	8,219,641	7.13%	[REDACTED] H Shares	[REDACTED]%
FIIF ⁽⁴⁾	Beneficial owner	18,197,200	15.79%	[REDACTED] H Shares	[REDACTED]%
CS Capital ⁽⁴⁾	Interest in controlled corporation	18,197,200	15.79%	[REDACTED] H Shares	[REDACTED]%
Zhejiang Cybernaut VC ⁽⁵⁾	Interest in controlled corporation	9,482,722	8.23%	[REDACTED] H Shares	[REDACTED]%
Hangzhou Saizhi ⁽⁵⁾	Interest in controlled corporation	9,482,722	8.23%	[REDACTED] H Shares	[REDACTED]%
Hangzhou Saishenggu ⁽⁵⁾	Interest in controlled corporation	9,482,722	8.23%	[REDACTED] H Shares	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of Interest	As of the Latest Practicable Date ⁽¹⁾		Immediately after the [REDACTED] (without taking into account any H Shares which may be issued pursuant to the exercise of the [REDACTED] and the [REDACTED]) ⁽¹⁾	
		Number	Approximate Percentage	Number	Approximate Percentage
Mr. Chen Bin ⁽⁵⁾	Interest in controlled corporation	9,482,722	8.23%	[REDACTED] H Shares	[REDACTED]%
Beijing Zhuli ⁽⁶⁾	Beneficial owner	6,365,468	5.52%	[REDACTED] H Shares	[REDACTED]%
Beijing Haiju Zhuli ⁽⁷⁾	Interest in controlled corporation	8,181,538	7.10%	[REDACTED] H Shares	[REDACTED]%
Ms. Qiu Yufang ⁽⁷⁾	Interest in controlled corporation	8,181,538	7.10%	[REDACTED] H Shares	[REDACTED]%
Mr. Guo Rong ⁽⁷⁾	Interest in controlled corporation	8,181,538	7.10%	[REDACTED] H Shares	[REDACTED]%
Beijing Dongfang Huijia ⁽⁸⁾	Interest in controlled corporation	7,965,004	6.91%	[REDACTED] H Shares	[REDACTED]%
Mr. Wang Weidong ⁽⁸⁾	Interest in controlled corporation	7,965,004	6.91%	[REDACTED] H Shares	[REDACTED]%
Huiyou Haojia ⁽⁹⁾	Beneficial owner	6,170,033	5.36%	[REDACTED] H Shares	[REDACTED]%
Xiamen Huiyou ⁽⁹⁾	Interest in controlled corporation	6,170,033	5.36%	[REDACTED] H Shares	[REDACTED]%
Shenzhen Huiyou ⁽⁹⁾	Interest in controlled corporation	6,170,033	5.36%	[REDACTED] H Shares	[REDACTED]%
Mr. Yang Longzhong ⁽⁹⁾	Interest in controlled corporation	6,170,033	5.36%	[REDACTED] H Shares	[REDACTED]%
Shenzhen Huiyou Kunyuan ⁽⁹⁾	Interest in controlled corporation	6,170,033	5.36%	[REDACTED] H Shares	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of Interest	As of the Latest Practicable Date ⁽¹⁾		Immediately after the [REDACTED] (without taking into account any H Shares which may be issued pursuant to the exercise of the [REDACTED] and the [REDACTED]) ⁽¹⁾	
		Number	Approximate Percentage	Number	Approximate Percentage
Mr. Deng Jun ⁽⁹⁾	Interest in controlled corporation	6,170,033	5.36%	[REDACTED] H Shares	[REDACTED]%

Notes:

- (1) All interests are held in long positions. The approximate percentages were calculated based on 115,218,724 Shares as of the Last Practicable Date, and [REDACTED] H Shares immediately after the [REDACTED] (assuming that no Shares would be issued pursuant to the exercise of the [REDACTED] and the [REDACTED]). For shareholding of our Shareholders as of the Latest Practicable Date and immediately after the [REDACTED] (without taking into account any H shares which may be issued pursuant to the exercise of the [REDACTED] and the [REDACTED]), see “History, Development and Corporate Structure Shareholding of Our Company.”
- (2) By virtue of the SFO, Dr. Wang is deemed to be interested in 28,730,110 Shares through the below controlled corporation:
 - (a) Bengbu Lesi, a limited partnership established and registered under the laws of the PRC, of which Dr. Wang is the executive partner and holds 47.36% of the interest thereof;
 - (b) Bengbu Huarui Technology, a limited partnership established and registered under the laws of the PRC of which Bengbu Huarui is the general partner with Dr. Wang holding 100% of the interest thereof;
 - (c) Bengbu Huaan, a limited partnership established and registered under the laws of the PRC. The general partner of Bengbu Huaan is Bengbu Huarui, which is owned as to 100% by Dr. Wang;
 - (d) Bengbu Xinda, a limited partnership established and registered under the laws of the PRC. The general partner of Bengbu Xinda is Dr. Wang; and
 - (e) Bengbu Huajing, a limited partnership established and registered under the laws of the PRC. The general partner of Bengbu Huajing is Bengbu Huarui, which is owned as to 100% by Dr. Wang.
- (3) By virtue of the SFO, Bengbu Huarui is deemed to be interested in 10,219,481 Shares through its control of Bengbu Huarui Technology, Bengbu Huaan and Bengbu Huajing (see note 2 above for details). Bengbu Huasheng held more than one-third of the partnership interest as a limited partner of Bengbu Huarui Technology, and was deemed to be interested in the Shares held by Bengbu Huarui Technology under the SFO.
- (4) FIIF is a limited partnership established and registered in the PRC. As of the Latest Practicable Date, the general partner of FIIF is CS Capital. For further details on FIIF, see “History, Development and Corporate Structure — [REDACTED] Investments — [REDACTED] Investors.” By virtue of the SFO, CS Capital is deemed to be interested in the Shares held by FIIF.
- (5) By virtue of the SFO, each of Zhejiang Cybernaut VC, Hangzhou Saizhi, Hangzhou Saishenggu and Mr. Chen Bin is deemed to be interested in 9,482,722 Shares through the below controlled corporations:
 - (a) Ningbo Saibao, a limited partnership established and registered in the PRC. The general partner of Ningbo Saibao is Ningbo Cybernaut, which is owned as to 40% by Zhejiang Cybernaut VC. Zhejiang Cybernaut VC is wholly owned by Hangzhou Saizhi, which is, in turn, owned as to 42.08% by Hangzhou Saishenggu and 40.54% by Mr. Chen Bin. Hangzhou Saishenggu is owned as to 70% by Mr. Chen Bin;
 - (b) Anhui High Tech Cyber, a limited partnership established and registered in the PRC. The general partner of Anhui High Tech Cyber is Anhui Saizhi, which is owned as to 96.5% by Zhejiang Cybernaut VC;
 - (c) Saizhi Wentao, a limited partnership established and registered in the PRC. The general partner of Saizhi Wentao is Zhejiang Cybernaut VC; and
 - (d) Saizhi Yunsheng, a limited partnership established and registered in the PRC. The general partner of Saizhi Yunsheng is Ningbo Saizhizhijin, which is wholly owned by Ningbo Cybernaut Yongke. Ningbo Cybernaut Yongke is, in turn, owned as to 100% by Zhejiang Cybernaut VC.
- (6) Beijing Zhuli is a limited partnership established and registered in the PRC. By virtue of the SFO, Beijing Haiju Zhuli (being the general partner of Beijing Zhuli), Ms. Qiu Yufang (holding 49% of the issued shares of Beijing Haiju Zhuli), and Mr. Guo Rong (holding 40% of the issued shares of Beijing Haiju Zhuli) are deemed to be interested in the Shares held by Beijing Zhuli.
- (7) By virtue of the SFO, each of Beijing Haiju Zhuli, Ms. Qiu Yufang and Mr. Guo Rong is deemed to be interested in 8,181,538 Shares through the below controlled corporations:
 - (a) Beijing Zhuli (see note 6 above for details);
 - (b) Nanjing Zhuli, a limited partnership established and registered in the PRC. The general partner of Nanjing Zhuli is Beijing Haiju Zhuli, which is owned as to 49% by Ms. Qiu Yufang and 40% by Mr. Guo Rong, respectively; and
 - (c) Jinyue Zhuli, a limited partnership established and registered in the PRC. The general partner of Nanjing Zhuli is Beijing Haiju Zhuli, which is owned as to 49% by Ms. Qiu Yufang and 40% by Mr. Guo Rong, respectively.

SUBSTANTIAL SHAREHOLDERS

- (8) By virtue of the SFO, each of Beijing Dongfang Huijia and Mr. Wang Weidong is interested in 7,965,004 Shares through the below controlled corporations:
- (a) Huijia No.1, a limited partnership established and registered in the PRC. The general partner of Huijia No.1 is Beijing Dongfang Huijia, which is owned as to 90% by Mr. Wang Weidong;
 - (b) Huijia No.2, a limited partnership established and registered in the PRC. The general partner of Huijia No.2 is Beijing Dongfang Huijia, which is owned as to 90% by Mr. Wang Weidong;
 - (c) Zibo Huijia Huisheng, a limited partnership established and registered in the PRC. The general partner of Zibo Huijia Huisheng is Beijing Dongfang Huijia, which is owned as to 90% by Mr. Wang Weidong; and
 - (d) Zibo Huijia Huili, a limited partnership established and registered in the PRC. The general partner of Zibo Huijia Huisheng is Beijing Dongfan Huijia.
- (9) Huiyou Haojia is a limited partnership established and registered in the PRC. By virtue of the SFO, Xiamen Huiyou (being the general partner of Huiyou Haojia), Shenzhen Huiyou (being the general partner of Xiamen Huiyou), Mr. Yang Longzhong (holding 67% of the issued shares of Shenzhen Huiyou), Shenzhen Huiyou Kunyuan Enterprise Management Partnership (Limited Partnership) (深圳市惠友坤遠企業管理合夥企業(有限合夥)) (“**Shenzhen Huiyou Kunyuan**”) (holding 33% of the issued shares of Shenzhen Huiyou), and Mr. Deng Jun (holding 80% shares in Shenzhen Huiyou Kunyuan) are deemed to be interested in the Shares held by Huiyou Haojia.

Save as disclosed above and in “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interests” in Appendix VI, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] and without taking into account any H Shares which may be issued pursuant to the exercise of the [REDACTED] and the [REDACTED], have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the registered share capital of our Company was RMB115,218,724 comprising of 115,218,724 Unlisted Shares with a nominal value of RMB1.00 each.

UPON COMPLETION OF THE [REDACTED]

Immediately upon completion of the [REDACTED] and the [REDACTED] of Unlisted Shares into H Shares, assuming the [REDACTED] and the [REDACTED] is not exercised, the share capital of our Company will be as follows:

Description of shares	Number of Shares	Approximate percentage of issued share capital after the [REDACTED]
H Shares to be [REDACTED] from Unlisted Shares	[REDACTED]	[REDACTED]%
H Shares to be issued pursuant to the [REDACTED] (assuming the [REDACTED] and the [REDACTED] are not exercised) .	[REDACTED]	[REDACTED]%
Shares in total	<u>[REDACTED]</u>	<u>[REDACTED]%</u>

Immediately upon completion of the [REDACTED] and the [REDACTED] of Unlisted Shares into H Shares, assuming the [REDACTED] and the [REDACTED] are exercised in full, the share capital of our Company will be as follows:

Description of shares	Number of Shares	Approximate percentage of issued share capital after the [REDACTED]
H Shares to be [REDACTED] from Unlisted Shares	[REDACTED]	[REDACTED]%
H Shares to be issued pursuant to the [REDACTED] (assuming the [REDACTED] and the [REDACTED] is exercised in full)	[REDACTED]	[REDACTED]%
Shares in total	<u>[REDACTED]</u>	<u>[REDACTED]%</u>

UNLISTED SHARES AND H SHARES

Upon the completion of the [REDACTED] and the [REDACTED] of Unlisted Shares into H Shares, our Shares will only consist of [REDACTED]. Unlisted Shares and H Shares are all ordinary Shares in the share capital of our Company and are considered as one class of Shares. Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon filing with any competent authorities, H Shares generally cannot be [REDACTED] for by or [REDACTED] between legal or natural PRC persons.

Unlisted Shares and H Shares are regarded as one class of Shares under our Articles of Association and shall rank *pari passu* with each other in all respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be

SHARE CAPITAL

denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Unlisted Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of Shares.

[REDACTED] OF UNLISTED SHARES INTO H SHARES

Pursuant to the regulations prescribed by the securities regulatory authorities of the State Council and the Articles of Association, our Unlisted Shares may be [REDACTED] into [REDACTED] Shares. Such [REDACTED] Shares could be [REDACTED] or [REDACTED] on an overseas stock exchange, provided that prior to the [REDACTED] and [REDACTED] of such [REDACTED] Shares, any requisite internal approval process has been duly completed and all the filing procedures with relevant PRC regulatory authorities, including the CSRC are followed. In addition, such [REDACTED] and [REDACTED] shall comply with the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. If any of our Unlisted Shares are to be [REDACTED], [REDACTED] and [REDACTED] as H Shares on the Stock Exchange, such [REDACTED], [REDACTED] and [REDACTED] will be undertaken upon completion of the filing procedures with the CSRC and the approval of the Stock Exchange.

Filing with the CSRC for Full Circulation

In accordance with the Guidelines for Applying “Full Circulation” for Domestic Unlisted Shares of H-share Listed Companies (H股公司境內未上市股份申請「全流通」業務指引), the Trial Administrative Measures and the relevant five guidelines announced by the CSRC, H-share listed companies which apply for the conversion of domestic unlisted shares into H shares for listing and circulation on the Stock Exchange shall conform to relevant regulations promulgated by the CSRC, and authorize the company to file with the CSRC on their behalf.

Our Company applied for a “Full Circulation” with the CSRC on August 27, 2025, and submitted the application reports, authorization documents of the Shareholders of Unlisted Shares for which an H-share “Full Circulation” was applied, commitment about the compliance of share acquisition and other documents in accordance with the requirements of the CSRC. Our Company has received the reply from the CSRC dated [•], pursuant to which, a total of [REDACTED] Unlisted Shares (with a nominal value of RMB1.00 each) held by [REDACTED] Shareholders (the “**Domestic Participating Shareholders**”) were approved to be [REDACTED] into H Shares, and the relevant Shares may be [REDACTED] on the Stock Exchange upon completion of the [REDACTED]. The aforesaid shall remain effective within 12 months from the date of approval.

The [REDACTED] of Unlisted Shares into H Shares will involve an aggregate of [REDACTED] Unlisted Shares held by [REDACTED] existing Shareholders, representing approximately [REDACTED]% of the total issued Shares of our Company as of the Latest Practicable Date and approximately [REDACTED]% of the total issued Shares of our Company upon completion of the [REDACTED] (assuming the [REDACTED] and the [REDACTED] are not exercised) and the [REDACTED] of Unlisted Shares into H Shares.

[REDACTED] Approval by the Stock Exchange

We have applied to the Stock Exchange for the granting of [REDACTED] of, and permission to [REDACTED], our H Shares to be issued pursuant to the [REDACTED] (including any H Shares which may be issued pursuant to the exercise of the [REDACTED] and the [REDACTED]) and the H Shares to be [REDACTED] from [REDACTED] Unlisted Shares, which is subject to the approval by the Stock Exchange.

SHARE CAPITAL

We will perform the following procedures for the [REDACTED] of Unlisted Shares into H Shares after receiving the approval of the Stock Exchange: (1) giving instructions to our [REDACTED] regarding the relevant share certificates of the [REDACTED] H Shares; and (2) enabling the [REDACTED] H Shares to be accepted as eligible securities by [REDACTED] for deposit, clearance and settlement in the [REDACTED].

TRANSFER OF SHARES ISSUED PRIOR TO [REDACTED] DATE

Pursuant to the PRC Company Law, the shares issued prior to any [REDACTED] of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, our Shares issued prior to the [REDACTED] shall not be transferred within one year from the [REDACTED].

REGISTRATION OF SHARES NOT [REDACTED] ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, an overseas [REDACTED] company is required to register its shares that are not [REDACTED] on an overseas stock exchange with the China Securities Depository and Clearing Corporation Limited within 15 business days upon [REDACTED] and provide a written report to the CSRC regarding the centralized registration and deposit of its non-overseas [REDACTED] shares as well as the current [REDACTED] and [REDACTED] of H shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

For details of circumstances under which our Shareholders’ general meeting are required, see “Appendix V — Summary of Articles of Association.”

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with our consolidated financial statements included in “Appendix I — Accountants’ Report,” together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in “Risk Factors” and “Forward-Looking Statements” and elsewhere in this document. Discrepancies between totals and sums of amounts listed in this section in any table or elsewhere in this document may be due to rounding.

OVERVIEW

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 in terms of revenue in 2024, with a market share of 0.6%. We specialize in the research and development, production, and sales of magnetic sensor products, with a strong emphasis on xMR sensors. Our fully integrated IDM operating model delivers complete control and optimization across the entire value chain, from chip design and wafer manufacturing through packaging, testing, and end-to-end solutions.

Despite the decrease in our revenue from RMB666.3 million in 2022 to RMB594.2 million in 2023 mainly attributable to macroeconomic conditions and softening demand from certain downstream industries, our revenue increased significantly by 18.4% to RMB703.4 million in 2024. Additionally, our revenue increased by 15.1% from RMB544.4 million for the nine months ended September 30, 2024 to RMB626.7 million for the same period in 2025.

BASIS OF PREPARATION

The historical financial information (“**Historical Financial Information**”) of our Group has been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which comprise all standards and interpretations approved by the International Accounting Standards Board (“**IASB**”). All IFRSs effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the Historical Financial Information throughout the Track Record Period. For details, see Note 2 to the Accountant’s Report in Appendix I.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are beyond our control, including general market and economic conditions; development and growth of the magnetic sensor market; regulatory environment and

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government policies; technological ecosystem and partnerships; and customer base and industry trends. Unfavorable changes in any of these factors could negatively affect the demand for our services and materially and adversely affect our results of operations.

Our business, financial condition, results of operations and prospects are also affected by certain company-specific factors, including the following:

Demand from Downstream Market and End Customers

Our business performance is affected by the downstream market size and customer demand for our products. The rapid growth of China’s magnetic sensor market is mainly driven by growing downstream industries, such as automotive, new energy, industrial automation, consumer electronics, and supportive policies. According to Frost & Sullivan, the market size of global magnetic sensor industry in terms of revenue grew promptly from RMB74.1 billion in 2020 to RMB119.2 billion in 2024 at a CAGR of 12.6%, and the market size is expected to grow further to RMB293.0 billion in 2029, with a CAGR of 19.7% from 2024 to 2029. During the same period, China’s magnetic sensor market grew from RMB20.0 billion in 2020 to RMB37.1 billion in 2024 at a CAGR of 16.7% and is expected to reach approximately RMB101.1 billion by 2029, growing at a CAGR of 22.2% from 2024 to 2029.

Our financial performance and revenue are affected by the demand from downstream market and end customers. During the Track Record Period, we mainly sold our products to direct sales customers and distributors. 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, our total revenue amounted to RMB666.3 million, RMB594.2 million, RMB703.4 million, RMB544.5 million and RMB626.7 million, respectively. The decrease in revenue in 2023 was primarily due to the softening demand from certain downstream industries, especially the photovoltaic industry, while the rebound of our revenue in 2024 and its continuous growth in the nine months ended September 30, 2025 was mainly driven by the growing demand from customers in the green energy and NEV and automotive industries. In addition, as revenue from overseas customers accounted for 16.8%, 18.6%, 15.3%, 15.2% and 13.6% in 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, respectively, our financial performance is also affected by customer demand from overseas markets, especially the European countries.

We believe that our diverse products, proven track record of strong business growth, and our ability to constantly innovate and adapt to evolving technological advancements, combined with our strong R&D capabilities in magnetic sensor industry well-position us to capture the market opportunities in global and China’s growing magnetic sensor industry.

Competitive Landscape within Our Industry

Our financial performance may be affected by the competitive landscape in the global and Chinese magnetic sensor market. 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. In terms of revenue derived from magnetic sensors in 2024, the global top ten magnetic sensor providers accounted for 31.0%, among which our Group ranked tenth, with a market share of 0.6%. Additionally, in terms of revenue derived from magnetic sensors in 2024, our Group ranked sixth among all global magnetic sensor providers operating through IDM model and ranked first among all Chinese magnetic sensor providers.

Competition within the magnetic sensor market may significantly influence our pricing strategies, and our pricing strategies directly influence our revenue, gross margins, and overall operational performance. Key determinants of our competitiveness in this market encompass research and

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development capabilities, product quality, customer relationships, marketing and distribution channels, competitive pricing, brand recognition, and after-sales services. We believe that our competitive advantage is derived from our robust research and development capabilities, the quality of our competitively priced products and services, strong customer relationships, extensive sales, marketing, and service networks, as well as substantial brand recognition.

Costs and Expenses

Our ability to manage and control our costs and expenses and improve operation efficiency is one of the key factors affecting our business results, profitability and future growth. In 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, our total cost of sales accounted for 84.7%, 82.0%, 82.8%, 82.6% and 75.6% of our revenue, respectively, among which cost of raw materials accounted for a substantial majority of our cost of sales. To secure a stable and quality supply of raw materials amid the fluctuations in raw material prices, we have established stable relationships with our suppliers. In addition, we have in place a comprehensive supply chain system, which implements strict supplier selection and management mechanisms and procurement processes to ensure that we obtain high-quality raw materials and services at reasonable costs.

Technological Innovation and Product Development

The magnetic sensor industry is rapidly evolving, driven by continued technological advancements. As one of the leading companies in this industry, we have continued to invest in research and development to retain our competitive edge and meet complex customer demands. 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. Our technological capabilities are built by our research and development team and we place strong emphasis on the recruitment of technology specialists with extensive experience in the industry. As of September 30, 2025, we had a team of 136 R&D professionals, representing approximately 12.8% of our total staff count. Technological leadership requires sustained substantial investment in R&D, which may impact our short-term profitability, but is vital to maintaining our market position in the long run.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions that we use and the judgments that we make in applying our accounting policies have a significant impact on our financial condition and results of operations. Our management continually evaluates such estimates, assumptions, and judgments based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

For details on our material accounting policies, estimates and judgments, which are important for understanding our financial condition and results of operations, see Note 4 and 5 to the Accountant’s Report in Appendix I.

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SUMMARY OF RESULTS OF OPERATIONS DURING THE TRACK RECORD PERIOD

The following table sets forth a summary of our consolidated results of operations for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	666,309	594,206	703,414	544,459	626,656
Cost of sales	(564,241)	(487,541)	(582,487)	(449,473)	(473,744)
Gross profit	102,068	106,665	120,927	94,986	152,912
Other income	10,449	27,678	33,858	29,454	10,014
Other gains or losses, net.	(1,195,320)	(49,112)	25	158	(852)
Change in fair value of financial assets at fair value through profit or loss	158	616	3,267	1,881	3,864
Provision for impairment losses under expected credit losses (“ECL”) model, net of reversal.	(2,229)	(4,908)	1,321	(9,319)	(3,824)
Selling expenses	(10,825)	(12,535)	(16,308)	(11,533)	(12,222)
Administrative expenses.	(61,792)	(82,500)	(78,243)	(59,468)	(55,204)
Research and development expenses . .	(42,685)	(50,919)	(53,654)	(39,592)	(39,818)
Finance costs.	(9,943)	(4,452)	(3,411)	(2,595)	(2,109)
Share of results of an associate	—	—	—	—	234
[REDACTED] expenses	—	—	—	—	(9,498)
(Loss)/profit before tax	(1,210,119)	(69,467)	7,782	3,972	43,497
Income tax credit/(expenses)	3,972	2,905	2,070	2,334	(3,725)
(Loss)/profit for the year/period. . . .	(1,206,147)	(66,562)	9,852	6,306	39,772
Other comprehensive income:					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operations	4,628	9,440	(6,772)	826	15,047
Other comprehensive income for the year/period, net of tax	4,628	9,440	(6,772)	826	15,047
Total comprehensive income for the year/period	(1,201,519)	(57,122)	3,080	7,132	54,819
(Loss)/profit attributable to:					
Owners of the Company.	(1,206,147)	(66,300)	10,395	6,879	37,545
Non-controlling interests	—	(262)	(543)	(573)	2,227
	(1,206,147)	(66,562)	9,852	6,306	39,772

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NON-IFRS MEASURE

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use the adjusted net (loss)/profit (a non-IFRS measure) as an additional financial measure, which are not required by or presented in accordance with IFRS. We believe that such non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain items. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of the adjusted net (loss)/profit (a non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation form, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define the adjusted net (loss)/profit (a non-IFRS measure) as (loss)/profit for the year/period by eliminating (i) change in fair value of redemption liabilities, (ii) equity-settled share-based payment expenses and (iii) [REDACTED] expenses. Change in fair value of redemption liabilities represent change in fair value of the shares with special rights granted to our [REDACTED] investors. The relevant special rights granted to investors were terminated in August 2023, following which the carrying amount of the redemption liabilities had been reclassified to equity. Equity-settled share-based payment expenses represent the non-cash employee benefit expenses incurred in connection with our share incentive plans adopted to reward our management and key employees. Our management considers that both change in fair value of redemption liabilities and equity-settled share-based payment expenses are non-cash in nature. [REDACTED] expenses are derived from the [REDACTED].

The following table sets forth a reconciliation of the adjusted net (loss)/profit (a non-IFRS measure) for the year/period indicated to the (loss)/profit for the year/period:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
(Loss)/profit for the year/period	(1,206,147)	(66,562)	9,852	6,306	39,772
Adjustments for:					
Change in fair value of redemption liabilities	1,195,165	47,747	—	—	—
Equity-settled share-based payment expenses	109	1,567	1,432	1,053	866
[REDACTED] expenses	—	—	—	—	9,498
Adjusted net (loss)/profit (a non-IFRS measure).	(10,873)	(17,248)	11,284	7,359	50,136

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we derived our revenues primarily from the sales of current sensors, motion sensors and others, such as magnetic switches, magnetic scanners and wafers. Revenue from sales of current sensors accounted for a substantial majority of our total revenue during the Track Record Period.

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The following table sets forth a breakdown of our revenue by type of product for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(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

Notes:

- (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 include magnetic pattern recognition scanners, magnetic switches and wafer.

During the Track Record Period, revenue from sales of current sensors constituted the majority of our revenue, accounting for 80.8%, 78.1%, 82.7%, 83.6% and 82.5% of total revenue in 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025. To a lesser extent, we also generated revenue from sales of motion sensors in both module and bare die (unpackaged chips) form, accounting for 14.5%, 16.7%, 12.5%, 12.1% and 11.5% of total revenue for the respective periods.

The following table sets forth 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
	Units'000	RMB per unit	Units'000	RMB per unit	Units'000	RMB per unit	Units'000	RMB per unit	Units'000	RMB per unit
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	10,757	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.

For the three years ended December 31, 2024, the average selling price of our current sensors remained relatively stable, while the average selling price of our motion sensors decreased, primarily due to the increasing proportion of sales volume of motion sensors in bare die form which were priced much lower than that in module form. For the nine months ended September 30, 2025, the average selling price of our current sensors decreased mainly because of the change in product mix as new

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products launched in 2025 had relatively lower selling prices but higher margins. The average selling price of our motion sensors further decreased during this period, primarily due to increased sales of products priced at a relatively lower level applied to smart phones and robots driven by growing downstream demand.

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 following table sets forth a breakdown of our revenue by geographic locations, based on country in which our customers reside, for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Mainland China	554,195	83.2	483,554	81.4	595,576	84.7	461,848	84.8	541,589	86.4
Germany ⁽¹⁾	53,705	8.1	50,595	8.5	39,397	5.6	30,025	5.5	28,601	4.5
Switzerland.	13,161	2.0	8,878	1.5	7,657	1.1	5,843	1.1	5,327	0.9
the United States of America	11,392	1.7	14,648	2.5	15,321	2.2	12,573	2.3	10,999	1.8
Republic of Korea.	7,511	1.0	9,068	1.5	14,106	1.9	11,142	2.1	14,731	2.4
Other countries ⁽¹⁾	26,345	4.0	27,463	4.6	31,357	4.5	23,028	4.2	25,409	4.0
Total	<u>666,309</u>	<u>100.0</u>	<u>594,206</u>	<u>100.0</u>	<u>703,414</u>	<u>100.0</u>	<u>544,459</u>	<u>100.0</u>	<u>626,656</u>	<u>100.0</u>

Notes:

- (1) Revenue from sales in Germany decreased during the Track Record Period, primarily due to the weak macroeconomic conditions in Europe.
- (2) Including without limitation Czech Republic, Ireland and Hungary.

During the Track Record Period, our products and solutions were primarily sold in Mainland China. Our revenue generated from sales in Mainland China amounted to RMB554.2 million, RMB483.6 million, RMB595.6 million, RMB461.8 million and RMB541.6 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.

During the Track Record Period, we primarily sold our products to (i) direct sales customers who are end users purchasing our products and solutions directly; and (ii) distributors. 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. Our distributors are primarily engaged in the distribution and sales of magnetic sensor products and other semiconductor products in the industry. The following table sets forth a breakdown of our revenue by sales channel for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Direct sales	297,984	44.7	318,644	53.6	346,665	49.3	254,040	46.7	281,376	44.9
Sales to distributors	368,325	55.3	275,562	46.4	356,749	50.7	290,419	53.3	345,280	55.1
Total	<u>666,309</u>	<u>100.0</u>	<u>594,206</u>	<u>100.0</u>	<u>703,414</u>	<u>100.0</u>	<u>544,459</u>	<u>100.0</u>	<u>626,656</u>	<u>100.0</u>

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In 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our total revenue amounted to RMB666.3 million, RMB594.2 million, RMB703.4 million, RMB544.5 million and RMB626.7 million, respectively. For detailed analysis, see “— Period to Period Comparison of Results.”

Cost of Sales

Our cost of sales primarily consists of (i) cost of raw materials, such as silicon wafers, chemicals, sensor chips, ASIC chips, leads, PCBs, and plastic encapsulation materials procured from suppliers, (ii) direct labor costs, including salaries, bonus and welfare benefits of our manufacturing staff, (iii) manufacturing overhead, and (iv) others such as transportation costs.

The following table sets forth a breakdown of our cost of sales for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Cost of raw materials	386,219	68.4	294,334	60.4	355,263	61.0	268,652	59.8	310,134	65.5
Direct labor costs	71,411	12.7	68,964	14.1	79,533	13.7	62,178	13.8	61,296	12.9
Manufacturing overhead.	93,328	16.5	106,056	21.8	123,240	21.2	95,487	21.2	91,872	19.4
Provision for impairment loss on inventories	9,881	1.8	15,205	3.1	20,374	3.5	20,071	4.5	7,057	1.5
Others	3,402	0.6	2,982	0.6	4,077	0.6	3,084	0.7	3,385	0.7
Total	564,241	100.0	487,541	100.0	582,487	100.0	449,473	100.0	473,744	100.0

In 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our cost of sales amounted to RMB564.2 million, RMB487.5 million, RMB582.5 million, RMB449.5 million and RMB473.7 million, respectively, representing 84.7%, 82.0%, 82.8%, 82.6% and 75.6% of total revenue, which was generally in line with the fluctuations in our revenue.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue.

The following table sets forth a breakdown of our gross profit and gross profit margin by business line for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2022		2023		2024		2024		2025	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
							(unaudited)			
Current sensors	65,762	12.2	78,191	16.9	106,603	18.3	89,171	19.6	128,238	24.8
Motion sensors	38,741	40.2	34,706	35.0	27,359	31.2	25,789	39.3	29,326	40.7
Others	7,445	23.3	8,973	28.7	7,339	21.6	97	0.4	2,405	6.4
Subtotal	111,948	16.8	121,870	20.5	141,301	20.1	115,057	21.1	159,969	25.5
Provision for impairment loss on inventories	(9,881)	N/A	(15,205)	N/A	(20,374)	N/A	(20,071)	N/A	(7,057)	N/A
Total	102,068	15.3	106,665	18.0	120,927	17.2	94,986	17.4	152,912	24.4

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The gross profit margin of current sensors increased during the Track Record Period, primarily because the yield rates of our production bases, especially the Bengbu module production base, continued to rise since 2022 alongside our sales volume growth. The increase in gross profit margin of current sensors for the nine months ended September 30, 2025 also benefited from (i) economies of scale as our production and procurement costs were diluted following our growing sales volume, (ii) the launch of new products with higher margins for NEVs and automotive sectors, (iii) effective cost control initiatives leading to the decrease in average production costs in respect of raw materials, direct labor and manufacturing overhead and (iv) increased revenue contribution from higher-margin products developed for industrial automation, robotics and consumer electronics sectors. New products launched during the nine months ended September 30, 2025 were designed and manufactured to satisfy newly identified customer demands, or developed with breakthrough performance. These products usually had higher gross margins upon their initial launch. As demand subsequently increases and scales, customers typically seek price discounts, which may lead to a decline in gross margins over their product lifecycle. The cost control measures implemented during the period included: (i) negotiating with suppliers for favorable procurement prices; (ii) reducing direct labour costs through automation and process improvements; (iii) strictly controlling discretionary expenditures on equipment, utilities and material consumption; (iv) improving inventory turnover and reducing the impact of inventory impairment by destocking slow-moving inventories; and (v) enhancing product quality control, leading to a reduction in product returns.

The decrease in gross profit margin of motion sensors from 2022 to 2024 was primarily a result of the decline in gross profit margin of our German subsidiary as its major cost items such as rental cost and depreciation were relatively fixed in nature and remained at high levels while its sales reduced during the Track Record Period.

The gross profit margin of others fluctuated during the Track Record Period which was mainly affected by product mix. The increase in gross profit margin of others in 2023 was primarily due to the increased average selling price for our magnetic scanners as well as the increased revenue contribution from certain high-margin products.

In 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our gross profit amounted to RMB102.1 million, RMB106.7 million, RMB120.9 million, RMB95.0 million and RMB152.9 million, respectively, and our gross profit margin amounted to 15.3%, 18.0%, 17.2%, 17.4% and 24.4%, respectively. For details, see “— Period to Period Comparison of Results.”

Gross profit and gross profit margin by sales channel

The following table sets forth a breakdown of our gross profit and gross profit margin by sales channel for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2022		2023		2024		2024		2025	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
	(unaudited)									
Direct sales	58,687	19.7	60,314	18.9	75,835	21.9	55,106	21.7	72,008	25.6
Distribution	53,262	14.5	61,556	22.3	65,466	18.4	59,951	20.6	87,961	25.5
Subtotal	111,948	16.8	121,870	20.5	141,301	20.1	115,057	21.1	159,969	25.5
Provision for impairment loss on inventories	(9,881)	N/A	(15,205)	N/A	(20,374)	N/A	(20,071)	N/A	(7,057)	N/A
Total	<u>102,068</u>	<u>15.3</u>	<u>106,665</u>	<u>18.0</u>	<u>120,927</u>	<u>17.2</u>	<u>94,986</u>	<u>17.4</u>	<u>152,912</u>	<u>24.4</u>

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Gross profit margin of direct sales decreased in 2023, primarily due to the decline in the gross profit margin of sales of our German subsidiary as a result of increased utilities and depreciation of equipment.

Our distributors are mainly domestic customers. Gross profit margin of sales to distributors increased in 2023, primarily due to change in product mix as we launched new products with higher margins and developed certain new distributors for the distribution of our higher-margin products in the year.

The increase in gross profit margin of both channels for the nine months ended September 30, 2025 was mainly due to (i) the further improvement in our yield rate and economics of scale from our increased production volume, leading to reduced costs of products sold to distributors, and (ii) our product upgrading and iteration initiatives, such as the launch of many new products with higher margins in 2025.

Other Income

In 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our other income amounted to RMB10.4 million, RMB27.7 million, RMB33.9 million, RMB29.5 million and RMB10.0 million, respectively. The following table sets forth a breakdown of other income for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Rental income	683	562	601	455	457
Interest income	3,298	10,080	6,314	5,383	2,783
Government grant ⁽¹⁾	6,165	15,645	20,359	17,873	4,895
Addition VAT deduction	—	745	6,035	5,389	1,357
Others	303	646	549	354	522
Total	10,449	27,678	33,858	29,454	10,014

Note:

- (1) The amounts mainly represent government grants received from various PRC government authorities as incentives for the Group's industry, such as investment and rent subsidies.

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Other Gains or Losses, Net

In 2022, 2023 and the nine months ended September 30, 2025, we incurred other net losses of RMB1,195.3 million, RMB49.1 million and RMB0.9 million respectively. In 2024 and the nine months ended September 30, 2024, we recorded other net gains of approximately RMB25,000 and approximately RMB158,000, respectively. The following table sets forth a breakdown of other gain or losses, net for the periods indicated.

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
(Loss)/gain on disposal/written off of property, plant and equipment	(436)	18	(3)	(3)	(568)
Exchange gain/(loss)	617	(1,029)	(117)	(91)	(56)
Change in fair value of redemption liabilities	(1,195,165)	(47,747)	—	—	—
Gain on termination of lease	—	—	—	—	99
Others	(336)	(354)	145	252	(327)
Total	(1,195,320)	(49,112)	25	158	(852)

Change in Fair Value of Redemption Liabilities

Since the date of incorporation, our Company has completed several rounds of financing and has granted certain special rights to investors, pursuant to which our Company shall redeem at the request of any investors with preferred rights in the occurrence of certain major events, including, among others, the failure to consummate an [REDACTED] or a strategic transaction of the Group before a designated deadline. To mitigate the accounting mismatch arising on measuring the liabilities at amortized cost and measuring the derivative at FVTPL, the Group designated redemption liabilities as financial liabilities measured as fair value through profit or loss included in the current liabilities in the consolidated statements of financial position. The redemption liabilities do not carry any equity component and are classified as liabilities in their entirety. Changes in fair value of redemption liabilities were recorded in the consolidated statements of profit or loss and other comprehensive income. In 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, change in fair value of redemption liabilities amounted to RMB1,195.2 million, RMB47.7 million, nil, nil and nil, respectively. The relevant special rights granted to investors were terminated in August 2023, following which the carrying amount of the redemption liabilities had been reclassified to equity. For details, see Note 37 to the Accountants' Report as set out in Appendix I.

Change in Fair Value of Financial Assets through Profit or Loss

Change in fair value of financial assets through profit or loss represents gain or loss from our investments in wealth management products. The wealth management products were issued by licensed banks and were low-risk in nature. The returns of these investments were determined by reference to the performance of the expected return rates stated in the contracts. In 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, change in fair value of financial assets through profit or loss amounted to RMB0.2 million, RMB0.6 million, RMB3.3 million, RMB1.9 million and RMB3.9 million, respectively.

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Provision for Impairment Losses under ECL Model, Net of Reversal

Our provision for impairment losses under ECL model, net of reversal primarily represents the impairment losses recognized or reversed on our trade receivables, other receivables and deposits paid. We recorded provision for impairment losses under ECL model of RMB2.2 million, RMB4.9 million, RMB9.3 million and RMB3.8 million in 2022, 2023 and the nine months ended September 30, 2024 and 2025, respectively, while we recorded reversal of provision for impairment losses under ECL model of RMB1.3 million in 2024. The following table sets forth a breakdown of our provision for impairment losses under ECL model, net of reversal for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Impairment losses under ECL model, net of reversal					
Trade receivables	(2,415)	(4,992)	1,461	(9,282)	(3,936)
Other receivables and deposits paid . .	186	84	(140)	(37)	112
Total	(2,229)	(4,908)	1,321	(9,319)	(3,824)

Selling Expenses

Our selling expenses primarily consist of (i) staff costs, representing salaries, benefits and bonus attributable to our sales staff, (ii) general office expenses, (iii) service fees, mainly comprising service fees paid to an independent third party for us in our transactions with a major customer, (iv) depreciation and amortization, and (v) other miscellaneous expenses such as training, advertising and traveling expenses. The following table sets forth a breakdown of our selling expenses for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Staff costs	6,766	62.5	7,189	57.4	8,602	52.7	6,525	56.6	5,795	47.4
General office expenses	2,875	26.6	4,353	34.7	4,707	28.9	2,937	25.5	3,148	25.8
Service fees	599	5.5	405	3.2	2,485	15.2	1,815	15.7	2,957	24.2
Depreciation and amortization	296	2.7	402	3.2	341	2.1	255	2.2	238	2.0
Others	289	2.7	186	1.5	173	1.1	1	0.0	84	0.6
Total	10,825	100.0	12,535	100.0	16,308	100.0	11,533	100.0	12,222	100.0

Our selling expenses amounted to RMB10.8 million, RMB12.5 million, RMB16.3 million, RMB11.5 million and RMB12.2 million in 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, respectively, representing 1.6%, 2.1%, 2.3%, 2.1% and 2.0% of our revenue for the respective periods.

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Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs, representing salaries, benefits and bonus attributable to our administrative personnel, (ii) general office expenses, (iii) depreciation and amortization, (iv) tax and surcharges, (v) professional service fees paid to external third-party professionals, such as auditors, legal counsel and patent agents for our business operation, and (vi) other miscellaneous expenses such as transportation, traveling and cleaning expenses. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Staff costs	25,890	42.0	33,570	40.7	31,842	40.6	24,387	41.0	24,416	44.2
General office expenses	16,878	27.3	18,408	22.3	18,874	24.1	14,308	24.1	17,853	32.3
Depreciation and amortization	8,557	13.8	13,399	16.2	12,735	16.3	10,139	17.0	7,828	14.2
Tax and surcharges	1,281	2.1	1,907	2.3	3,718	4.8	2,290	3.9	1,548	2.8
Professional service fees	7,613	12.3	14,326	17.4	10,526	13.5	7,083	11.9	2,555	4.6
Others	1,573	2.5	890	1.1	548	0.7	1,261	2.1	1,004	1.8
Total	61,792	100.0	82,500	100.0	78,243	100.0	59,468	100.0	55,204	100.0

Our administrative expenses amounted to RMB61.8 million, RMB82.5 million, RMB78.2 million, RMB59.5 million and RMB55.2 million in 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, respectively, representing 9.3%, 13.9%, 11.1%, 10.9% and 8.8% of our revenue for the respective periods. The increase in administrative expenses in 2023 was primarily due to (i) an increase in staff costs attributable to increased headcount and share-based payment expenses, (ii) an increase in depreciation and amortization associated with the reallocation of product facilities and the commencement of operation of Wuxi Este Magnetic, and (iii) an increase in professional service fees stemming from our previous [REDACTED] attempt and litigations.

Research and Development Expenses

Our research and development expenses primarily consist of (i) staff costs, representing salaries, benefits and bonus attributable to our R&D staff, (ii) depreciation and amortization, (iii) raw materials consumed for our R&D activities, (iv) outsourcing service fees, and (v) other miscellaneous expenses such as patent fees, utilities and traveling expenses. The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Staff costs	29,854	70.0	35,994	70.7	35,683	66.5	27,152	68.6	27,742	69.7
Depreciation and amortization	2,008	4.7	3,494	6.9	3,616	6.7	5,148	13.0	3,764	9.5
Raw materials	3,884	9.1	5,110	10.0	7,098	13.2	3,232	8.2	3,826	9.6
Outsourcing service fees	3,343	7.8	1,627	3.2	2,346	4.4	1,195	3.0	1,326	3.3
Others	3,596	8.4	4,694	9.2	4,911	9.2	2,865	7.2	3,160	7.9
Total	42,685	100.0	50,919	100.0	53,654	100.0	39,592	100.0	39,818	100.0

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Our research and development expenses amounted to RMB42.7 million, RMB50.9 million, RMB53.7 million, RMB39.6 million and RMB39.8 million in 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, respectively, representing 6.4%, 8.6%, 7.6%, 7.3% and 6.4% of our revenue for the respective periods.

Finance Costs

In 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our finance costs amounted to RMB9.9 million, RMB4.5 million, RMB3.4 million, RMB2.6 million and RMB2.1 million, respectively. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Interest on borrowings	7,575	1,269	966	723	559
Interest on lease liabilities	2,065	2,835	2,445	1,872	1,550
Other finance costs	303	348	—	—	—
Total	9,943	4,452	3,411	2,595	2,109

Income Tax Credit/(Expenses)

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the standard EIT rate of the PRC entities is 25%. During the Track Record Period, certain of our subsidiaries in the PRC were qualified as “High and New Technology Enterprises” under the relevant PRC laws and regulations, which were entitled to a preferential income tax rate of 15%. Our subsidiaries registered in Germany are subject to corporation tax based on the taxable income at the rate of 15.825%. See Note 12 to the Accountant’s Report in Appendix I for details. In 2022, 2023, 2024 and the nine months ended September 30, 2024, we recorded income tax credit of RMB4.0 million, RMB2.9 million, RMB2.1 million and RMB2.3 million, respectively. For the nine months ended September 30, 2025, we recorded income tax expenses of RMB3.7 million. During the Track Record Period and as of the Latest Practicable Date, our Directors confirm that we did not have any material dispute or unresolved issues with the relevant tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2025 Compared to Nine Months Ended September 30, 2024

Revenue

Our revenues 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, primarily due to (i) an increase in revenue from current sensors of RMB61.7 million mainly attributable to (a) the continuous growth of demand from downstream industries, especially green energy and NEV and automotive industries, and (b) contributions from emerging application scenarios such as data centers; (ii) an increase in revenue from motion sensors of RMB6.4 million attributable to increased revenue contribution from domestic customers as a result of our efforts in business development; and (iii) an increase in revenue from others of RMB14.1 million attributable to increased sales of wafer to certain customer during the period.

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Cost of sales

Our cost of sales increased by 5.4% from RMB449.5 million for the nine months ended September 30, 2024 to RMB473.7 million for the same period in 2025 along with our revenue growth.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 61.0% from RMB95.0 million for the nine months ended September 30, 2024 to RMB152.9 million for the same period in 2025. Our gross profit margin increased from 17.4% for the nine months ended September 30, 2024 to 24.4% for the same period in 2025, primarily because we achieved economies of scale as our average production and procurement costs declined as our sales volume increased.

Other income

Our other income decreased by 66.0% from RMB29.5 million for the nine months ended September 30, 2024 to RMB10.0 million for the same period in 2025, primarily due to (i) a decrease in government grant of RMB13.0 million, (ii) a decrease in interest income of RMB2.6 million and (iii) a decrease in additional VAT deduction of RMB4.0 million.

Other gains or losses, net

We recorded other net gains of approximately RMB158,000 for the nine months ended September 30, 2024, while we incurred other net losses of approximately RMB852,000 for the same period in 2025, primarily due to a loss on disposal/written off of property, plant and equipment of approximately RMB568,000 incurred during the period.

Change in fair value of financial assets through profit or loss

Change in fair value of financial assets through profit or loss increased significantly from RMB1.9 million for the nine months ended September 30, 2024 to RMB3.9 million for the same period in 2025, primarily due to the increase in our investments in wealth management products.

Provision for impairment losses under ECL model, net of reversal

Our provision for impairment losses under ECL model decreased by 59.0% from RMB9.3 million for the nine months ended September 30, 2024 to RMB3.8 million for the same period in 2025, primarily due to the decrease in the balance of our trade receivables aged over three years attributable to our continuous efforts in collecting overdue receivables.

Selling expenses

Our selling expenses increased by 6.0% from RMB11.5 million for the nine months ended September 30, 2024 to RMB12.2 million for the same period in 2025, primarily due to an increase in service fees paid to an independent third party for us in our transactions with a major customers starting from November 2024.

Administrative expenses

Our administrative expenses decreased by 7.2% from RMB59.5 million for the nine months ended September 30, 2024 to RMB55.2 million for the same period in 2025, primarily due to (i) a decrease in professional service fees attributable to decreased expenses for our pre-[REDACTED] tutoring professional services, government project applications and industry standard certifications and (ii) a decrease in depreciation and amortization as a result of the completion of depreciation of certain fixed assets, partially offset by (iii) the increases in general office expenses as our business scale expanded.

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Research and development expenses

Our research and development expenses remained relatively stable at RMB39.6 million and RMB39.8 million for the nine months ended September 30, 2024 and 2025, respectively.

Finance costs

Our finance costs decreased by 18.7% from RMB2.6 million for the nine months ended September 30, 2024 to RMB2.1 million for the same period in 2025, primarily due to a decrease in interest on lease liabilities as a result of the termination of the lease of certain office premises.

Income tax expenses

We recorded income tax credit of RMB2.3 million for the nine months ended September 30, 2024 while we recorded income tax expenses of RMB3.7 million for the same period in 2025, primarily due to an significant increase in profit before tax from RMB4.0 million for the nine months ended September 30, 2024 to RMB43.5 million for the same period in 2025.

Profit for the period

As a result of the foregoing, our profit for the period increased significantly by 995.1% from RMB4.0 million for the nine months ended September 30, 2024 to RMB43.5 million for the same period in 2025, and our net profit margin increased from 1.2% to 6.3% for the respective periods.

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

Revenues

Our revenues increased by 18.4% from RMB594.2 million in 2023 to RMB703.4 million in 2024, primarily due to an increase in revenue from current sensors of RMB117.7 million, which was mainly driven by the growing demand from customers in the NEV and automotive, partially offset by a decrease in revenue from motion sensors of RMB11.3 million mainly attributable to the weak macroeconomic in Europe.

Cost of sales

Our cost of sales increased by 19.5% from RMB487.5 million in 2023 to RMB582.5 million in 2024, which was generally in line with our revenue growth.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 13.3% from RMB106.7 million in 2023 to RMB120.9 million in 2024. Our overall gross profit margin remained relatively stable at 18.0% and 17.2% in 2023 and 2024, respectively.

Other income

Our other income increased by 22.3% from RMB27.7 million in 2023 to RMB33.9 million in 2024, primarily due to (i) an increase in additional VAT deduction of RMB5.3 million as the relevant preferential tax policy became effective at the beginning of 2024 and (ii) an increase in government grant of RMB4.7 million, partially offset by (iii) a decrease in interest income of RMB3.8 million.

Other gain or losses, net

We incurred other net losses of RMB49.1 million in 2023, while we recorded other net gain of approximately RMB25,000 in 2024, primarily due to the decrease in change in fair value of redemption liabilities in the year.

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Change in fair value of redemption liabilities decreased from RMB47.7 million in 2023 to nil in 2024, primarily due to the termination of preferred rights granted to investors in August 2023, following which the redemption liabilities had been reclassified from liability to equity.

Change in fair value of financial assets through profit or loss

Change in fair value of financial assets through profit or loss increased significantly by 430.4% from RMB0.6 million in 2023 to RMB3.3 million in 2024, primarily due to the increase in our investments in wealth management products.

Provision for impairment losses under ECL model, net of reversal

We recorded provision for impairment losses under ECL model of RMB4.9 million in 2023 while we recorded reversal of provision for impairment losses under ECL model of RMB1.3 million in 2024, primarily due to the collection of trade receivables due from certain customer.

Selling expenses

Our selling expenses increased by 30.1% from RMB12.5 million in 2023 to RMB16.3 million in 2024, primarily due to (i) an increase in staff costs attributable to our sales staff as a result of increased headcount and pay rises, and (ii) an increase in service fees paid to an independent third party for providing intermediary services for us in our transactions with a major customer.

Administrative expenses

Our administrative expenses decreased by 5.2% from RMB82.5 million in 2023 to RMB78.2 million in 2024, primarily due to (i) the decrease in staff costs as a result of our cost control efforts and (ii) a decrease in professional service fees as a result of the one-off service fee paid to an external financial advisor in 2023, partially offset by (iii) an increase in tax and surcharges along with our revenue growth.

Research and development expenses

Our research and development expenses increased by 5.4% from RMB50.9 million in 2023 to RMB53.7 million in 2024, primarily due to an increase in raw materials consumed for our R&D activities.

Finance costs

Our finance costs decreased by 23.4% from RMB4.5 million in 2023 to RMB3.4 million in 2024, primarily due to a decrease in interest on borrowings as a result of repayment of our borrowings in 2023.

Income tax credit

Our income tax credit decreased by 28.7% from RMB2.9 million in 2023 to RMB2.1 million in 2024, primarily due to an increase in additional deduction of research and development expenses.

Loss/Profit for the year

As a result of the foregoing, we incurred loss for the year of RMB66.6 million in 2023 while we recorded profit for the year of RMB9.9 million in 2024.

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Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenues

Our revenues decreased by 10.8% from RMB666.3 million in 2022 to RMB594.2 million in 2023, primarily due to (i) a decrease in revenue from current sensors of RMB74.2 million as a result of the softening demand from downstream industries, especially the photovoltaic industry, partially offset by (ii) an increase in revenue from motion sensors of RMB2.8 million as a result of the increase in sales volume mainly attributable to growing demand from customers in the consumer electronics industry.

Cost of sales

Our cost of sales decreased by 13.6% from RMB564.2 million in 2022 to RMB487.5 million in 2023, primarily because (i) the yield rate of our Bengbu module production base had improved since it started the production of new current sensor products in 2022, and (ii) our sales and production of current sensors decreased in 2023 in line with our decreased revenue in the year as a result of the softening demand from downstream industries.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 4.5% from RMB102.1 million in 2022 to RMB106.7 million in 2023. Our overall gross profit margin increased from 15.3% in 2022 to 18.0% in 2023, primarily due to (i) an increase in gross profit margin of current sensors attributable to the improvement in yield rates of our production bases, especially our Bengbu module production base which led to a lower unit production cost, and (ii) an increase in gross profit margin of others mainly resulted from the increased average selling price for our magnetic scanners as well as the increased revenue contribution from certain high-margin products.

Other income

Our other income increased by 164.9% from RMB10.4 million in 2022 to RMB27.7 million in 2023, primarily due to (i) an increase in interest income of RMB6.8 million and (ii) an increase in government grant of RMB9.5 million.

Other gains or losses, net

Our net other losses decreased from RMB1,195.3 million in 2022 to RMB49.1 million in 2023, primarily due to a decrease in change in fair value of redemption liabilities in the year.

Change in fair value of redemption liabilities decreased from RMB1,195.2 million in 2022 to RMB47.7 million in 2023, primarily because the valuation of our Group increased significantly in 2022 due to several equity financings and transfers in the year.

Change in fair value of financial assets through profit or loss

Change in fair value of financial assets through profit or loss increased from approximately RMB158,000 in 2022 to approximately RMB616,000 in 2023, primarily due to the increase in our investments in wealth management products.

Provision for impairment losses under ECL model, net of reversal

Our provision for impairment losses increased by 120.2% from RMB2.2 million in 2022 to RMB4.9 million in 2023, primarily due to the increase in our trade receivable balances aged two to three years due from certain customer.

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Selling expenses

Our selling expenses increased by 15.8% from RMB10.8 million in 2022 to RMB12.5 million in 2023, primarily due to (i) an increase in staff costs attributable to our sales staff as a result of increased headcount and (ii) an increase in general office expenses as a result of increased business trips of our sales staff to attend more industry exhibitions in the year.

Administrative expenses

Our administrative expenses increased by 33.5% from RMB61.8 million in 2022 to RMB82.5 million in 2023, primarily due to (i) an increase in staff costs attributable to increased headcount and share-based payment expenses, (ii) an increase in depreciation and amortization associated with the reallocation of product facilities and the commencement of operation of Wuxi Este Magnetic, and (iii) an increase in professional service fees stemming from our previous [REDACTED] attempt and litigations.

Research and development expenses

Our research and development expenses increased by 19.3% from RMB42.7 million in 2022 to RMB50.9 million in 2023, primarily due to our investment in R&D activities and the increased R&D staff headcount.

Finance costs

Our finance costs decreased by 55.2% from RMB9.9 million in 2022 to RMB4.5 million in 2023, primarily due to a decrease in interest on borrowings as a result of repayment of our borrowings.

Income tax credit

Our income tax credit decreased by 26.9% from RMB4.0 million in 2022 to RMB2.9 million in 2023, primarily due to an increase in current tax by RMB3.8 million, partially offset by an increase in deferred tax mainly resulted from write-down of inventories and tax losses.

Loss for the year

As a result of the foregoing, our losses for the year decreased by 94.5% from RMB1,206.1 million in 2022 to RMB66.7 million in 2023.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Current Assets and Liabilities

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

	As of December 31,			As of September 30,	As of December 31,
	2022	2023	2024	2025	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Inventories	251,319	254,748	249,493	287,250	286,167
Financial assets at fair value through profit or loss	30,168	30,774	202,275	256,344	247,393
Trade receivables	183,712	127,527	133,773	149,571	166,630
Bills receivables	79,902	81,432	112,010	124,312	134,679

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	As of December 31,			As of September 30,	As of December 31,
	2022	2023	2024	2025	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Prepayments, deposits and other receivables	38,039	50,025	48,064	38,430	37,317
Income tax recoverable	4,457	—	1,012	1,652	1,169
Restricted bank deposits	74,733	13,128	—	—	590
Cash and bank balances	576,420	462,183	314,195	165,306	169,778
Total current assets	1,238,750	1,019,817	1,060,822	1,022,865	1,043,723
Current liabilities					
Trade payables	95,795	58,630	77,594	83,537	91,962
Bills payable	83,930	31,120	—	—	—
Other payable and accrual	732,370	57,303	55,164	80,925	81,759
Contract liabilities	5,340	8,931	10,141	11,352	9,716
Refund liabilities	4,411	6,008	8,353	9,431	8,005
Borrowings	72,688	—	24,043	—	—
Lease liabilities	15,473	15,347	14,327	14,330	14,026
Deferred income	3,605	3,150	2,417	2,417	2,417
Current tax liabilities	—	1,209	—	—	—
Total current liabilities	1,013,612	181,698	192,039	201,992	207,885
Net current assets	225,138	838,119	868,783	820,873	835,838

Our net current assets remained relatively stable at RMB820.9 million as of September 30, 2025 to RMB835.8 million as of December 31, 2025, respectively.

Our net current assets decreased by 5.5% from RMB868.8 million as of December 31, 2024 to RMB820.9 million as of September 30, 2025, primarily due to (i) a decrease in cash and bank balances of RMB148.9 million and (ii) an increase in other payables and accrual of RMB25.8 million, partially offset by (iii) an increase in financial assets at fair value through profit or loss of RMB54.1 million, (iv) an increase in inventories of RMB37.8 million and (v) a decrease in borrowings of RMB24.0 million.

Our net current assets remained relatively stable at RMB838.1 million and RMB868.8 million as of December 31, 2023 and 2024, respectively.

Our net current assets increased significantly by 272.3% from RMB225.1 million as of December 31, 2022 to RMB838.1 million as of December 31, 2023, primarily due to the decrease in other payable and accruals of RMB675.1 million mainly attributable to the settlement of advance from investors of RMB661.2 million.

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Inventories

Our inventories mainly consist of raw materials, work in progress and finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of September 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	143,625	155,167	169,923	187,034
Work in progress	70,715	57,191	50,849	72,630
Finished goods	59,851	78,466	75,302	78,209
	274,191	290,824	296,074	337,873
Less: write-downs of inventories	(22,872)	(36,076)	(46,581)	(50,623)
Total	251,319	254,748	249,493	287,250

Our inventories remained relatively stable at RMB251.3 million, RMB254.7 million and RMB249.5 million as of December 31, 2022, 2023 and 2024, respectively. Our inventories increased to RMB287.3 million as of September 30, 2025 following the expansion of our business scale.

The following table sets forth our inventory turnover days for the periods indicated.

	Year ended December 31,			Nine months ended September 30,
	2022	2023	2024	2025
Inventory turnover days ¹	150	218	191	181

Note: Inventory turnover days equals the average of the opening and closing inventory balances before write-downs of inventories divided by cost of sales for the relevant period and multiplied by 365/270 days (as the case may be).

Our inventory turnover days were 150 days, 218 days, 191 days and 181 days in 2022, 2023, 2024 and the nine months ended September 30, 2025, respectively. The increase in our inventory turnover days in 2023 was primarily because the consumption of our inventories slowed down due to the reduction in our revenue in the year mainly attributable to the softening demand from downstream industries, especially the photovoltaic industry. Our inventory turnover days then gradually returned to a normal level after 2023.

The following table sets forth the aging analysis of our inventories as of the dates indicated:

	As of December 31,			As of September 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	255,284	256,852	247,404	282,949
1 to 2 years	9,564	25,682	27,288	23,091
Over 2 years	9,343	8,289	21,382	31,833
Total	274,191	290,824	296,074	337,873

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We periodically assess the value of our inventories to determine whether to recognize provisions for impairment. We recorded write-downs of inventories of RMB22.9 million, RMB36.1 million, RMB46.6 million and RMB50.6 million as of December 31, 2022, 2023 and 2024 and September 30, 2025, respectively, primarily due to the increase in aged inventories as we stocked up to cope with market fluctuations and trial-production needs as our business scale expanded. Our Directors are of the view that there is no recoverability issue and sufficient provision has been made for our inventories considering that the vast majority of our inventories are aged within in one year.

As of December 31, 2025, RMB209.6 million, or 62.0%, of our inventories as of September 30, 2025 had been subsequently sold or utilized.

Trade receivables

Our trade receivables are amounts due from our customers for credit sales of our products. We typically granted a credit period of 30 to 90 days to our customers. The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,			As of
	2022	2023	2024	September 30,
	RMB'000	RMB'000	RMB'000	2025
Trade receivables				RMB'000
— Third parties	187,777	136,612	141,352	161,174
Less: loss allowance for trade				
receivables	(4,065)	(9,085)	(7,579)	(11,603)
Total	183,712	127,527	133,773	149,571

Our trade receivables decreased by 30.6% from RMB183.7 million as of December 31, 2022 to RMB127.5 million as of December 31, 2023, then increased by 4.9% to RMB133.8 million as of December 31, 2024, primarily in line with the fluctuation of our revenue from 2022 to 2023. Our trade receivables further increased by 11.8% to RMB149.6 million as of September 30, 2025, primarily due to our revenue growth.

The following table sets forth the aging analysis of our trade receivables (before allowance for impairment losses), presented based on the invoice dates as of the dates indicated:

	As of December 31,			As of
	2022	2023	2024	September 30,
	RMB'000	RMB'000	RMB'000	2025
Within 1 year	186,610	133,763	138,479	158,931
1–2 years	1,138	1,722	959	1,321
2–3 years	16	1,117	793	138
>3 years	13	10	1,121	784
Total	187,777	136,612	141,352	161,174

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The following table sets forth the turnover days of our trade receivables as of the date indicated.

	As of December 31,			As of
	2022	2023	2024	September 30,
				2025
Trade receivable turnover days	67	100	72	61

Note: Trade receivable turnover days for a period equals the average of the opening and closing trade receivable balances divided by total revenue during the relevant period and multiplied by 365/270 days (as the case may be).

Our trade receivable turnover days were 67 days, 100 days, 72 days and 61 days in 2022, 2023, 2024 and the nine months ended September 30, 2025, respectively. The relatively high trade receivable turnover days in 2023 was primarily because we recorded relatively high opening balance of trade receivables in 2023 as our sales increased in the second half of 2022.

As of December 31, 2025, RMB154.9 million, or 96.1%, of our trade receivables as of September 30, 2025 had been subsequently settled.

Bills receivables

Our bills receivables primarily represent bank acceptance bills received from our customers and issued by reputable PRC banks, typically within a 12-month term. As of December 31, 2022, 2023 and 2024 and September 30, 2025, we had bill receivables of RMB79.9 million, RMB81.4 million, RMB112.0 million and RMB124.3 million, respectively. The increase in bills receivables was primarily due to the increased use of bank acceptance bills to cater to our customers’ business needs.

As of December 31, 2025, RMB69.3 million, or 55.8%, of our bills receivables as of September 30, 2025 had been subsequently settled.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent wealth management products offered by licensed banks. The wealth management products were mainly large-denomination certificates of deposit and call deposits, which were low-risk in nature. We had financial assets at fair value through profit or loss of RMB30.2 million, RMB30.8 million, RMB202.3 million and RMB256.3 million as of December 31, 2022, 2023 and 2024 and September 30, 2025, respectively.

We have adopted a comprehensive set of internal policies and guidelines to monitor and control risks associated with our investment in wealth management products. Our investment strategy aims to optimize the efficiency of idle funds, generate investment returns for our Shareholders, and minimize investment and financial risks. We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment. Specifically, we are only allowed by our internal policies and guidelines to invest in wealth management products that carry low risk labels and transact with qualified financial institutions, and shall prioritize the cooperation with reputable commercial banks. We primarily invest in highly liquid and essentially risk-free financial products. With the authorization of our Shareholders, our financial managers propose, analyze and evaluate potential investment in wealth management products based on recommendations of our relationship and account managers at banks in China. Prior to making any material investments in wealth management products or modifying our existing investment portfolio, the proposal shall be approved by our chairman of the Board.

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In the future, we may continue to invest in structured deposits and other low-risk financial products that are in our Group’s interest upon thorough evaluations and analysis, and we will ensure that all such investments comply with the applicable laws and regulations, including the relevant requirements under Chapter 14 of the Listing Rules after the [REDACTED].

Trade payables

Our trade payables are amount due to our suppliers. Payment terms with suppliers are mainly on credit ranging from 30 to 90 days from invoice date.

Our trade payables decreased by 38.8% from RMB95.8 million as of December 31, 2022 to RMB58.6 million as of December 31, 2023, primarily due to the decrease in our procurement as a result of our declined revenue. Our trade payables increased by 32.4% from RMB58.6 million as of December 31, 2023 to RMB77.6 million as of December 31, 2024, and further increased by 7.7% to RMB83.5 million as of September 30, 2025, primarily because we increased our procurement to meet the production needs due to the increased orders.

The following table sets forth the aging analysis of our trade payables as of the date indicated:

	As of December 31,			As of September 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	95,708	58,585	75,848	83,467
1–2 years	87	45	1,719	60
2–3 years	—	—	27	1
Above 3 years	—	—	—	9
Total	95,795	58,630	77,594	83,537

The following table sets forth the turnover days of our trade payables as of the date indicated.

	As of December 31,			As of September 30,
	2022	2023	2024	2025
Trade payable turnover days	48	60	44	46

Note: Trade payable turnover days for a period equals the average of the opening and closing trade payables balance divided by cost of sales (excluding provisions for impairment loss on inventories) during the relevant period and multiplied by 365/270 days (as the case may be).

Our trade payable turnover days remained relatively stable at 48 days, 60 days, 44 days and 46 days in 2022, 2023, 2024 and for the nine months ended September 30, 2025, respectively.

As of December 31, 2025, RMB78.5 million, or 94.0%, of our trade payables as of September 30, 2025 had been subsequently settled.

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Other payable and accruals

The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,			As of
	2022	2023	2024	September 30,
	RMB'000	RMB'000	RMB'000	2025
Payables for property, plant and equipment.	7,702	6,340	9,214	6,942
Deposits from vendors	100	133	3,133	1,558
Salary and bonus payables	13,467	15,234	14,638	11,036
Other taxes payable	6,999	2,090	1,906	2,647
Payables from the endorsement of the bills	19,108	12,320	12,896	44,358
Advance from investors	661,200	—	—	—
Accrual	22,092	18,742	11,392	9,941
Accrual [REDACTED] expenses.	—	—	—	3,733
Others	1,702	2,444	1,985	710
Total	732,370	57,303	55,164	80,925

Our other payable and accruals decreased from RMB732.4 million as of December 31, 2022 to RMB57.3 million as of December 31, 2023, primarily due to the settlement of advance from investors of RMB661.2 million. Our other payable and accruals then remained relatively stable at RMB57.3 million as of December 31, 2023 and RMB55.2 million as of December 31, 2024, respectively. Our other payable and accruals further increased by 46.7% to RMB80.9 million as of September 30, 2025, primarily due to an increase in payables from the endorsement of bills of RMB31.5 million.

As of December 31, 2025, RMB40.9 million, or 50.6%, of our other payables and accruals as of September 30, 2025 had been subsequently settled.

Non-Current Assets and Liabilities

Property, Plant and Equipment (PP&E)

Our PP&E primarily consists of (i) buildings, (ii) production equipment, (iii) motor vehicle, (iv) computer and electronic equipment, (v) office equipment, (vi) other equipment and tools, (vii) leasehold improvement and (viii) construction in progress. Our PP&E increased by 33.8% from RMB136.5 million as of December 31, 2022 to RMB182.7 million as of December 31, 2023, primarily due to the purchase of production equipment by Sensitec GmbH in 2023. Our PP&E then remained relatively stable at RMB180.3 million as of December 31, 2024 and RMB184.1 million as of September 30, 2025, respectively.

Investment in an Associate

Investment in an associate amounted to nil, nil, nil and RMB130.2 million as of December 31, 2022, 2023 and 2024 and September 30, 2025, respectively. The relevant associate is Anhui Guosheng, an entity formed by our Group and FIIF engaging in the research and development, design and production of silicon wafers. As of the Latest Practicable Date, the production base of Anhui Guosheng was still under construction and no production activities had commenced. For the financial information of Anhui Guosheng, see Note 20 to the Accountants’ Report as set out in Appendix I.

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Right-of-use Assets

Our right-of-use assets primarily consist of leasehold land acquired for our operations. Our right-of-use assets increased slightly by 4.3% from RMB103.4 million as of December 31, 2022 to RMB107.8 million as of December 31, 2023, primarily due to the addition of leased properties for our business expansion. Our right-of-use assets then decreased by 18.4% to RMB87.9 million as of December 31, 2024, primarily due to the depreciation of our right-of-use assets. Our right-of-use assets further increased by 24.8% to RMB109.7 million as of September 30, 2025, primarily due to the addition of land use right.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from investors and cash generated from operating activities. We monitor and maintain a level of cash and bank balances deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. During the Track Record Period, our cash and bank balances comprised of bank balances and cash held. We had cash and bank balances of RMB576.4 million, RMB462.2 million, RMB314.2 million and RMB165.3 million as of December 31, 2022, 2023 and 2024 and September 30, 2025, respectively.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, the net [REDACTED] received from the [REDACTED], and our future bank borrowings. We currently do not have any other plans for material additional external financing. We do not expect our capital expenditures and resources to materially deviate from our business operations during the Track Record Period.

Cash Flows

The following table sets forth our cash flows for the periods indicated.

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net cash (used in)/generated from					
operating activities	(77,053)	(30,207)	3,569	5,656	54,055
Net cash used in investing activities . .	(171,062)	(10,529)	(180,512)	(229,661)	(214,323)
Net cash generated from/(used in)					
financing activities	668,702	(78,379)	32,977	11,022	5,577
Net increase/(decrease) in cash and					
cash equivalents	420,587	(119,115)	(143,966)	(212,983)	(154,691)
Cash and cash equivalents at					
beginning of year/period	152,458	576,420	462,183	462,183	314,195
Exchange gains	3,375	4,878	(4,022)	727	5,802
Cash and cash equivalents at the end					
of year/period	<u>576,420</u>	<u>462,183</u>	<u>314,195</u>	<u>249,927</u>	<u>165,306</u>

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Net cash used in/generated from operating activities

For the nine months ended September 30, 2025, our net cash generated from operating activities amounted to RMB54.1 million, primarily attributable to profit before tax of RMB43.5 million, as adjusted by non-cash and non-operational items totaling RMB46.6 million, negative changes in working capital of RMB28.7 million and income tax paid of RMB7.3 million. Changes in working capital mainly consisted of (i) an increase in inventories of RMB44.8 million, partially offset by (ii) an increase in other payables and accrual of RMB28.9 million.

For the nine months ended September 30, 2024, our net cash generated from operating activities amounted to RMB5.7 million, primarily attributable to profit before tax of RMB4.0 million, as adjusted by non-cash and non-operational items totaling RMB65.6 million, negative changes in working capital of RMB58.6 million and income tax paid of RMB5.3 million. Changes in working capital mainly consisted of (i) an increase in trade receivables of RMB61.1 million, and (ii) a decrease in bills payables of RMB31.1 million, partially offset by (iii) an increase in trade payables of RMB34.8 million.

In 2024, our net cash generated from operating activities amounted to RMB3.6 million, primarily attributable to profit before taxation of RMB7.8 million, as adjusted by non-cash and non-operational items totaling RMB67.9 million, negative changes in working capital of RMB66.1 million and income tax paid of RMB6.1 million. Changes in working capital mainly consisted of (i) an increase in bills receivables of RMB30.6 million and (ii) a decrease in bills payables of RMB31.1 million, partially offset by (iii) an increase in trade payables of RMB19.0 million.

In 2023, our net cash used in operating activities amounted to RMB30.2 million, primarily attributable to loss before tax of RMB69.5 million, as adjusted by non-cash and non-operational items totaling RMB111.2 million, negative changes in working capital of RMB72.9 million and income tax refund of RMB1.0 million. Changes in working capital mainly consisted of (i) a decrease in bills payables of RMB52.8 million, (ii) a decrease in trade payables of RMB37.2 million, (iii) an increase in inventories of RMB18.6 million, (iv) an increase in prepayments, deposits and other receivables of RMB11.9 million, and (v) a decrease in other payables and accrual of RMB12.5 million, partially offset by (vi) a decrease in trade receivables of RMB56.8 million.

In 2022, our net cash used in operating activities amounted to RMB77.1 million, primarily attributable to loss before tax of RMB1,210.1 million, as adjusted by non-cash and non-operational items totaling RMB1,248.5 million, negative changes in working capital of RMB115.1 million and income tax paid of RMB0.3 million. Changes in working capital mainly consisted of (i) an increase in trade receivables of RMB129.5 million and (ii) an increase in inventories of RMB92.2 million, partially offset by (iii) an increase in trade payables of RMB45.1 million and (iv) an increase in bills payables of RMB51.5 million.

See “— Discussion of Certain Key Items of Consolidated Statements of Financial Position” for primary reasons relating to the underlying causes for our operating cash flow changes.

Net cash used in investing activities

For the nine months ended September 30, 2025, our net cash used in investing activities amounted to RMB214.3 million, primarily attributable to (i) payment for incorporation of an associate of RMB130.0 million and (ii) purchases of financial assets at FVTPL of RMB240.0 million, partially offset by (iii) proceeds from disposal of financial assets at FVTPL of RMB189.8 million.

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For the nine months ended September 30, 2024, our net cash used in investing activities amounted to RMB229.7 million, primarily attributable to (i) placement for restricted bank deposits of RMB23.5 million, (ii) purchases of financial assets at FVTPL of RMB220.0 million and (iii) purchases of property, plant and equipment of RMB28.6 million, partially offset by (iv) withdrawal from restricted bank deposits of RMB36.6 million and (v) interest received of RMB5.8 million.

In 2024, our net cash used in investing activities amounted to RMB180.5 million, primarily attributable to (i) purchase of financial assets at FVTPL of RMB190.0 million and (ii) purchases of property, plant and equipment of RMB35.2 million, partially offset by (iii) proceeds from disposal of financial assets at FVTPL of RMB21.8 million and (iv) withdrawal from restricted bank deposits of RMB36.7 million.

In 2023, our net cash used in investing activities amounted to RMB10.5 million, primarily attributable to (i) purchases of property, plant and equipment of RMB76.5 million and (ii) placement for restricted bank deposits of RMB59.8 million, partially offset by (iii) withdrawal from restricted bank deposits of RMB121.6 million.

In 2022, our net cash used in investing activities amounted to RMB171.1 million, primarily attributable to (i) purchases of property, plant and equipment of RMB77.7 million, (ii) purchases of financial assets at FVTPL of RMB30.0 million and (iii) placement for restricted cash of RMB134.9 million, partially offset by (iv) withdrawal from restricted bank deposits of RMB71.5 million.

Net cash generated from/used in financing activities

For the nine months ended September 30, 2025, our net cash generated from financing activities amounted to RMB5.6 million, primarily attributable to (i) capital contribution from non-controlling shareholders of RMB45.5 million, partially offset by (ii) repayment of borrowings of RMB20.0 million and (iii) payment of principal element of lease liabilities of RMB12.1 million.

For the nine months ended September 30, 2024, our net cash generated from financing activities amounted to RMB11.0 million, primarily attributable to (i) capital contribution from non-controlling shareholders of RMB23.0 million, partially offset by (ii) payment of principal element of lease liabilities of RMB10.1 million.

In 2024, our net cash generated from financing activities amounted to RMB33.0 million, primarily attributable to (i) capital contribution from non-controlling shareholders of RMB53.0 million, partially offset by (ii) payment of capital element of lease liabilities of RMB13.7 million.

In 2023, our net cash used in financing activities amounted to RMB78.4 million, primarily attributable to (i) repayment of borrowings of RMB102.0 million and (ii) payment of capital element of lease liabilities of RMB19.1 million, partially offset by (iii) proceeds from borrowings of RMB29.9 million and (iv) proceeds from issuance of redemption liabilities of RMB11.0 million.

In 2022, our net cash generated from financing activities amounted to RMB668.7 million, primarily attributable to (i) advance from investors of RMB661.2 million, (ii) proceed received for issuance of redemption liabilities of RMB70.0 million and (iii) proceeds from borrowings of RMB224.1 million, partially offset by (iv) repayment of borrowings of RMB257.0 million.

Working Capital Confirmation

Taking into account the financial resources available to us, including our cash and cash equivalents on hand and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables during the Track Record Period.

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INDEBTEDNESS

As of December 31, 2022, 2023 and 2024, September 30, 2025 and December 31, 2025, our indebtedness included borrowings and lease liabilities. The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of September 30,	As of December 31,
	2022	2023	2024	2025	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current:					
Borrowings	72,688	—	24,043	—	—
Lease liabilities	15,473	15,347	14,327	14,330	14,026
Amount due to shareholders	2,618	2,618	2,618	—	—
Non-current:					
Borrowings	22,114	23,077	—	—	—
Lease liabilities	92,845	96,004	79,715	86,676	84,759
Redemption liabilities	1,829,317	—	—	—	—
Total	2,035,055	137,046	120,703	101,006	98,785

Borrowings

During the Track Record Period, we received borrowings from commercial banks and also obtained policy loans. Our borrowings were mainly used to supplement our working capital. Our borrowings decreased from RMB94.8 million as of December 31, 2022 to RMB23.1 million as of December 31, 2023, primarily due to the repayment of our bank borrowings and the settlements of collateralized borrowing, representing bills receivable discounted on a full recourse basis to a financial institution, and amount due to a Director. Our borrowings then remained relatively stable at RMB24.0 million as of December 31, 2024. Our borrowings further decreased to RMB11.7 million as of September 30, 2025, primarily due to a decrease in bank borrowings as a result of repayments, partially offset by an increase in amount due to a Director of RMB11.7 million which had been fully settled in August 2025. The effective interest rates of our bank borrowings ranged from 1.15% to 4.75% per annum during the Track Record Period. We consider these interest rates to be within the range of market interest rates.

The following table sets forth a breakdown of our borrowings as of the dates indicated:

	As of December 31,			As of September 30,	As of December 31,
	2022	2023	2024	2025	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Current portion					
Bank borrowings, guaranteed and unsecured.	39,905	—	—	—	—
Bank borrowings, unguaranteed and unsecured.	—	—	11,929	—	—

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	As of December 31,			As of September 30,	As of December 31,
	2022	2023	2024	2025	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Bank borrowings, guaranteed and secured	—	—	12,114	—	—
Collateralised borrowing . . .	16,100	—	—	—	—
Amount due to a Director . . .	16,683	—	—	—	—
	72,688	—	24,043	—	—
Non-current portion					
Bank borrowings, unsecured	11,149	11,631	—	—	—
Bank borrowings, guaranteed and secured	10,965	11,446	—	—	—
Total borrowings.	94,802	23,077	24,043	—	—

As of December 31, 2022, 2023 and 2024, September 30, 2025, our borrowings were scheduled to repay as follows:

	As of December 31,			As of September 30,	As of December 31,
	2022	2023	2024	2025	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Current portion					
On demand or within one year	72,688	—	24,043	—	—
More than one year, but not exceeding two years	—	23,077	—	—	—
More than two year, but not more than five years	22,114	—	—	—	—
Total borrowings.	94,802	23,077	24,043	—	—

Our bank borrowings contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, (i) we had not been subject to material financial covenants pursuant to the applicable bank borrowing agreements, (ii) nor did we experience any difficulty in obtaining bank or other borrowings, default in payment of bank or other borrowings or breach of covenants. As of the Latest Practicable Date, except for our existing bank borrowings, we did not have plans for any other material external debt financing. As of December 31, 2025, we had unutilized banking facilities of RMB420.0 million.

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Lease Liabilities

Our lease liabilities primarily represent our obligations related to the leasing of leasehold land, buildings and machinery for our factory. Lease liabilities are measured at net present value of the lease payments during the lease terms that are not yet paid. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			As of September 30,	As of December 31,
	2022	2023	2024	2025	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Current	15,473	15,347	14,327	14,330	14,026
Non-current	92,845	96,004	79,715	86,676	84,759
Total	108,318	111,351	94,042	101,006	98,785

Our lease liabilities increased from RMB108.3 million as of December 31, 2022 to RMB111.4 million as of December 31, 2023, primarily due to the addition of leased properties in the year for our business expansion. Our lease liabilities then decreased to RMB94.0 million as of December 31, 2024, primarily due to our rental payments. Our lease liabilities then increased to RMB101.0 million as of September 30, 2025, primarily due to the increase in leased properties.

The following table categorizes our lease liabilities into relevant maturity groups based on the remaining period from the balance sheet date to the contractual maturity date:

	As of December 31,			As of September 30,	As of December 31,
	2022	2023	2024	2025	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Within one year	15,473	15,347	14,327	14,330	14,062
After one year but within two years	8,773	13,870	10,739	13,269	12,226
After two years but within five years	25,600	28,373	21,131	23,908	24,287
Over five years	58,472	53,761	47,845	49,499	48,246
Less: Amounts due for settlement with 12 months shown under current liabilities	(15,473)	(15,347)	(14,327)	(14,330)	(14,062)
Amount due for settlement after 12 months shown under non-current liabilities	92,845	96,004	79,715	86,676	84,759

Redemption Liabilities

We recorded redemption liabilities of RMB1,829.3 million as of December 31, 2022 derived from the special rights granted to investors during several rounds of financings of our Company since the date of incorporation, pursuant to which our Company shall redeem at the request of any investors with

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preferred rights in the occurrence of certain major events, including, among others, the failure to consummate an [REDACTED] or a strategic transaction of the Group before a designated deadline. As the relevant special rights were terminated in August 2023, the carrying amount of the redemption liabilities had been reclassified to equity and we no longer had any redemption liability balance since then. For details, see Note 37 to the Accountants’ Report as set out in Appendix I.

No Other Outstanding Indebtedness

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts, or other similar indebtedness, financing lease, or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured, or unsecured as of September 30, 2025. Our Directors have confirmed that there has been no material change in our indebtedness since September 30, 2025 up to the date of this document.

CONTINGENT LIABILITIES

As of December 31, 2022, 2023, 2024, and September 30, 2025, we did not have any material contingent liabilities. Our Directors confirm that there has been no material change in our contingent liabilities since September 30, 2025 up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following tables set out our key financial ratios as of the dates indicated:

	Year ended/As of December 31,			Nine months ended/As of September 30,
	2022	2023	2024	2025
Gross profit margin (%) ⁽¹⁾	15.3	18.0	17.2	24.4
Current ratio (times) ⁽²⁾	1.2	5.6	5.5	5.1
Quick ratio (times) ⁽³⁾	1.0	4.2	4.2	3.6
Gearing ratio (%) ⁽⁴⁾	(140.6) ⁽⁴⁾	12.8	10.7	8.4

Notes:

- (1) Gross profit margin is calculated based on gross profit as a percentage of revenue for the year/period.
- (2) Current ratio is calculated based on current assets divided by current liabilities as of the date indicated.
- (3) Quick ratio is calculated based on current assets less inventories divided by current liabilities as of the date indicated.
- (4) Gearing ratio is calculated based on total debts divided by total equity as of the date indicated and multiplied by 100%. Total debts includes our borrowings and lease liabilities. The negative gearing ratio as of December 31, 2022 was because the significant balance of redemption liabilities as of the same date, which was subsequently reclassified as equity after the termination of preferred rights granted to investors in August 2023.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

During the Track Record Period, our capital expenditures primarily consisted of expenditures on purchases of property, plant and equipment, intangible assets and land use right. In 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, we had capital expenditures of RMB80.5 million, RMB77.1 million, RMB35.6 million, RMB28.9 million and RMB46.4 million, respectively.

We expect to incur additional capital expenditures in 2025 primarily for purchases of property, plant and equipment, intangible assets and right-of-use assets. We intend to fund our future capital expenditures with our existing cash balance, cash generated from our operating activities, our bank

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borrowings and [REDACTED] from the [REDACTED]. See the section headed “Future Plans and Use of [REDACTED]” for more details. We may reallocate the fund to be utilized for capital expenditures and long-term investments based on our ongoing business needs.

Capital Commitments

As of December 31, 2022, 2023, 2024, and September 30, 2025, we had capital commitments under non-cancellable contracts for acquisition of property, plant and equipment and intangible assets as well as investment cost of investment in an associate of RMB37.3 million, RMB17.3 million, RMB16.0 million and RMB16.5 million, respectively.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into various transactions with our related parties from time to time. For more details about our related party transactions, see Note 46 to the Accountant’s Report in Appendix I and “Relationship with Our Single Largest Shareholders Group.” As of September 30, 2025, we had no outstanding non-trade balances with related parties. Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm’s length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including currency risk, interest rate risk and price risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. The Board reviewed and agreed the following risk management policies. See Note 43 to the Accountant’s Report in Appendix I for a detailed description of our financial risk management.

Currency Risk

Several subsidiaries of the Company have foreign currency sales, capital expenditure and cash and bank balances, which expose the Group to foreign currency risk. The subsidiaries are mainly exposed to foreign currency of US\$, Swiss Franc and Euro dollar. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest Rate Risk

The Group is exposed to fair value interest rate risk in relation to its restricted bank deposits, lease liabilities and fixed rate borrowings. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant given a change of bank deposit rate is limited.

Credit Risk

As at the end of each reporting period, the Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

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Credit terms are granted to customers who are in good credit reputation. In order to minimise the credit risk, management has designated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the directors of the Company review the recoverability of each significant trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group’s credit risk is significantly reduced.

Liquidity Risk

In the management of the liquidity risk, the Group monitor and maintain a level of cash and bank balances and unused banking facilities deemed adequate by management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

DIVIDEND POLICY

During the Track Record Period, we did not declare or distribute any dividend. The decision on whether to pay dividends will be made at the discretion of our Directors in comply with our Articles of Association and applicable laws and regulations and will depend upon, among others, the financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Directors may consider relevant. We currently do not have a formal dividend policy.

According to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore, as confirmed by our PRC Legal Advisor, only be able to declare dividends after: (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above. As of September 30, 2025, our Company had capital reserves of RMB2,405.6 million and accumulated losses of RMB1,334.7 million, respectively. As confirmed by our PRC Legal Advisor, capitals reserves can be used for making up for accumulated losses in accordance with applicable PRC laws. Therefore, the accumulated loss position of our Company as of September 30, 2025 will not impact our ability to declare and pay dividend going forward. Our ability to declare and pay dividends will also depend on the availability of dividends received from group companies in the PRC and other jurisdictions. Distributions from our group companies may be restricted if they incur losses or in accordance with any restrictive covenants in bank borrowing or financing agreements that we or our subsidiaries may enter into in the future. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our shareholders.

DISTRIBUTABLE RESERVES

As of September 30, 2025, our Company did not have any distributable reserves.

[REDACTED] EXPENSES

Based on the mid-point [REDACTED] of HK\$[REDACTED], the total estimated [REDACTED] expenses in relation to the [REDACTED] is approximately HK\$[REDACTED], or [REDACTED]% of the gross [REDACTED] from the [REDACTED], assuming no new Shares are [REDACTED] under the [REDACTED]. Such estimated total [REDACTED] expenses include (i) [REDACTED] related expenses of approximately HK\$[REDACTED]; (ii) fees and expenses of our legal advisors and reporting accountant of approximately HK\$[REDACTED] million; and (iii) other fees and expenses of approximately HK\$[REDACTED]. We recorded [REDACTED] expenses charged to our consolidated statement of profit or loss of [REDACTED] for the nine months ended September 30, 2025, and accrued [REDACTED] expenses charged to consolidated statement of financial

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position of RMB[REDACTED] as of September 30, 2025. [REDACTED] expenses of approximately HK\$[REDACTED], is expected to be charged to our consolidated statement of profit or loss and [REDACTED] expenses of approximately HK\$[REDACTED] will be deducted from equity upon [REDACTED] under the relevant accounting standard. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] FINANCIAL INFORMATION

See “Appendix II — Unaudited [REDACTED] Financial Information” for details.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there have been no material adverse changes in our financial, operational, or trading position or prospects since September 30, 2025, being the date of the latest reporting period ended of our consolidated financial statements as set out in the Accountant’s Report in Appendix I, and there is no event since September 30, 2025 that would materially affect the information as set out in the Accountant’s Report included in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2025

The preliminary financial information of our Group as of and for the year ended December 31, 2025 as set out in Appendix IIA to this document, which is prepared in compliance with the content requirements as for preliminary results announcements under Rule 13.49 of the Listing Rules, have been agreed by the Reporting Accountants, to the amounts set out in the draft consolidated financial statements of the Group for the year ended December 31, 2025, following with their work under Practice Note 730 (Revised) “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants.

FUTURE PLANS AND USE OF [REDACTED]

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.

FUTURE PLANS AND USE OF [REDACTED]

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

FUTURE PLANS AND USE OF [REDACTED]

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

FUTURE PLANS AND USE OF [REDACTED]

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.

FUTURE PLANS AND USE OF [REDACTED]

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].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

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[REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages [I-1] to [I-116], received from the Company’s reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.



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ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ANHUI SINOMAGS TECHNOLOGY CO., LTD AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED AND GF CAPITAL (HONG KONG) LIMITED

INTRODUCTION

We report on the historical financial information of Anhui Sinomags Technology Co., Ltd (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages I-[4] to I-[116], which comprises the consolidated statements of financial position as at 31 December 2022, 31 December 2023, 31 December 2024 and 30 September 2025, and the statements of financial position of the Company as at 31 December 2022, 31 December 2023, 31 December 2024 and 30 September 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the period then ended 31 December 2022, 31 December 2023, 31 December 2024 and 30 September 2025 (the “**Track Record Period**”), and material accounting policy information and other explanatory information (together the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-[4] to I-[116] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the “**Document**”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

DIRECTORS’ RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS’ RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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ACCOUNTANTS’ REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Company’s financial position as at 31 December 2022, 31 December 2023, 31 December 2024 and 30 September 2025, the Group’s financial position as at 31 December 2022, 31 December 2023, 31 December 2024 and 30 September 2025 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE HISTORICAL FINANCIAL INFORMATION

We have reviewed the stub period comparative historical financial information of the Group which comprises the consolidated statement of profit or loss and the other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2024 and other explanatory information (together the “**Stub Period Comparative Historical Financial Information**”). The directors of the Company are responsible for the preparation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2 to the Historical Financial Information.

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REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

ADJUSTMENTS

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[5] have been made.

DIVIDENDS

We refer to Note 16 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

NO FINANCIAL STATEMENTS FOR THE COMPANY

No statutory financial statements have been prepared for the Company since its date of incorporation.

[BDO Limited]

Certified Public Accountants

Practising Certificate no. P[•]

Hong Kong

[Date]

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ACCOUNTANTS’ REPORT

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Nine months ended 30 September	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	6	666,309	594,206	703,414	544,459	626,656
Cost of sales		(564,241)	(487,541)	(582,487)	(449,473)	(473,744)
Gross profit		102,068	106,665	120,927	94,986	152,912
Other income	7	10,449	27,678	33,858	29,454	10,014
Other gains or losses, net.	8	(1,195,320)	(49,112)	25	158	(852)
Change in fair value of financial assets at fair value through profit or loss		158	616	3,267	1,881	3,864
Provision for impairment losses under expected credit losses (“ECL”) model, net of reversal	9	(2,229)	(4,908)	1,321	(9,319)	(3,824)
Selling expenses		(10,825)	(12,535)	(16,308)	(11,533)	(12,222)
Administrative expenses		(61,792)	(82,500)	(78,243)	(59,468)	(55,204)
Research and development expenses		(42,685)	(50,919)	(53,654)	(39,592)	(39,818)
Finance costs	10	(9,943)	(4,452)	(3,411)	(2,595)	(2,109)
Share of results of an associate	20	—	—	—	—	234
[REDACTED] expenses		—	—	—	—	(9,498)
(Loss)/ profit before tax	11	(1,210,119)	(69,467)	7,782	3,972	43,497
Income tax credit/ (expenses).	12	3,972	2,905	2,070	2,334	(3,725)
(Loss)/profit for the year/period		<u>(1,206,147)</u>	<u>(66,562)</u>	<u>9,852</u>	<u>6,306</u>	<u>39,772</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	Year ended 31 December			Nine months ended 30 September	
		2022	2023	2024	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> (unaudited)	<i>RMB’000</i>
Other comprehensive income:						
<i>Item that may be reclassified subsequently to profit or loss</i>						
Exchange differences on translation of foreign operations		4,628	9,440	(6,772)	826	15,047
Other comprehensive income for the year/period, net of tax		<u>4,628</u>	<u>9,440</u>	<u>(6,772)</u>	<u>826</u>	<u>15,047</u>
Total comprehensive income for the year/period		<u>(1,201,519)</u>	<u>(57,122)</u>	<u>3,080</u>	<u>7,132</u>	<u>54,819</u>
(Loss)/profit attributable to:						
Owners of the Company		(1,206,147)	(66,300)	10,395	6,879	37,545
Non-controlling interests		<u>—</u>	<u>(262)</u>	<u>(543)</u>	<u>(573)</u>	<u>2,227</u>
		<u>(1,206,147)</u>	<u>(66,562)</u>	<u>9,852</u>	<u>6,306</u>	<u>39,772</u>
Total comprehensive income attributable to:						
Owners of the Company		(1,201,519)	(56,860)	3,623	7,705	52,592
Non-controlling interests		<u>—</u>	<u>(262)</u>	<u>(543)</u>	<u>(573)</u>	<u>2,227</u>
		<u>(1,201,519)</u>	<u>(57,122)</u>	<u>3,080</u>	<u>7,132</u>	<u>54,819</u>
(Loss)/ earnings per share for (loss)/profit attributable to owners of the Company						
Basic and Diluted (RMB)	15	<u>(61.14)</u>	<u>(1.11)</u>	<u>0.09</u>	<u>0.06</u>	<u>0.33</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December			As at 30 September
		2022	2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets					
Property, plant and equipment	18	136,541	182,742	180,331	184,128
Intangible assets	19	3,690	3,514	2,995	2,954
Investment in an associate	20	—	—	—	130,234
Right-of-use assets	21	103,362	107,773	87,903	109,670
Deferred tax assets	22	22,699	31,146	37,311	44,132
Prepayment for non-current assets . . .	27	10,380	9,344	7,361	7,145
Restricted bank deposits	28	8,059	8,107	8,096	590
Total non-current assets		284,731	342,626	323,997	478,853
Current assets					
Inventories	23	251,319	254,748	249,493	287,250
Financial assets at fair value through profit or loss	24	30,168	30,774	202,275	256,344
Trade receivables	25	183,712	127,527	133,773	149,571
Bills receivable	26	79,902	81,432	112,010	124,312
Prepayments, deposits and other receivables .	27	38,039	50,025	48,064	38,430
Income tax recoverable .		4,457	—	1,012	1,652
Restricted bank deposits	28	74,733	13,128	—	—
Cash and bank balances .	28	576,420	462,183	314,195	165,306
Total current assets		1,238,750	1,019,817	1,060,822	1,022,865

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	As at 31 December			As at 30 September
		2022	2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities					
Trade payables	29	95,795	58,630	77,594	83,537
Bills payable	30	83,930	31,120	—	—
Other payables and accrual	31	732,370	57,303	55,164	80,925
Contract liabilities	32	5,340	8,931	10,141	11,352
Refund liabilities	33	4,411	6,008	8,353	9,431
Borrowings	34	72,688	—	24,043	—
Lease liabilities	35	15,473	15,347	14,327	14,330
Deferred income	36	3,605	3,150	2,417	2,417
Current tax liabilities . . .		—	1,209	—	—
Total current liabilities		<u>1,013,612</u>	<u>181,698</u>	<u>192,039</u>	<u>201,992</u>
Net current assets		<u>225,138</u>	<u>838,119</u>	<u>868,783</u>	<u>820,873</u>
Total assets less current liabilities . . .		<u>509,869</u>	<u>1,180,745</u>	<u>1,192,780</u>	<u>1,299,726</u>
Non-current liabilities					
Deferred tax liabilities . .	22	—	—	192	758
Borrowings	34	22,114	23,077	—	—
Lease liabilities	35	92,845	96,004	79,715	86,676
Deferred income	36	11,130	7,992	5,575	3,763
Redemption liabilities . .	37	1,829,317	—	—	—
Total non-current liabilities		<u>1,955,406</u>	<u>127,073</u>	<u>85,482</u>	<u>91,197</u>
NET (LIABILITIES)/ASSETS		<u>(1,445,537)</u>	<u>1,053,672</u>	<u>1,107,298</u>	<u>1,208,529</u>
Capital and reserves					
Equity attributable to owners of the Company					
Issued capital/share capital	38	19,727	115,219	115,219	115,219
Reserve		(1,465,264)	934,715	941,976	1,012,130
		(1,445,537)	1,049,934	1,057,195	1,127,349
Non-controlling interests	17	—	3,738	50,103	81,180
TOTAL (DEFICIT)/EQUITY		<u>(1,445,537)</u>	<u>1,053,672</u>	<u>1,107,298</u>	<u>1,208,529</u>

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Issued capital/ share capital	Capital reserve	Merger reserve	Other reserve	Share-based payment reserve	Translation reserve	Accumulated losses	Non-controlling interests		Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(note a)</i>	<i>(note b)</i>	<i>(note c)</i>	<i>(Note 39)</i>				<i>(Note 17)</i>	
As at 1 January 2022.	19,727	—	50,612	—	154	167	(255,169)	(184,509)	—	(184,509)
Loss for the year.	—	—	—	—	—	—	(1,206,147)	(1,206,147)	—	(1,206,147)
Exchange differences on translation of foreign operations	—	—	—	—	—	4,628	—	4,628	—	4,628
Other comprehensive income for the year	—	—	—	—	—	4,628	—	4,628	—	4,628
Total comprehensive income for the year	—	—	—	—	—	4,628	(1,206,147)	(1,201,519)	—	(1,201,519)
Transaction with shareholder (<i>Note</i> <i>37(iii)</i>)	—	—	—	(59,618)	—	—	—	(59,618)	—	(59,618)
Share-based payment (<i>Note 39</i>)	—	—	—	—	109	—	—	109	—	109
As at 31 December 2022	19,727	—	50,612	(59,618)	263	4,795	(1,461,316)	(1,445,537)	—	(1,445,537)

	Attributable to owners of the Company									
	Issued capital/ share capital	Capital reserve	Merger reserve	Other reserve	Share-based payment reserve	Translation reserve	Accumulated losses	Non-controlling interests		Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note a)	(note b)	(note c)	(Note 39)				(Note 17)	
As at 1 January 2023.	19,727	—	50,612	(59,618)	263	4,795	(1,461,316)	(1,445,537)	—	(1,445,537)
Loss for the year.	—	—	—	—	—	—	(66,300)	(66,300)	(262)	(66,562)
Exchange differences on translation of foreign operations	—	—	—	—	—	9,440	—	9,440	—	9,440
Other comprehensive income for the year	—	—	—	—	—	9,440	—	9,440	—	9,440
Total comprehensive income for the year	—	—	—	—	—	9,440	(66,300)	(56,860)	(262)	(57,122)
Transfer from redemption liabilities (Note 38)	95,492	2,453,772	—	—	—	—	—	2,549,264	—	2,549,264
Capital contribution from non-controlling shareholders.	—	—	—	—	—	—	—	—	4,000	4,000
Share-based payment (Note 39)	—	—	—	—	1,567	—	—	1,567	—	1,567
Shareholder's contribution (note (d))	—	1,500	—	—	—	—	—	1,500	—	1,500
Transformation into joint stock company (Note 38)	—	(48,202)	—	—	—	—	48,202	—	—	—
As at 31 December 2023	115,219	2,407,070	50,612	(59,618)	1,830	14,235	(1,479,414)	1,049,934	3,738	1,053,672

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	Attributable to owners of the Company									
	Issued capital/ share capital	Capital reserve	Share-based					Non-controlling		
			Merger reserve	Other reserve	payment reserve	Translation reserve	Accumulated losses	Sub-total	interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note a)	(note b)	(note c)	(Note 39)				(Note 17)	
As at 1 January 2024.	115,219	2,407,070	50,612	(59,618)	1,830	14,235	(1,479,414)	1,049,934	3,738	1,053,672
Profit /(loss) for the year	—	—	—	—	—	—	10,395	10,395	(543)	9,852
Exchange differences on translation of foreign operations	—	—	—	—	—	(6,772)	—	(6,772)	—	(6,772)
Other comprehensive income for the year	—	—	—	—	—	(6,772)	—	(6,772)	—	(6,772)
Total comprehensive income for the year	—	—	—	—	—	(6,772)	10,395	3,623	(543)	3,080
Change in ownership interest in a subsidiary without loss of control (Note 17(d)).	—	—	—	—	—	—	2,206	2,206	46,908	49,114
Share-based payment (Note 39) . .	—	—	—	—	1,432	—	—	1,432	—	1,432
As at 31 December 2024	115,219	2,407,070	50,612	(59,618)	3,262	7,463	(1,466,813)	1,057,195	50,103	1,107,298

	Attributable to owners of the Company									
	Issued capital/ share capital	Capital reserve	Merger reserve	Other reserve	Share-based payment reserve	Translation reserve	Accumulated losses	Non-controlling		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	Sub-total	interests	Total
		(note a)	(note b)	(note c)	(Note 39)			RMB'000	RMB'000	RMB'000
									(Note 17)	
As at 1 January 2025.	115,219	2,407,070	50,612	(59,618)	3,262	7,463	(1,466,813)	1,057,195	50,103	1,107,298
Profit for the period	—	—	—	—	—	—	37,545	37,545	2,227	39,772
Exchange differences on translation of foreign operations	—	—	—	—	—	15,047	—	15,047	—	15,047
Other comprehensive income for the period.	—	—	—	—	—	15,047	—	15,047	—	15,047
Total comprehensive income for the period	—	—	—	—	—	15,047	37,545	52,592	2,227	54,819
Change in ownership interest in a subsidiary without loss of control (Note 17(d))	—	—	—	—	—	—	16,696	16,696	28,850	45,546
Share-based payment (Note 39) . .	—	—	—	—	866	—	—	866	—	866
As at 30 September 2025	115,219	2,407,070	50,612	(59,618)	4,128	22,510	(1,412,572)	1,127,349	81,180	1,208,529

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	Attributable to owners of the Company									
	Issued	Capital reserve	Merger reserve	Other reserve	Share-based	Translation reserve	Accumulated losses	Non-controlling		Total
	capital/ share				payment			Sub-total	interests	
	capital				reserve					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note a)	(note b)	(note c)	(Note 39)				(Note 17)	
As at 1 January 2024.	115,219	2,407,070	50,612	(59,618)	1,830	14,235	(1,479,414)	1,049,934	3,738	1,053,672
Profit/(loss) for the period	—	—	—	—	—	—	6,879	6,879	(573)	6,306
Exchange differences on translation of foreign operations	—	—	—	—	—	826	—	826	—	826
Other comprehensive income for the period.	—	—	—	—	—	826	—	826	—	826
Total comprehensive income for the period	—	—	—	—	—	826	6,879	7,705	(573)	7,132
Capital contribution from non-controlling shareholders (Note 17(d)).	—	—	—	—	—	—	4,715	4,715	18,285	23,000
Share-based payment (Note 39)	—	—	—	—	1,053	—	—	1,053	—	1,053
As at 30 September 2024 (unaudited)	115,219	2,407,070	50,612	(59,618)	2,883	15,061	(1,467,820)	1,063,407	21,450	1,084,857

Notes:

- (a) Capital reserves mainly comprise of (i) share premium arising from the issuance of share capital/paid-up capital, and (ii) contribution from shareholders and Dr. Wang Jianguo (“**Dr. Wang**”), the founder of the Company.
- (b) The merger reserve of the Group represents the difference between the consideration paid over the nominal value of the aggregate share capital of subsidiaries acquired under common control.
- (c) Other reserve mainly represents transaction with shareholder.
- (d) Shareholder contribution represented the capital contribution contributed by Dr. Wang.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December			Nine months ended 30 September	
		2022	2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Operating activities						
(Loss)/profit before tax		(1,210,119)	(69,467)	7,782	3,972	43,497
Adjustments for:						
Depreciation of property, plant and equipment	18	21,256	33,199	39,471	29,318	28,266
Depreciation of right-of-use assets	21	14,256	17,533	16,408	12,353	11,900
Amortisation of intangible assets	19	665	878	898	661	778
Amortisation of deferred income	36	(1,958)	(3,605)	(3,150)	(2,546)	(1,812)
Provision for impairment losses under ECL model, net of reversal	9	2,229	4,908	(1,321)	9,319	3,824
Loss/(gain) on disposal/written off of property, plant and equipment	8	436	(18)	3	3	568
Share-based payment expenses	39	109	1,567	1,432	1,053	866
Write down of inventories	11	9,881	15,205	20,374	20,071	7,057
Finance costs	10	9,943	4,452	3,411	2,595	2,109
Change in fair value of financial assets at fair value through profit or loss (“FVTPL”)		(158)	(616)	(3,267)	(1,881)	(3,864)
Share of results of an associate	20	—	—	—	—	(234)
Change in fair value of redemption liabilities	8	1,195,165	47,747	—	—	—
Gain on termination of lease	8	—	—	—	—	(99)
Interest income	7	(3,298)	(10,080)	(6,314)	(5,383)	(2,783)

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<i>Notes</i>	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Operating profit before					
movements in working capital .	38,407	41,703	75,727	69,535	90,073
(Increase)/decrease in trade					
receivables	(129,547)	56,785	(8,616)	(61,128)	(20,166)
(Increase)/decrease in bills					
receivable.	(10,643)	(1,878)	(30,578)	4,868	(12,302)
(Increase)/decrease in prepayments,					
deposits and other receivables . .	(5,527)	(11,902)	1,821	(17,303)	11,429
Increase in inventories	(92,156)	(18,634)	(15,119)	(6,602)	(44,814)
Increase/(decrease) in trade					
payables.	45,135	(37,165)	18,964	34,808	5,943
Increase/(decrease) in bills payable.	51,539	(52,810)	(31,120)	(31,120)	—
Increase/(decrease) in other					
payables and accrual.	21,859	(12,505)	(5,013)	17,277	28,888
(Decrease)/increase in contract					
liabilities	(6,769)	3,591	1,210	(792)	1,211
Increase in refund liabilities	2,822	1,597	2,345	1,424	1,078
Increase in deferred income	8,172	—	—	—	—
Cash (used in)/generated from					
operations	(76,708)	(31,218)	9,621	10,967	61,340
Income tax (paid)/refund	(345)	1,011	(6,052)	(5,311)	(7,285)
Net cash (used in)/generated from					
operating activities	<u>(77,053)</u>	<u>(30,207)</u>	<u>3,569</u>	<u>5,656</u>	<u>54,055</u>

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<i>Notes</i>	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Investing activities					
Purchases of property, plant and equipment	(77,746)	(76,517)	(35,184)	(28,560)	(30,787)
Purchases of intangible assets	(2,711)	(609)	(458)	(333)	(651)
Purchases of land use right	—	—	—	—	(14,923)
Proceeds from disposal of property, plant and equipment	—	368	84	84	1,475
Purchases of financial assets at FVTPL	(30,010)	—	(190,000)	(220,000)	(240,000)
Proceeds from disposal of financial assets at FVTPL	—	10	21,766	210	189,795
Withdrawal from restricted bank deposits	71,533	121,558	36,656	36,636	7,553
Placement for restricted bank deposits	(134,906)	(59,827)	(23,521)	(23,520)	—
Interest received	2,778	4,488	10,145	5,822	3,215
Payment for incorporation of an associate	—	—	—	—	(130,000)
Net cash used in investing activities	(171,062)	(10,529)	(180,512)	(229,661)	(214,323)

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		Year ended 31 December			Nine months ended 30 September	
	Notes	2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Financing activities						
Proceeds from borrowings	44	224,100	29,900	—	—	—
Repayment of borrowings	44	(257,046)	(101,953)	—	—	(20,000)
Payment of principal element of lease liabilities	44	(10,033)	(19,050)	(13,692)	(10,106)	(12,134)
Interest paid for borrowings	44	(17,454)	(941)	—	—	(4,602)
Interest paid for lease liabilities . . .	44	(2,065)	(2,835)	(2,445)	(1,872)	(1,550)
Capital contribution from non-controlling shareholders . . .	17(d)	—	4,000	53,000	23,000	45,546
Payment for acquisition of equity interest from non-controlling shareholders	17(d)	—	—	(3,886)	—	—
Shareholder's contribution		—	1,500	—	—	—
Proceeds received for issuance of redemption liabilities	37	70,000	11,000	—	—	—
[REDACTED] expense paid		—	—	—	—	(1,683)
Advance from investors	(a)	661,200	—	—	—	—
Net cash generated from/(used in) financing activities		668,702	(78,379)	32,977	11,022	5,577
Net increase/(decrease) in cash and cash equivalents		420,587	(119,115)	(143,966)	(212,983)	(154,691)
Cash and cash equivalents at beginning of year/period		152,458	576,420	462,183	462,183	314,195
Exchange gains/(loss), net		3,375	4,878	(4,022)	727	5,802
Cash and cash equivalents at the end of year/period		576,420	462,183	314,195	249,927	165,306

Note:

During the Track Record Period, the Group entered into the following non-cash transactions:

- (a) In 2022, the Company entered into an investment agreement with certain Series E investors and Series E+ investors, pursuant to which Company issued and allotted approximately 21,211,693 unit of Series E Shares and 3,203,547 units of Series E+ Shares at a consideration of RMB584,000,000 and RMB88,200,000 respectively to be paid in 2023. The detail is set out in Note 37 to the Historical Financial Information.
- The consideration of RMB573,000,000 and RMB88,200,000 has been received in advance in 2022 from these investors respectively with the liabilities recognised in other payables and accrual set out in Note 31 to the Historical Financial Information.
- In 2023, the whole amount was recognised as redemption liabilities together with the remaining consideration of RMB11,000,000 which was received in cash in 2023.
- (b) On 15 May 2025, the ownership of borrowings of RMB12,335,000 was transferred to a director. The transfer was accounted for as a substantial modification of the financial liability, the borrowings were derecognised and amount due to a director under borrowings was recognised. The detail is set out in Note 34 (c) and (e) to the Historical Financial Information.

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at 31 December			As at 30 September
		2022	2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets					
Investments in subsidiaries.	17	190,116	234,854	271,204	285,703
Property, plant and equipment	18	59,782	74,258	83,563	83,877
Intangible assets	19	—	—	354	556
Investment in an associate .	20	—	—	—	130,234
Right-of-use assets	21	14,799	11,074	7,984	5,666
Deferred tax assets	22	6,637	8,288	11,859	15,589
Prepayment for non-current assets	27	3,804	5,997	5,884	5,599
Restricted bank deposits . .	28	7,534	7,551	7,563	—
Total non-current assets .		282,672	342,022	388,411	527,224
Current assets					
Inventories	23	92,670	99,882	134,710	168,799
Financial assets at fair value through profit or loss	24	30,168	30,774	101,241	103,193
Trade receivables	25	246,410	211,894	307,170	432,854
Bills receivable	26	32,098	19,189	61,179	75,738
Prepayments, deposits and other receivables	27	138,344	151,271	215,539	206,739
Income tax recoverable . .		3,920	—	1,923	1,716
Restricted bank deposits . .	28	22,880	—	—	—
Cash and bank balances . .	28	546,901	428,592	227,664	82,994
Total current assets. . . .		1,113,391	941,602	1,049,426	1,072,033

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	<i>Notes</i>	As at 31 December			As at 30 September
		2022	2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities					
Trade payables	29	174,346	91,843	213,925	362,738
Bills payable	30	22,880	3,931	—	—
Other payables and accrual	31	702,329	35,289	59,077	85,018
Contract liabilities	32	341	2,149	2,149	3,174
Refund liabilities	33	2,534	4,276	6,526	6,127
Borrowings	34	34,005	—	24,043	—
Lease liabilities	35	6,631	3,016	3,163	3,206
Deferred income	36	2,950	2,933	2,200	2,200
Current tax liabilities		—	1,459	—	—
Total current liabilities . .		946,016	144,896	311,083	462,463
Net current assets		167,375	796,706	738,343	609,570
Total assets less current liabilities		450,047	1,138,728	1,126,754	1,136,794
Non-current liabilities					
Borrowings	34	22,114	23,077	—	—
Lease liabilities	35	11,214	8,197	6,620	4,061
Deferred income	36	8,916	5,983	3,783	2,133
Redemption liabilities	37	1,829,317	—	—	—
Total non-current liabilities		1,871,561	37,257	10,403	6,194
NET (LIABILITIES)/ ASSETS		(1,421,514)	1,101,471	1,116,351	1,130,600
Issued capital/share capital.	38	19,727	115,219	115,219	115,219
Reserves	40	(1,441,241)	986,252	1,001,132	1,015,381
TOTAL (DEFICIT)/ EQUITY		(1,421,514)	1,101,471	1,116,351	1,130,600

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II NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated as a limited liability company under the laws of the PRC on 14 December 2018 and was converted into a joint stock company with limited liability on 31 August 2023. The registered address and principal place of business is at No. 321, Taibo Road, Area C, Sensor Valley, Economic Development Zone, Bengbu, Anhui, PRC.

The Company and its subsidiaries (the “**Group**”) are principally engaged in manufacturing and sale of current sensor, motion sensor and others during the Track Record Period. Particular of the Company’s principal subsidiaries are set out in Note 17 to the Historical Financial Information.

The Historical Financial Information are presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company.

The Company’s ultimate parent is Dr. Wang.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRS Accounting Standards issued by IASB. In addition, the Historical Financial Information includes the applicable disclosures requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

The IASB has issued a number of new and amendments to IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has adopted the accounting policies which conform with all new and amendments to IFRS Accounting Standards that are effective for reporting periods beginning on or after 1 January 2025, consistently throughout the Track Record Period. At the date of this report, a number of new and amendments to IFRS Accounting Standards have been issued but are not effective and have not been early adopted by the Group:

New and amendments to IFRS Accounting Standards issued but not yet effective

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ¹
Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	Annual Improvements to IFRS Accounting Standards — Volume 11 ¹
IFRS 18	Presentation and Disclosure in Financial Statements ²
IFRS 19	Subsidiaries without Public Accountability: Disclosures ²
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2026.

² Effective for annual periods beginning on or after 1 January 2027.

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- 3 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The directors of the Company have assessed the effect of these new accounting standards and amendments and do not anticipate of these new accounting standards and amendments will have material impact on the Group’s consolidated financial statements and/or the disclosures to the Group’s Historical Financial Information except the following.

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The adoption of IFRS 18 will not affect the recognition or measurement of items in the consolidated financial statements. It mainly has impacts on presentation and disclosure of income and expenses and adds new disclosure requirement on management-defined performance measures within the consolidated financial statements. So far, the Group considers that the impact of these new and amended standards on the Group’s results of operations and financial position will not be material.

4. ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

(a) Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

(b) Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss on the statements of financial position of the Company.

(c) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not to control or to have joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an interest in an associate is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associate.

(d) Revenue recognition and other income

(i) Sales of goods

The Group sells current sensor, motion sensor and others to customers.

Revenue from the sales and distribution of products is recognised when control of the goods has been transferred, being at the point the goods are delivered to the customer’s premise, and the customer has accepted the goods. Transportation and handling activities that occur before customers obtain control of the goods are considered as fulfilment activities. Following delivery, the customer has full discretion over the manner of use, bears the risks of obsolescence and loss in relation to the goods. The Group no longer has physical possession but has a present right to remaining payment. Customers usually are required to provide upfront deposits to the Group to secure an order, based on a percentage of the agreed consideration, and the amounts are included in contract liabilities until the goods have been delivered to the customer. The remainder of the consideration is payable when the goods are delivered, usually payable within 30 — 90 days after acceptance. A receivable is therefore recognised by the Group when the goods are delivered, as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The Group also takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period between when the Group receives consideration and transferring control of goods is one year or less.

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Revenue from these sales is recognised based on the price specified in the contract, net of discounts, returns and value added taxes. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

(ii) Refund liabilities

When a contract provides a customer with a right to return the goods within a specified period, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group used the expected value method to estimate the goods that will not be returned. For goods expected to be returned, the Group presented a refund liability as “refund liabilities” as a separate line item.

(iii) Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party.

(iv) Interest income

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost, and is calculated by applying the effective interest rate to the gross carrying amount of the debt instruments when the asset is not credit-impaired. For debt instruments that have become credit-impaired, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price in ordinary course less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

(f) Leasing

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently change.

The Group as lessee

The Group capitalised in the consolidated statements of financial position as right-of-use assets and lease liabilities for all leases except for (i) leases which are short-term leases (elected by all classes except for leased factory and carpark) and/or (ii) leases for which the underlying asset is of low-value.

Right-of-use asset

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received;

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(iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. Depreciation is provided using the straight-line method from the commencement date over the shorter of the lease term or the useful life of the underlying asset. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The Group presents right-of-use asset separately in the consolidated statements of financial position.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, which is generally the case of the Group, the Group uses the lessee’s incremental borrowing rate. The Group presents lease liability separately in the consolidated statements of financial position.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in-substance in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

Sub-lease

When the Group is an intermediate lessor, the sub-leases are classified as finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption, the Group classifies the sub-leases as an operating lease. All the sub-leases are classified as operating lease.

(g) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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Translation reserve of the Group represents the exchange differences on translation of the financial statements of the Germany’s subsidiaries.

(h) Borrowing costs

All borrowing costs, other than these directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss in the period in which they are incurred.

(i) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expense the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire property, plant and equipment are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss are recognised as other income on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other income, rather than reducing the related expense.

(j) Share-based payments

The Company operates restricted stock schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“**equity-settled transactions**”). The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value of the awarded restricted share is determined by an various method as disclosed in Note 39 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statements of profit or loss and other comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

(k) Defined contribution retirement plans

Payments to defined contribution retirement plans are charged as an expense when employees have rendered service.

The Group contributes on a monthly basis to the defined housing, medical and other benefit plans organised by the local PRC government who undertakes to assume the benefit obligations of all existing and retired employees under these plans in the PRC. All contributions to these plans are expensed when incurred and the Group has no further contribution obligations for their qualified employees under these plans.

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The Group contributes on a pay-as-you-go basis to the statutory pension insurance who undertakes to assume the benefit obligations of all existing and retired employees under these plans in Germany. All contributions to these plans are expensed when it incurred and the Group has no further contribution obligations for their qualified employees under these plans.

(l) Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

(m) Taxation

Income tax expense represents the sum of the current tax and deferred tax. Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profit and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries or associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and the tax rate and tax base that are consistent with manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

(n) Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance recognised as an expense in profit or loss during the period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Production equipment	5–15 years
Motor vehicle	5 years
Computer and electronic equipment	3–5 years
Office equipment	3–5 years
Other equipment and tools	3–5 years
Leasehold improvement	Short of, 5–15 years, or terms of related lease

Construction in progress is stated at cost less impairment losses, if any. Cost comprises direct costs of construction and installation during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate classes of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset’s estimated recoverable amount.

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An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

(o) Intangible assets

Intangible assets acquired separately are initially recognised at cost. Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over their estimated useful lives as follows:

Computer software	3–5 years
License	3–15 years

The estimated useful lives and amortisation method are reviewed at the end of each reporting period.

(p) Research and development costs

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product; and
- sale of the product will generate future economic benefits; and expenditure on the project can be measured reliably.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(q) Impairment losses on non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of value in use and fair value less costs of disposal. In assessing value in use, the estimated future cash flows of the asset (or the cash-generating unit) are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or the cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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If the recoverable amount of an asset (or the cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

(r) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A financial asset is measured at amortised cost, it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (“**SPPI**”) on the principal amount outstanding. These assets are subsequently measured at amortised cost under the effective interest method. The gross carrying amount is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

A debt instrument is measured at fair value through other comprehensive income (“**FVOCI**”), it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These assets are subsequently measured at fair value. Interest income calculated under the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Impairment loss on financial assets

The Group recognises a loss allowance for ECL on financial assets measured at amortised cost and debt instruments measured at FVOCI. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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The Group always recognised lifetime ECL for trade receivables using simplified approach. For other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in the credit risk since initial recognition or evidence that a financial asset is credit-impaired, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate obtained from economic expert reports, financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, or the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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Definition of default

For internal credit risk management, the Group considers an event of default to have occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Based on the Group’s assessment of historical credit loss experience, combined with forward-looking information and expected settlement patterns, the Group has determined that no default has occurred for trade receivables overdue by more than 90 days. This assessment is primarily due to the debtors being predominantly large and medium-sized enterprises with strong financial positions, indicating a low risk of non-payment. The management of the Group considers a default to have occurred when there is evidence of significant financial difficulty or when repeated collection efforts indicate that the trade receivables are unlikely to be recovered.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- (e) the purchase or origination of a financial asset at a deep discount that reflects the incurred losses.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. In estimating ECL on trade receivables, the Group use a provision matrix, taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort. In respect of other financial assets, the measurement of ECL is a function of the probability of default, loss given default (i.e. the

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magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group’s trade receivables, bills receivable, other receivables and deposits paid are each assessed as a separate group.);
- Past-due status; and
- Geographic information.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for financial assets measured at amortised cost by adjusting their carrying amount through a loss allowance account. For debt instrument measured at FVOCI, the loss allowance is recognised in other comprehensive income and accumulated in FVOCI reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group shall continue to recognise the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay. When the Group’s continuing involvement takes the form of guaranteeing the transferred asset, the extent of the entity’s continuing involvement is the lower of carrying amount of the asset and the maximum amount of the consideration received that the Group could be required to repay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the FVOCI reserve is reclassified to profit or loss.

(ii) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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Financial liabilities

Financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost under the effective interest method. Interest expense (unless they are eligible for capitalisation) and foreign exchange gains and losses are recognised in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

(iii) Redemption liabilities

A contract that contains an obligation to purchase the equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount, even if the obligations to purchase is conditional on the counterparty exercising a right to redeem. The Group undertake such redemption obligations as certain preferred rights are granted to investors in the financing process, the redemption liabilities are recognised as financial liability initially at fair value with a corresponding debit to the equity. Subsequently, the redemption liabilities are measured at fair value through profit or loss.

The Group derecognise the redemption liabilities when, and only when, the obligations are discharged, cancelled or have expired. When the preferred rights are waived by investors, the carrying amount of the redemption liability is reclassified to equity.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, judgements and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Useful lives of intangible assets

The Group’s management determines the useful lives and related amortisation charges for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions and may vary significantly as a result of technical innovations and keen competitions from competitors, resulting in higher amortisation charge and/or write-off or write-down of technically obsolete assets when useful lives are less than previously estimated. The Group will increase the amortisation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Fair value measurement

A number of assets and liabilities included in the Group’s Historical Financial Information require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group’s financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the “**fair value hierarchy**”):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs;

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures certain financial instruments at fair value. The detailed information in relation to the fair value measurement of the financial instruments is disclosed in Note 43 to the Historical Financial Information.

Provision of ECL for financial assets at amortised cost and FVOCI

The Group calculates ECL for trade, bills and other receivables, restricted bank deposits and cash and cash equivalent under IFRS 9. The provision rates are based on the Group’s historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

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The provision of ECL is sensitive to changes in estimates. Details of the key assumptions and inputs used are set out in Note 41. Changes in these assumptions and estimation could materially affect the assessment and it may be necessary to make additional loss allowance in future periods.

Key sources of estimation uncertainty

Recognition of deferred tax assets

Deferred income tax assets relating to certain deductible temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax expenses or other comprehensive income in the periods in which such estimate is changed.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (other than inventories and deferred tax assets) at the end of each reporting period. When impairment indicators exist, management is required to estimate the recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Valuation of share-based payments

The fair value of awarded restricted share at the grant date are determined by using valuation techniques. Significant estimates on assumptions, such as risk-free interest rate, volatility, possibility under redemption scenario, possibility under liquidation scenario and possibility under non-redemption are made based on management’s best estimates. Further details are set out in Note 39 to the Historical Financial Information.

Judgements in determining if entities are accounted for as subsidiaries

The Group controls the underlying entities, in which the Group holds less than 50% of its equity interests, and the entities are nevertheless accounted for as subsidiaries. In assessing whether the Group has control over these entities, the following considerations are taken into account:

- The scope of the Group’s decision-making authority over the entities;
- The Group’s exposure to variability of returns from other interests that it holds in the entities;
- The rights held by third parties; and
- The dividends to which the Group as the member of board of directors is entitled in accordance with investment agreement(s).

Based on the above relevant facts and circumstances, the directors consider that the Group has a wide ranging discretion regarding the scope of decision making rights on the underlying entities, significant exposure to variable returns of the underlying entities and there was no substantive removal rights held by third parties throughout the reporting period. Accordingly, the directors consider that the Group has control over these entities and these entities are accounted for as subsidiaries of the Company.

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6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

The Group’s revenue represents amounts received and receivable from the sale of current sensor, motion sensor and others, that are recognised at a point in time as follows:

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Revenue from contracts with customers by type of good					
Current sensor.	538,058	463,842	581,546	455,338	517,001
Motion sensor.	96,313	99,149	87,816	65,637	72,053
Others (<i>Note</i>)	31,938	31,215	34,052	23,484	37,602
Total revenue.	666,309	594,206	703,414	544,459	626,656

Note: Primarily includes such as magnetic switches, magnetic scanner and wafer.

(ii) Transaction Price Allocated to Future Performance Obligations

IFRS 15 requires that the Group to disclose the aggregate amount of transaction price that is allocated to each performance obligation that has not yet been satisfied as at each year/period end during the Track Record Period. The guidance provides certain practical expedients that limit this requirement and, therefore, for the vast majority of contracts, the Group does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

(iii) Segment information

For the purposes of assessing performance and allocating resources, the Group’s operation is regarded as one operating segment which focus on revenue analysis by products. The operation engages in manufacturing and sale of current sensor, motion sensor and others. The executive directors of the Company, being the chief operating decision maker, review the financial performance and position for the year/period of the Group as a whole. Accordingly, no segment information is presented.

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Geographical information

An analysis of the Group’s revenue from external customers, based on country in which customers reside, is presented below:

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Revenue from external customers					
— Chinese Mainland (country of domicile)	554,195	483,554	595,576	461,848	541,589
— Germany	53,705	50,595	39,397	30,025	28,601
— Switzerland	13,161	8,878	7,657	5,843	5,327
— the United States of America	11,392	14,648	15,321	12,573	10,999
— Republic of Korea	7,511	9,068	14,106	11,142	14,731
— Other countries	26,345	27,463	31,357	23,028	25,409
	<u>666,309</u>	<u>594,206</u>	<u>703,414</u>	<u>544,459</u>	<u>626,656</u>

Information about the Group’s non-current assets excluding financial assets and deferred tax assets by geographical location of the assets are presented below:

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
— Chinese Mainland (country of domicile)	114,678	142,479	141,330	292,301
— Germany	139,295	160,894	137,260	141,830
	<u>253,973</u>	<u>303,373</u>	<u>278,590</u>	<u>434,131</u>

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group for each reporting period during the Track Record Period are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Company A	208,569	129,464	146,727	126,561	85,082
Company B	100,689	134,742	110,159	85,364	70,324
Company C	67,954	N/A ¹	72,219	58,144	77,118
Company D	N/A ¹	N/A ¹	N/A ¹	N/A ¹	72,516

Note:

¹ The corresponding revenue did not contribute over 10% of the total external sales of the Group.

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7. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Rental income	683	562	601	455	457
Interest income	3,298	10,080	6,314	5,383	2,783
Government grant (<i>note (a)</i>) . . .	6,165	15,645	20,359	17,873	4,895
Addition VAT deduction (<i>note (b)</i>)	—	745	6,035	5,389	1,357
Others	303	646	549	354	522
	<u>10,449</u>	<u>27,678</u>	<u>33,858</u>	<u>29,454</u>	<u>10,014</u>

Note:

- (a) The amounts mainly represent government grants received from various PRC government authorities as incentives for the Group’s industry. Out of the grants with no unfulfilled conditions, some of the grants retain unfulfilled conditions with details set out in Note 36 to the Historical Financial Information.
- (b) According to Announcement No. 43 of the Ministry of Finance and the State Administration of Taxation in 2023, the Group has recognised VAT deduction as income as some group entities, qualified as high and new technology enterprises, are eligible for an additional 5% VAT deduction from 1 January 2023 to 31 December 2027.

8. OTHER GAINS OR LOSSES, NET

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(Loss)/gain on disposal/written off of property, plant and equipment	(436)	18	(3)	(3)	(568)
Exchange gain/(loss)	617	(1,029)	(117)	(91)	(56)
Change in fair value of redemption liabilities (<i>Note 37</i>)	(1,195,165)	(47,747)	—	—	—
Gain on termination of lease . . .	—	—	—	—	99
Others	(336)	(354)	145	252	(327)
	<u>(1,195,320)</u>	<u>(49,112)</u>	<u>25</u>	<u>158</u>	<u>(852)</u>

9. PROVISION OF IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Impairment losses under ECL model, net of reversal					
Trade receivables	(2,415)	(4,992)	1,461	(9,282)	(3,936)
Other receivables and deposits paid	186	84	(140)	(37)	112
	<u>(2,229)</u>	<u>(4,908)</u>	<u>1,321</u>	<u>(9,319)</u>	<u>(3,824)</u>

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Detail of impairment assessment are set out in Note 41 to the Historical Financial Information.

10. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Interest on borrowings	7,575	1,269	966	723	559
Interest on lease liabilities	2,065	2,835	2,445	1,872	1,550
Other finance costs	303	348	—	—	—
	<u>9,943</u>	<u>4,452</u>	<u>3,411</u>	<u>2,595</u>	<u>2,109</u>

11. (LOSS)/ PROFIT BEFORE TAX

(Loss)/profit before tax has been arrived at after charging/(crediting):

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Cost of inventories	554,360	472,336	562,113	429,402	466,687
Write down of inventories	9,881	15,205	20,374	20,071	7,057
Cost of inventories recognised as expenses	<u>564,241</u>	<u>487,541</u>	<u>582,487</u>	<u>449,473</u>	<u>473,744</u>
Depreciation of property, plant and equipment	21,256	33,199	39,471	29,318	28,266
Depreciation of right-of-use assets	14,256	17,533	16,408	12,353	11,900
Amortisation of intangible assets	<u>665</u>	<u>878</u>	<u>898</u>	<u>661</u>	<u>778</u>
	36,177	51,610	56,777	42,332	40,944
Capitalised in inventories	<u>(25,866)</u>	<u>(36,238)</u>	<u>(41,293)</u>	<u>(31,220)</u>	<u>(31,370)</u>
	<u>10,311</u>	<u>15,372</u>	<u>15,484</u>	<u>11,112</u>	<u>9,574</u>
Staff costs (including directors’ emoluments with details set out in Note 13):					
— Salaries and other benefits . .	147,656	150,205	159,154	120,657	117,888
— Retirement benefits scheme contributions	12,262	16,700	17,169	12,860	13,123
— Share-based payment	<u>109</u>	<u>1,567</u>	<u>1,432</u>	<u>1,053</u>	<u>866</u>
	<u>160,027</u>	<u>168,472</u>	<u>177,755</u>	<u>134,570</u>	<u>131,877</u>
[REDACTED] expense	—	—	—	—	9,498

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12. INCOME TAX CREDIT/(EXPENSES)

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax					
— PRC Enterprise Income Tax (“EIT”)	431	4,315	5,123	4,806	6,645
Deferred tax (<i>Note 22</i>).					
— Origination and reversal of temporary differences.	(4,403)	(7,220)	(7,193)	(7,140)	(2,920)
Total income tax credit/ (expenses)	<u>3,972</u>	<u>2,905</u>	<u>2,070</u>	<u>2,334</u>	<u>(3,725)</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the standard EIT rate of the PRC entities is 25%. For the PRC entities approved as “High and New Technology Enterprise” by the relevant government authorities, they are subject to a preferential rate of 15%.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% and 200% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”).

According to Public Notice 2023 No.7 promulgated by the State Tax Bureau of Chinese Mainland in March 2023, the enterprises entitled to claim 200% of their research and development expenses incurred as tax deductible expenses in determining tax assessable profits from 2023 onwards.

The Group has made its best estimate for the Super Deduction to be claimed for the group entities in ascertaining their assessable profits during the years ended 31 December 2022, 2023, and 2024 and the nine months ended 30 September 2024 and 2025.

In 2022, high-technology enterprises are allowed to enjoy the tax concession to deduct the full amount of equipment and appliances newly purchased during the period from 1 October 2022 to 31 December 2022 from the taxable income amount on a one-off basis in the current year and allowed to conduct 100% deduction before tax according to Announcement [2022] No.28 issued by the Ministry of Finance of the PRC, the State Taxation Administration of the PRC and the Ministry of Science and Technology of the PRC.

The Company’s subsidiaries registered in Germany are subject to corporation tax based on the taxable income at the rate of 15.825%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Group is operating in certain jurisdictions where the Pillar Two Model Rules are effective or enacted but not effective. However, as the Group’s estimated effective tax rates of all the jurisdictions in which the Group operates are higher than 15%, after taking into account the adjustments under the Pillar Two Model Rules based on management’s best estimate, the management of the Group considered the Group is not liable to top-up tax under the Pillar Two Model Rules.

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The income tax credit/(expenses) for the Track Record Period can be reconciled to the loss/(profit) before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Loss/(profit) before tax	1,210,119	69,467	(7,782)	(3,972)	(43,497)
Tax at the applicable tax rate of 15%	181,518	10,420	(1,167)	(596)	(6,524)
Effect of different tax rates of subsidiaries	2,168	1,490	1,474	1,120	(420)
Tax effect of expenses not deductible for tax purpose . . .	(179,454)	(8,345)	(413)	(59)	(319)
Utilisation of tax losses previously not recognised . . .	170	—	—	—	88
Effect of deductible temporary differences and tax losses not recognised as deferred tax asset	(5,230)	(2,968)	(2,195)	(1,535)	(5)
Additional deduction of research and development expenses . . .	2,213	2,308	4,371	3,404	3,455
Effect of tax concession	2,587	—	—	—	—
Income tax credit/(expenses) . . .	<u>3,972</u>	<u>2,905</u>	<u>2,070</u>	<u>2,334</u>	<u>(3,725)</u>

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13. DIRECTORS’ AND SUPERVISORS’ EMOLUMENTS

Details of the emoluments paid or payable to the directors and supervisors of the Company for the services provided to the Group during the Track Record Period are as follows:

Year ended 31 December 2022

	Directors’ fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based payment	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Chairman:						
Dr. Wang	—	420	144	35	—	599
Executive directors:						
Mr. Bai Jianmin	—	745	130	16	—	891
Mr. Zhang Chi	—	493	48	47	38	626
Non-executive directors:						
Mr. Chen Guang	—	—	—	—	—	—
Mr. Guo Rong	—	—	—	—	—	—
Ms. Sun Shumei (<i>note (b)</i>)	—	—	—	—	—	—
Mr. Qiu Rui (<i>note (c)</i>)	—	—	—	—	—	—
Mr. Huang Xin	—	—	—	—	—	—
Supervisors:						
Mr. Li Yong	—	349	144	12	2	507
Ms. Yuan Yan (<i>note (f)</i>)	—	—	—	—	—	—
Ms. Wang Yan (<i>note (f)</i>)	—	—	—	—	—	—
	—	2,007	466	110	40	2,623

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Year ended 31 December 2023

	Directors’ fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based payment	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Chairman:						
Dr. Wang	—	419	144	36	—	599
Executive directors:						
Mr. Bai Jianmin	—	755	197	17	—	969
Mr. Zhang Chi	—	509	144	47	38	738
Mr. Zhu Haihua (<i>note (d)</i>).	—	557	231	11	347	1,146
Non-executive directors:						
Mr. Chen Guang	—	—	—	—	—	—
Mr. Guo Rong	—	—	—	—	—	—
Mr. Huang Xin	—	—	—	—	—	—
Supervisors:						
Mr. Li Yong	—	365	144	12	2	523
Mr. Zhuang Lifeng (<i>note (e)</i>)	—	147	44	10	3	204
Ms. Yuan Yan (<i>note (f)</i>)	—	—	—	—	—	—
Ms. Wang Yan (<i>note (f)</i>)	—	—	—	—	—	—
Mr. Zhao Qianyang (<i>note (e)</i>)	—	116	52	4	2	174
	—	2,868	956	137	392	4,353

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Year ended 31 December 2024

	Directors’ fee	Salaries and other benefits	Performance- based bonus	Retirement benefit scheme contributions	Share-based payment	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Chairman:						
Dr. Wang	—	419	113	36	—	568
Executive directors:						
Mr. Bai Jianmin	—	793	97	13	—	903
Mr. Zhang Chi	—	536	114	47	258	955
Mr. Zhu Haihua (<i>note (d)</i>).	—	593	248	12	347	1,200
Non-executive directors:						
Mr. Chen Guang	—	—	—	—	—	—
Mr. Guo Rong	—	—	—	—	—	—
Mr. Huang Xin	—	—	—	—	—	—
Independent non-executive directors:						
Ms. Cao Lei (<i>note (g)</i>)	110	—	—	—	—	110
Dr. Zhang Zhong (<i>note (g)</i>)	110	—	—	—	—	110
Dr. Xue Desheng (<i>note (g)</i>)	110	—	—	—	—	110
Supervisors:						
Mr. Li Yong	—	396	65	12	2	475
Mr. Zhuang Lifeng (<i>note (e)</i>)	—	398	321	20	4	743
Mr. Zhao Qianyang (<i>note (e)</i>)	—	303	39	10	7	359
	330	3,438	997	150	618	5,533

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Nine months ended 30 September 2025

	Directors’ fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based payment	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Chairman:						
Dr. Wang	—	317	8	27	—	352
Executive directors:						
Mr. Bai Jianmin	—	621	34	7	—	662
Mr. Zhang Chi	—	419	30	35	276	760
Mr. Zhu Haihua (<i>note (d)</i>).	—	507	28	9	260	804
Non-executive directors:						
Mr. Chen Guang	—	—	—	—	—	—
Mr. Guo Rong	—	—	—	—	—	—
Mr. Huang Xin	—	—	—	—	—	—
Independent non-executive directors:						
Ms. Cao Lei (<i>note (g)</i>)	70	—	—	—	—	70
Dr. Zhang Zhong (<i>note (g)</i>)	90	—	—	—	—	90
Dr. Xue Desheng (<i>note (g)</i>)	90	—	—	—	—	90
Mr. Zhang Wei (<i>note (h)</i>)	20	—	—	—	—	20
Supervisors:						
Mr. Li Yong	—	331	25	9	2	367
Mr. Zhuang Lifeng (<i>note (e)</i>)	—	315	23	14	3	355
Mr. Zhao Qianyang (<i>note (e)</i>)	—	249	19	7	4	279
	270	2,759	167	108	545	3,849

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Nine months ended 30 September 2024 (unaudited)

	Directors’ fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based payment	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman:						
Dr. Wang	—	314	84	27	—	425
Executive directors:						
Mr. Bai Jianmin	—	592	72	10	—	674
Mr. Zhang Chi	—	401	85	35	166	687
Mr. Zhu Haihua (<i>note (d)</i>).	—	440	186	9	260	895
Non-executive directors:						
Mr. Chen Guang	—	—	—	—	—	—
Mr. Guo Rong	—	—	—	—	—	—
Mr. Huang Xin	—	—	—	—	—	—
Independent non-executive directors:						
Ms. Cao Lei (<i>note (g)</i>)	80	—	—	—	—	80
Dr. Zhang Zhong (<i>note (g)</i>)	80	—	—	—	—	80
Dr. Xue Desheng (<i>note (g)</i>)	80	—	—	—	—	80
Supervisors:						
Mr. Li Yong	—	295	49	9	2	355
Mr. Zhuang Lifeng (<i>note (e)</i>)	—	297	47	15	3	362
Mr. Zhao Qianyang (<i>note (e)</i>)	—	228	29	7	5	269
	240	2,567	552	112	436	3,907

Notes:

- (a) The executive director’s emoluments shown above were for his/her services in connection with the management of the affairs of the Company and the Group during the Track Record Period. The performance-based bonus are determined based on the duties and performances of the relevant individuals and the operating result of the Group. None of the directors of the Company waived or agreed to waive any emoluments during the Track Record Period.
- (b) Ms. Sun Shumei resigned as non-executive director of the Company on 14 October 2022.
- (c) Mr. Qiu Rui resigned as non-executive director of the Company on 29 September 2022.
- (d) Mr. Zhu Haihua was appointed as executive director of the Company on 27 February 2023.
- (e) Mr. Zhuang Lifeng and Mr. Zhao Qianyang were appointed as supervisors of the Company on 31 August 2023.
- (f) Ms. Wang Yan and Ms. Yuan Yan were resigned as supervisors of the Company on 31 August 2023.
- (g) Ms. Cao Lei, Dr. Zhang Zhong and Dr. Xue Desheng were appointed as independent non-executive directors of the Company on 5 February 2024 and Ms. Cao Lei resigned as independent non-executive director of the Company on 14 July 2025.
- (h) Mr. Zhang Wei was appointed as independent non-executive director of the Company on 25 July 2025.

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14. FIVE HIGHEST PAID INDIVIDUALS

During the years ended 31 December 2022, 2023 and 2024 and nine months ended 30 September 2024 and 2025, the five individuals with the highest emoluments in the Group include nil, 1, 1, 1 (unaudited) and nil directors of the Company, details of whose remuneration are set out in Note 13 above. The emoluments of the remaining 5, 4, 4, 4 (unaudited) and 5 individuals during the Track Record Period were as follows:

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	4,956	5,995	4,765	3,601	5,759
Performance-based bonus	676	462	218	81	27
Retirement benefits scheme contributions	27	29	23	16	26
Share-based payment	2	261	261	195	218
	<u>5,661</u>	<u>6,747</u>	<u>5,267</u>	<u>3,893</u>	<u>6,030</u>

The emoluments of the remaining individuals were within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	Number of individuals	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals
Nil to HKD1,000,000	—	—	—	3	3
HKD1,000,001 to HKD1,500,000	4	2	3	—	1
HKD1,500,001 to HKD2,000,000	1	—	—	1	—
HKD2,000,001 to HKD2,500,000	—	1	1	—	—
HKD2,500,001 to HKD3,000,000	—	1	—	—	1
	<u>5</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any emoluments during the Track Record Period.

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15. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share attributable to owners of the Company is based on the following data:

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(Loss)/earnings for the purpose of calculating basic loss/(earnings) per share	(1,206,147)	(66,300)	10,395	6,879	37,545

Number of shares:

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	'000	'000	'000	'000 (unaudited)	'000
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	19,727	59,755	115,219	115,219	115,219

(b) Diluted (loss)/earnings per share

No adjustment has been made to the (loss)/earnings per share for the years ended 31 December 2022 and 2023 in respect of dilution as the impacts of the redemption liabilities outstanding had an anti-dilutive effect on the loss per share. There were no potential ordinary shares outstanding for the year ended 31 December 2024, and the nine months ended 30 September 2024 and 2025.

16. DIVIDENDS

No dividend was paid or proposed by the Company in respect of the Track Record Period.

17. INVESTMENTS IN SUBSIDIARIES

(a) Investment cost

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
Investments in subsidiaries				
— Unlisted shares, at cost less impairment				
loss	190,116	234,854	271,204	285,703

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(b) Particular of principal subsidiaries

Particular of the Company’s principal subsidiaries are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital/issued and fully paid capital	Equity interests attributable to the Company as at								Principal activities and place of operation
			31 December 2022		31 December 2023		31 December 2024		30 September 2025		
			Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	
			%	%	%	%	%	%	%	%	
寧波希磁電子科技有限公司 (transliterated as Ningbo Sinomags Electronic Technology Co., Ltd ("Ningbo Sinomags")) (note g)	20 February 2013 PRC	RMB44,509,900	100.0	—	100.0	—	100.0	—	100.0	—	Production of automotive grade products in the PRC
無錫樂爾科技有限公司 (transliterated as Wuxi Lertech Co., Ltd ("Wuxi Lertech")) (note g)	14 September 2009 PRC	RMB20,000,000	—	100.0	—	100.0	—	100.0	—	100.0	Research and development centre in the PRC
Hong Kong Sinomags Limited (note g)	31 December 2018 Hong Kong	RMB155,674,775 HKD200	100.0	—	100.0	—	100.0	—	100.0	—	Investment holding
申思特傳感技術(無錫)有限公司 (transliterated as Shensite Sensing Technology (Wuxi) Co., Ltd) (note g)	24 April 2022 PRC	RMB10,000,000	100.0	—	100.0	—	100.0	—	100.0	—	Investment holding
無錫埃斯特磁科技有限公司 (transliterated as Wuxi Este Magnetic Technology Co., Ltd ("Wuxi Este Magnetic")) (note e and g) .	29 August 2023 PRC	RMB27,887,794	N/A	N/A	—	33.3	—	53.7	—	44.9	Production of robotic grade products in the PRC
安徽芯斯特科技有限公司 (transliterated as Anhui Xinsite Technology Co., Ltd) (note g)	20 November 2023 PRC	RMB100,000,000	N/A	N/A	—	70.0	—	70.0	—	70.0	Production of integrated circuits, electronics and packaging products in the PRC
Sinomags Deutschland GmbH (note g)	25 June 2018 Germany	EUR25,000	—	100.0	—	100.0	—	100.0	—	100.0	Investment holding
Beteiligungsgesellschaft Sensitec mbH (note g). . . .	7 June 2004 Germany	EUR1,500,000	—	100.0	—	100.0	—	100.0	—	100.0	Investment holding
Sensitec GmbH (note f)	7 December 1998 Germany	EUR1,000,000	—	100.0	—	100.0	—	100.0	—	100.0	Development, production, and marketing of sensor chips and sensor systems in Germany

Notes:

- The English names of all subsidiaries established in the PRC are translated for identification purpose only.
- All companies comprising the Group have adopted December 31, as their financial year end date.
- Entities established in the PRC are in the form of domestic limited liability company.
- None of the subsidiaries had issued any debt securities for each of the years ended 31 December 2022, 2023 and 2024 and the nine months ended 30 September 2024 and 2025.

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- e) The directors of the Company considered that the Group has control over Wuxi Este Magnetic through its representatives on the board of directors of Wuxi Este Magnetic as a result of the contractual arrangement with the other investors to obtain sufficiently power to direct the relevant activities of Wuxi Este Magnetic, and therefore considered Wuxi Este Magnetic as a subsidiary of the Company as at 31 December 2023, 2024 and 30 September 2025.
- f) The statutory financial statement of Sensitec GmbH for the year ended 31 December 2022 and 2023 were prepared in accordance with German Commercial Code issued by Institute of Auditors of the Germany and were audited by RSM Ebner Stolz, auditors. No statutory financial statement for the year ended 31 December 2024 were prepared as not due to issue at the date of this report.
- g) No statutory audited financial statements were prepared for certain entities established in Hong Kong, Chinese Mainland and Germany, since their date of incorporation as they are incorporated in a jurisdiction where there are no local statutory audit requirements or exempted from statutory audit requirements.
- h) [At the date of this report, no subsequent change on the particular of the Company’s principal subsidiaries since 30 September 2025.]

(c) Material non-controlling interests

Summarised financial information in respect of each of the Company’s subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Wuxi Este Magnetic

	As at 31 December			As at
	2022	2023	2024	30 September
	RMB'000	RMB'000	RMB'000	2025
NCI percentage	—	66.7%	46.3%	55.1%
Current assets	—	5,384	44,872	96,526
Non-current assets	—	1,496	5,036	5,585
Current liabilities	—	(844)	(6,822)	(9,117)
Non-current liabilities	—	(429)	(74)	(598)
Net assets	—	5,607	43,012	92,396
Non-controlling interests	—	3,738	19,908	50,871

	Year ended 31 December			Nine months ended	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
NCI percentage	—	66.7%	46.3%	63.6%	55.1%
Revenue	—	—	4,554	3,373	18,643
Expenses	—	(393)	(6,149)	(4,432)	(14,805)
(Loss)/ profit and total comprehensive income	—	(393)	(1,595)	(1,059)	3,838

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	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
(Loss)/profit and total comprehensive income attributable to:					
Owners of the Company	—	(131)	(857)	(385)	1,725
Non-controlling interests	—	(262)	(738)	(674)	2,113
(Loss)/profit and total comprehensive income	—	(393)	(1,595)	(1,059)	3,838
Capital contributed by non-controlling shareholders . .	—	4,000	23,000	23,000	45,546
Net cash (outflow)/inflow from operating activities	—	(3)	(495)	3,506	5,227
Net cash outflow from investing activities	—	(480)	(12,400)	(32,580)	(71,236)
Net cash inflow from financing activities	—	5,805	38,535	38,784	45,175
Net cash inflow/(outflow)	—	5,322	25,640	9,710	(20,834)

Anhui Xinsite Technology Co., Ltd

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NCI percentage	—	30%	30%	30%
Current assets	—	—	100,854	102,204
Non-current assets	—	—	—	7,663
Current liabilities	—	—	(13)	(6,473)
Non-current liabilities	—	—	(192)	(2,364)
Net assets	—	—	100,649	101,030
Non-controlling interests	—	—	30,195	30,309

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	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
NCI percentage	—	—	30%	30%	30%
Revenue	—	—	865	448	8,895
Expenses	—	—	(216)	(112)	(8,514)
Profit and total comprehensive income	—	—	649	336	381
Profit and total comprehensive income attributable to:					
Owners of the Company	—	—	454	235	267
Non-controlling interests	—	—	195	101	114
Profit and total comprehensive income	—	—	649	336	381
Capital contributed by non-controlling shareholders . .	—	—	30,000	—	—
Net cash inflow/(outflow) from operating activities	—	—	83	107	(4,989)
Net cash outflow from investing activities	—	—	(70,000)	(70,000)	(5,341)
Net cash inflow from financing activities	—	—	100,000	70,000	—
Net cash inflow/(outflow)	—	—	30,083	107	(10,330)

(d) Change in ownership interest in subsidiaries

Wuxi Este Magnetic

For the year ended 31 December 2023

For the year ended 31 December 2023, the Company and a non-controlling shareholder of the subsidiary made capital contribution to the subsidiary for its incorporation. The non-controlling shareholder’s contribution of RMB4,000,000 has been settled by cash. The Company’s continuing interest in the subsidiary was 33.3% as at 31 December 2023.

For the year ended 31 December 2024

For the year ended 31 December 2024, the Company and the non-controlling shareholder of a subsidiary have made capital contribution to the subsidiary, changing the Company’s continuing interest to 40%. The proceeds of the contribution of RMB8,000,000 from the non-controlling shareholder were received in cash.

A new non-controlling shareholder of the subsidiary and the Company have made further contributions. The proceeds of contribution of RMB15,000,000 from the non-controlling shareholders were received in cash, changing the Company’s continuing interest to 36.4%.

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The Group acquired an additional interest of the subsidiary from the non-controlling shareholder with cash consideration of RMB3,886,000. As at 31 December 2024, the Company’s continuing interest increased to 53.7%.

Overall, an amount of RMB16,908,000 (being the proportionate share of the carrying amount of the net assets of the subsidiary) has been transferred to non-controlling interests. The difference of RMB2,206,000 between the increase in non-controlling interests and the consideration has been credited to accumulated losses of the Group.

For the nine months ended 30 September 2025

For the nine months ended 30 September 2025, a non-controlling shareholder of a subsidiary has made capital contribution to the subsidiary, changing the Company’s continuing interest to 44.9%. The proceeds of the contribution of RMB45,546,000 from the non-controlling shareholder were received in cash. An amount of RMB28,850,000 (being the proportionate share of the carrying amount of the net assets of the subsidiary) has been transferred to non-controlling interests. The difference of RMB16,696,000 between the decrease in non-controlling interests and the consideration received has been credited to accumulated losses of the Group.

Anhui Xinsite Technology Co., Ltd.

For the year ended 31 December 2024, the Group and a non-controlling shareholder have made a contribution in the capital of the subsidiary of RMB70,000,000 and RMB30,000,000 respectively by cash for the incorporation. The Company’s continuing interest is 70%.

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18. PROPERTY, PLANT AND EQUIPMENT

Group

	Production equipment	Motor vehicle	Computer and electronic equipment	Office equipment	Other equipment and tools	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost								
As at 1 January 2022	126,225	1,560	9,642	834	7,867	17,480	8,919	172,527
Additions	34,282	550	3,409	217	1,359	3,586	36,355	79,758
Transfers	296	—	—	—	—	14,161	(14,457)	—
Exchange differences	2,858	11	66	—	150	178	—	3,263
Disposals/written off	(615)	—	—	—	—	—	—	(615)
As at 31 December 2022 and 1 January 2023	163,046	2,121	13,117	1,051	9,376	35,405	30,817	254,933
Additions	31,323	615	3,286	574	4,525	1,840	34,028	76,191
Transfers	44,597	—	162	—	70	9,981	(54,810)	—
Exchange differences	7,490	23	143	—	317	382	953	9,308
Disposals/written off	(99)	(637)	(22)	—	(113)	(13)	—	(884)
As at 31 December 2023 and 1 January 2024	246,357	2,122	16,686	1,625	14,175	47,595	10,988	339,548
Additions	19,995	878	3,325	16	3,583	1,954	10,290	40,041
Transfers	—	—	—	—	—	3,613	(3,613)	—
Exchange differences	(6,802)	(22)	(114)	—	(242)	(292)	(397)	(7,869)
Disposals/written off	(3,625)	(252)	(3,985)	(153)	(1,012)	(66)	—	(9,093)
As at 31 December 2024 and 1 January 2025	255,925	2,726	15,912	1,488	16,504	52,804	17,268	362,627
Additions	17,407	284	2,378	102	2,286	1,512	3,907	27,876
Transfers	1,123	—	—	—	—	21	(1,144)	—
Exchange differences	16,720	53	278	—	587	708	1,018	19,364
Disposals/written off	(3,240)	(246)	(110)	(10)	(13)	—	(377)	(3,996)
As at 30 September 2025	<u>287,935</u>	<u>2,817</u>	<u>18,458</u>	<u>1,580</u>	<u>19,364</u>	<u>55,045</u>	<u>20,672</u>	<u>405,871</u>

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	Production equipment	Motor vehicle	Computer and electronic equipment	Office equipment	Other equipment and tools	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation								
As at 1 January 2022	78,976	633	4,374	495	4,235	5,922	—	94,635
Depreciation for the year	11,822	265	2,787	188	1,315	4,879	—	21,256
Exchange differences	2,459	2	58	—	110	51	—	2,680
Eliminated on disposals/written off . .	(179)	—	—	—	—	—	—	(179)
As at 31 December 2022 and								
1 January 2023	93,078	900	7,219	683	5,660	10,852	—	118,392
Depreciation for the year	18,650	299	3,195	283	1,911	8,861	—	33,199
Exchange differences	5,276	7	124	—	236	106	—	5,749
Eliminated on disposals/written off . .	(99)	(405)	(21)	—	(1)	(8)	—	(534)
As at 31 December 2023 and								
1 January 2024	116,905	801	10,517	966	7,806	19,811	—	156,806
Depreciation for the year	23,296	427	3,704	222	2,917	8,905	—	39,471
Exchange differences	(4,573)	(8)	(103)	—	(190)	(101)	—	(4,975)
Eliminated on disposals/written off . .	(3,625)	(219)	(3,984)	(153)	(1,012)	(13)	—	(9,006)
As at 31 December 2024 and								
1 January 2025	132,003	1,001	10,134	1,035	9,521	28,602	—	182,296
Depreciation for the period	17,078	328	2,280	134	2,562	5,884	—	28,266
Exchange differences	12,095	25	262	—	474	278	—	13,134
Eliminated on disposals/written off . .	(1,616)	(234)	(85)	(10)	(8)	—	—	(1,953)
As at 30 September 2025	159,560	1,120	12,591	1,159	12,549	34,764	—	221,743
Net book value								
As at 31 December 2022	69,968	1,221	5,898	368	3,716	24,553	30,817	136,541
As at 31 December 2023	129,452	1,321	6,169	659	6,369	27,784	10,988	182,742
As at 31 December 2024	123,922	1,725	5,778	453	6,983	24,202	17,268	180,331
As at 30 September 2025	128,375	1,697	5,867	421	6,815	20,281	20,672	184,128

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Company

	Production equipment	Motor vehicle	Computer and electronic equipment	Office equipment	Other equipment and tools	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost								
As at 1 January 2022	12,326	251	1,938	222	—	7,747	—	22,484
Additions	26,495	76	1,676	88	—	1,879	19,372	49,586
Transfers	—	—	—	—	—	13,666	(13,666)	—
Disposals/written off	(1,042)	—	—	—	—	—	—	(1,042)
As at 31 December 2022 and 1 January 2023	37,779	327	3,614	310	—	23,292	5,706	71,028
Additions	18,829	—	1,195	553	186	1,157	5,941	27,861
Transfers	—	—	—	—	—	9,981	(9,981)	—
As at 31 December 2023 and 1 January 2024	56,608	327	4,809	863	186	34,430	1,666	98,889
Additions	16,670	19	2,191	6	613	1,891	8,478	29,868
Transfers	—	—	—	—	—	2,706	(2,706)	—
Disposals/written off	(6,289)	—	(292)	(28)	(196)	(66)	—	(6,871)
As at 31 December 2024 and 1 January 2025	66,989	346	6,708	841	603	38,961	7,438	121,886
Additions	9,709	274	1,040	103	627	550	2,965	15,268
Transfers	1,123	—	—	—	—	21	(1,144)	—
Disposals/written off	(5,164)	(246)	(2)	(11)	—	—	—	(5,423)
As at 30 September 2025	<u>72,657</u>	<u>374</u>	<u>7,746</u>	<u>933</u>	<u>1,230</u>	<u>39,532</u>	<u>9,259</u>	<u>131,731</u>
Accumulated depreciation								
As at 1 January 2022	1,314	99	424	94	—	3,396	—	5,327
Depreciation for the year	1,825	50	917	72	—	3,231	—	6,095
Eliminated on disposals/written off . .	(176)	—	—	—	—	—	—	(176)
As at 31 December 2022 and 1 January 2023	2,963	149	1,341	166	—	6,627	—	11,246
Depreciation for the year	4,909	62	1,172	169	9	7,064	—	13,385
As at 31 December 2023 and 1 January 2024	7,872	211	2,513	335	9	13,691	—	24,631
Depreciation for the year	6,544	77	1,254	144	148	7,289	—	15,456
Eliminated on disposals/written off . .	(1,454)	—	(270)	(27)	—	(13)	—	(1,764)
As at 31 December 2024 and 1 January 2025	12,962	288	3,497	452	157	20,967	—	38,323
Depreciation for the period	4,966	10	1,124	151	252	4,751	—	11,254
Eliminated on disposals/written off . .	(1,477)	(234)	(2)	(10)	—	—	—	(1,723)
As at 30 September 2025	<u>16,451</u>	<u>64</u>	<u>4,619</u>	<u>593</u>	<u>409</u>	<u>25,718</u>	<u>—</u>	<u>47,854</u>
Net book value								
As at 31 December 2022	<u>34,816</u>	<u>178</u>	<u>2,273</u>	<u>144</u>	<u>—</u>	<u>16,665</u>	<u>5,706</u>	<u>59,782</u>
As at 31 December 2023	<u>48,736</u>	<u>116</u>	<u>2,296</u>	<u>528</u>	<u>177</u>	<u>20,739</u>	<u>1,666</u>	<u>74,258</u>

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	Production equipment	Motor vehicle	Computer and electronic equipment	Office equipment	Other equipment and tools	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2024	54,027	58	3,211	389	446	17,994	7,438	83,563
As at 30 September 2025	56,206	310	3,127	340	821	13,814	9,259	83,877

Note: In view of the operating loss and operating cash outflow of the Group’s business during the Track Record Period, the management concluded that there was indication for impairment and conducted impairment assessment on the Group’s non-financial assets including property, plant and equipment (Note 18), right-of-use assets (Note 21), intangible assets (Note 19) and prepayment for non-current assets (Note 27).

For the purposes of impairment testing, non-financial assets have been allocated to the Group’s cash generating units (“CGU”) as follows:

	As at 31 December	
	2022	2023
	RMB'000	RMB'000
PRC CGU	114,678	142,479
Germany CGU	139,295	160,894
	253,973	303,373

The recoverable amount of each CGU has been determined based on value-in-use (“VIU”) calculation applied cash flow projections based on approved financial budget for PRC CGU and Germany CGU respectively.

The following table sets forth the key assumptions on which management has based its cash flow projections to undertake impairment testing.

	As at 31 December	
	2022	2023
	%	%
Pre-tax discount rate		
PRC CGU	12%	11%
Germany CGU	12%	13%
Revenue growth rate		
PRC CGU	-13% to 27%	6% to 27%
Germany CGU	-12% to 16%	-12% to 16%

As at 31 December 2022 and 2023, the recoverable amounts of the PRC CGU calculated based on VIU exceeded carrying amount by approximately RMB314,891,000 and RMB661,638,000, respectively and therefore no impairment loss has been provided for the non-financial assets of the Group for the Track Record Period.

As at 31 December 2022 and 2023, the recoverable amounts of the Germany CGU calculated based on VIU exceeded carrying amount by approximately RMB2,773,000 and RMB9,876,000, respectively and therefore no impairment loss has been provided for the non-financial assets of the Group for the Track Record Period.

Borrowings were secured by property, plant and equipment of the Group with total carrying amounts of RMB3,990,000, RMB3,298,000, RMB1,506,000 and nil as at 31 December 2022, 31 December 2023, 31 December 2024 and 30 September 2025 respectively as follows:

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Production equipment	3,680	3,098	1,448	—
Computer and electronic equipment	202	130	37	—
Office equipment	4	2	1	—
Other equipment and tools	104	68	20	—
	3,990	3,298	1,506	—

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19. INTANGIBLE ASSETS

Group

	Computer software	License	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cost			
As at 1 January 2022	1,972	5,938	7,910
Additions	2,474	237	2,711
Exchange difference	67	179	246
As at 31 December 2022 and			
1 January 2023	4,513	6,354	10,867
Additions	37	572	609
Exchange difference	134	390	524
As at 31 December 2023 and			
1 January 2024	4,684	7,316	12,000
Additions	373	85	458
Exchange difference	(128)	(313)	(441)
As at 31 December 2024 and			
1 January 2025	4,929	7,088	12,017
Additions	577	74	651
Exchange difference	249	767	1,016
As at 30 September 2025	5,755	7,929	13,684
Amortisation			
As at 1 January 2022	1,701	4,607	6,308
Provided for the year	354	311	665
Exchange difference	58	146	204
As at 31 December 2022 and			
1 January 2023	2,113	5,064	7,177
Provided for the year	386	492	878
Exchange difference	121	310	431
As at 31 December 2023 and			
1 January 2024	2,620	5,866	8,486
Provided for the year	356	542	898
Exchange difference	(99)	(263)	(362)
As at 31 December 2024 and			
1 January 2025	2,877	6,145	9,022
Provided for the period	292	486	778
Exchange difference	247	683	930
As at 30 September 2025	3,416	7,314	10,730
Net book value			
As at 31 December 2022	2,400	1,290	3,690
As at 31 December 2023	2,064	1,450	3,514
As at 31 December 2024	2,052	943	2,995
As at 30 September 2025	2,339	615	2,954

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Company

	<u>Computer software</u>
	<i>RMB'000</i>
Cost	
As at 1 January 2022, 31 December 2022, 1 January 2023, 31 December 2023 and 1 January 2024	—
Additions	373
As at 31 December 2024 and 1 January 2025	373
Additions	264
As at 30 September 2025	637
Amortisation	
As at 1 January 2022, 31 December 2022, 1 January 2023, 31 December 2023 and 1 January 2024	—
Provided for the year	19
As at 31 December 2024 and 1 January 2025	19
Provided for the period	62
As at 30 September 2025	81
Net book value	
As at 31 December 2022	—
As at 31 December 2023	—
As at 31 December 2024	354
As at 30 September 2025	556

All of the Group’s and the Company’s computer software and license were acquired from third parties.

For the purpose of impairment assessment, the above intangible assets have been allocated to cash-generating unit of the Group’s business. Details of the impairment assessment are set out in Note 18.

20. INVESTMENT IN AN ASSOCIATE

Group and Company

	<u>As at 31 December</u>			<u>As at</u> <u>30 September</u>
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost	—	—	—	130,000
Share of post-acquisition profits and other comprehensive income, net of dividends received.	—	—	—	234
	—	—	—	130,234

The above associate is accounted for using equity method in the Historical Financial Information.

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Particulars of the unlisted associate of the Group and the Company is set out as follows:

			Equity interests attributable to the Group and the Company as at								Principal activities and place of operation
Name of the entity	Place and date of incorporation	Registered capital	31 December 2022		31 December 2023		31 December 2024		30 September 2025		
			Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	
			%	%	%	%	%	%	%	%	
Anhui Guosheng Electronic Co., Limited	11 November 2024 PRC	RMB 630,000,000	—	—	—	—	—	—	20.6	—	Research and development, design and production of silicon wafers in the PRC

Notes:

- (i) The entity established in the PRC is a domestic limited liability company.
- (ii) The English translation of the company name of the associate established in the PRC is for reference only. The official name of the associate is in Chinese.
- (iii) Subsequent to the incorporation of the associate on 11 November 2024, the capital injection toward the associate was made in 2025.
- (iv) On 18 September 2025, an investment agreement was signed with a new shareholder for further capital contribution of RMB70,000,000. Subsequent to the Track Record Period, the capital injection has fully paid on 6 November 2025 and the registered capital was enlarged from RMB630,000,000 to RMB700,000,000 and the equity interests attributable to the Group and the Company was diluted from 20.6% to 18.6%.

The following table illustrates the summarised financial information of Anhui Guosheng Electronic Co., Limited, that are material to the Group and are accounted for using equity method:

Group and Company

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	—	—	—	108,798
Current assets	—	—	—	524,377
Current liabilities	—	—	—	(2,041)
Net assets	—	—	—	631,134
Proportion of the Group’s ownership interest therein	—	—	—	20.6%
Group’s share of the net assets of the associate	—	—	—	130,234

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	—	—	—	—	—
Post-tax profit	—	—	—	—	1,134
Total comprehensive income . . .	—	—	—	—	1,134

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21. RIGHT-OF-USE ASSETS

Details of the right-of-use assets recognised and movements during the year/period:

Group

	Land use right	Leased factory and carpark	Motor vehicle	Machine	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Costs					
As at 1 January 2022.	—	96,819	964	2,803	100,586
Additions	—	15,577	1,074	—	16,651
Modification (<i>note (i)</i>).	—	2,687	—	—	2,687
Expired.	—	(711)	—	—	(711)
Exchange differences.	—	2,524	79	79	2,682
As at 31 December 2022 and 1 January 2023	—	116,896	2,117	2,882	121,895
Additions	—	3,780	886	—	4,666
Modification (<i>note (i)</i>).	—	12,369	—	—	12,369
Expired.	—	(9,248)	—	(2,963)	(12,211)
Exchange differences.	—	5,462	151	81	5,694
As at 31 December 2023 and 1 January 2024	—	129,259	3,154	—	132,413
Termination	—	—	(194)	—	(194)
Exchange differences.	—	(4,205)	(129)	—	(4,334)
As at 31 December 2024 and 1 January 2025	—	125,054	2,831	—	127,885
Additions	14,923	1,699	628	—	17,250
Modification (<i>note (ii)</i>).	—	8,913	—	—	8,913
Expired.	—	(886)	—	—	(886)
Termination	—	(2,050)	—	—	(2,050)
Exchange differences	—	10,407	334	—	10,741
As at 30 September 2025.	14,923	143,137	3,793	—	161,853

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	Land use right	Leased factory and carpark	Motor vehicle	Machine	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation					
As at 1 January 2022.	—	4,033	125	382	4,540
Provided for the year.	—	12,113	643	1,500	14,256
Expired.	—	(711)	—	—	(711)
Exchange differences.	—	330	35	83	448
As at 31 December 2022 and 1 January 2023	—	15,765	803	1,965	18,533
Provided for the year.	—	15,720	870	943	17,533
Expired.	—	(9,248)	—	(2,963)	(12,211)
Exchange differences.	—	657	73	55	785
As at 31 December 2023 and 1 January 2024	—	22,894	1,746	—	24,640
Provided for the year.	—	15,683	725	—	16,408
Termination	—	—	(159)	—	(159)
Exchange differences.	—	(818)	(89)	—	(907)
As at 31 December 2024 and 1 January 2025	—	37,759	2,223	—	39,982
Provided for the period	174	11,242	484	—	11,900
Expired	—	(886)	—	—	(886)
Termination	—	(1,564)	—	—	(1,564)
Exchange differences.	—	2,489	262	—	2,751
As at 30 September 2025.	174	49,040	2,969	—	52,183
Carrying amounts					
As at 31 December 2022	—	101,131	1,314	917	103,362
As at 31 December 2023	—	106,365	1,408	—	107,773
As at 31 December 2024	—	87,295	608	—	87,903
As at 30 September 2025.	14,749	94,097	824	—	109,670

Note:

- (i) Modification represented the renewal of lease upon the end of the previous lease term.
- (ii) Modification represented the change of the lease payment.
- (iii) For the purpose of impairment assessment, the above right-of-use assets have been allocated to cash-generating unit of the Group’s business. Details of the impairment assessment are set out in Note 18.

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Company

	Leased factory and carpark
	<i>RMB’000</i>
Costs	
As at 1 January 2022	1,980
Additions	15,452
As at 31 December 2022 and 1 January 2023	17,432
Expired	(1,980)
As at 31 December 2023, 1 January 2024, 31 December 2024, 1 January 2025 and 30 September 2025	15,452
Accumulated depreciation	
As at 1 January 2022	583
Provided for the year	2,050
As at 31 December 2022 and 1 January 2023	2,633
Provided for the year	3,725
Expired	(1,980)
As at 31 December 2023 and 1 January 2024	4,378
Provided for the year	3,090
As at 31 December 2024 and 1 January 2025	7,468
Provided for the period	2,318
As at 30 September 2025	9,786
Carrying amounts	
As at 31 December 2022	14,799
As at 31 December 2023	11,074
As at 31 December 2024	7,984
As at 30 September 2025	5,666

Group

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> (unaudited)	<i>RMB’000</i>
Expense relating to short-term leases . . .	82	369	442	410	374
Expense relating to low value leases . . .	117	126	128	96	97
Total cash outflow for leases	12,297	22,380	16,707	12,484	14,155

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Company

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Expense relating to short-term low value leases	57	255	388	342	360
Total cash outflow for leases	57	7,713	2,286	2,241	3,130

Lease contracts of various leased factory, carpark, motor vehicle and machine are entered into for fixed term of 1 year to 20 years. Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. All the leases comprise only fixed payments over the lease terms and not include any extension nor termination options.

The Group’s lease liabilities of RMB19,338,000, RMB17,035,000, Nil and RMB11,240,000 are recognised with related right-of-use assets of RMB19,338,000, RMB17,035,000, Nil and RMB11,240,000 during the years ended 31 December 2022, 31 December 2023, 31 December 2024 and for the nine months ended 30 September 2025, respectively and the Company’s lease liabilities of RMB15,452,000, Nil, Nil and Nil are recognised with related right-of-use assets of RMB15,452,000, Nil, Nil and Nil during the years ended 31 December 2022, 31 December 2023, 31 December 2024 and for the nine months ended 30 September 2025, respectively.

22. DEFERRED TAXATION

Group

The following is a summary of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	22,699	31,146	37,311	44,132
Deferred tax liabilities	—	—	(192)	(758)
	<u>22,699</u>	<u>31,146</u>	<u>37,119</u>	<u>43,374</u>

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The movements in deferred tax assets and (liabilities) during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Write-down of inventories	Impairment allowance of financial assets	Deferred income	Lease liabilities	Provisions	Tax losses	Accelerated tax depreciation	Right-of-use assets	Fair value of financial asset	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At as 1 January 2022 . . .	57	287	1,199	739	79	16,013	—	(659)	—	23	17,738
(Charged)/credited to											
profit or loss	881	333	948	2,079	316	4,127	(2,579)	(1,689)	(24)	11	4,403
Exchange differences. . .	—	—	—	—	—	558	—	—	—	—	558
As at 31 December 2022											
and 1 January 2023 . . .	938	620	2,147	2,818	395	20,698	(2,579)	(2,348)	(24)	34	22,699
(Charged)/credited to											
profit or loss	2,038	611	(475)	66	353	4,726	253	(463)	(92)	203	7,220
Exchange differences. . .	—	—	—	—	—	1,227	—	—	—	—	1,227
As at 31 December 2023											
and 1 January 2024 . . .	2,976	1,231	1,672	2,884	748	26,651	(2,326)	(2,811)	(116)	237	31,146
(Charged)/Credited to											
profit or loss	445	(238)	(472)	(840)	358	6,633	434	975	(308)	206	7,193
Exchange differences. . .	—	—	—	—	—	(1,220)	—	—	—	—	(1,220)
As at 31 December 2024											
and 1 January 2025 . . .	3,421	993	1,200	2,044	1,106	32,064	(1,892)	(1,836)	(424)	443	37,119
(Charged)/Credited to											
profit or loss	1,012	680	(272)	(196)	93	1,721	254	102	(593)	119	2,920
Exchange differences. . .	—	—	—	—	—	3,335	—	—	—	—	3,335
As at 30 September 2025 .	4,433	1,673	928	1,848	1,199	37,120	(1,638)	(1,734)	(1,017)	562	43,374

Note: As at 31 December 2022, 2023, 2024 and as at 30 September 2025, deferred tax assets of the Group of RMB4,951,000, RMB5,253,000, RMB3,960,000 and RMB4,389,000 were offset against deferred income tax liabilities within the same tax jurisdictions.

As at 31 December 2022, 2023, 2024 and as at 30 September 2025, the Group had unused tax losses of RMB13,462,000, RMB15,177,000, RMB7,677,000 and RMB7,091,000 in the PRC, available to offset against future profits for which deferred tax assets had been recognised as at 31 December 2022, 2023, 2024 and as at 30 September 2025, respectively.

The Group had corporate income tax losses that can be carried forward and used against future taxable profits, subject to restrictions set out under German tax legislation. There is no time restriction over the utilisation of tax losses in Germany. As at 31 December 2022, 2023, 2024 and as at 30 September 2025, the Group had unused tax losses of RMB118,031,000, RMB153,528,000, RMB190,567,000 and RMB213,637,000 in Germany, available to offset against future profits for which deferred tax assets had been recognised as at 31 December 2022, 2023, 2024 and as at 30 September 2025, respectively.

As at 31 December 2022, 2023, 2024 and as at 30 September 2025, the Group had material deductible temporary differences of RMB3,444,000, RMB4,279,000, RMB6,735,000 and RMB9,310,000 and unused tax losses of RMB50,987,000, RMB53,964,000, RMB59,267,000 and RMB59,800,000 in the PRC, available to offset against future profits for which no deferred tax assets had been recognised as at 31 December 2022, 2023, 2024 and as at 30 September 2025, respectively, as it is not probable that taxable profit will be available against which the unused tax losses can be utilised. The material unused tax losses have expiry dates as follows:

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
2023	6,458	—	—	—
2024	—	—	—	—
2025	7,800	7,800	7,800	—
2026	19,830	19,830	19,830	19,830
2027	16,899	16,899	16,899	16,899
2028	—	9,435	9,435	9,435
2029	—	—	5,303	5,303
2030	—	—	—	533
	50,987	53,964	59,267	52,000

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Company

The following is a summary of the deferred tax balances of the Company for financial reporting purposes:

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	6,637	8,288	11,859	15,589

The followings are the major deferred tax assets and (liabilities) recognised and movements during the Track Record Period:

	Write-down of inventories	Impairment allowance of financial assets	Deferred income	Lease liabilities	Provisions	Tax losses	Accelerated tax depreciation	Right-of-use assets	Fair value of financial asset	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At as 1 January 2022 . . .	15	2,656	800	308	13	314	—	(210)	—	21	3,917
(Charged)/credited to profit or loss	528	3,243	980	2,369	367	(314)	(2,429)	(2,010)	(24)	10	2,720
As at 31 December 2022 and 1 January 2023 . . .	543	5,899	1,780	2,677	380	—	(2,429)	(2,220)	(24)	31	6,637
(Charged)/credited to profit or loss	939	1,029	(443)	(995)	261	—	238	559	(92)	155	1,651
As at 31 December 2023 and 1 January 2024 . . .	1,482	6,928	1,337	1,682	641	—	(2,191)	(1,661)	(116)	186	8,288
(Charged)/Credited to profit or loss	369	2,582	(440)	(215)	338	—	364	464	(70)	179	3,571
As at 31 December 2024 and 1 January 2025 . . .	1,851	9,510	897	1,467	979	—	(1,827)	(1,197)	(186)	365	11,859
(Charged)/Credited to profit or loss	890	3,157	(247)	(377)	(60)	—	203	347	(293)	110	3,730
As at 30 September 2025 .	2,741	12,667	650	1,090	919	—	(1,624)	(850)	(479)	475	15,589

Note: As at 31 December 2022, 2023, 2024 and as at 30 September 2025, deferred tax assets of the Company of RMB4,673,000, RMB3,968,000, RMB3,210,000 and RMB2,953,000 were offset against deferred tax liabilities within the same tax jurisdictions.

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23. INVENTORIES

Group

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	143,625	155,167	169,923	187,034
Work in progress	70,715	57,191	50,849	72,630
Finished goods	59,851	78,466	75,302	78,209
Less: write-down of inventories	(22,872)	(36,076)	(46,581)	(50,623)
Total	<u>251,319</u>	<u>254,748</u>	<u>249,493</u>	<u>287,250</u>

Company

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	62,700	78,553	108,870	124,968
Work in progress	22,801	13,281	15,354	33,951
Finished goods	10,792	17,934	22,828	28,155
Less: write-down of inventories	(3,623)	(9,886)	(12,342)	(18,275)
Total	<u>92,670</u>	<u>99,882</u>	<u>134,710</u>	<u>168,799</u>

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

Financial assets at FVTPL represent wealth management products in offered by licensed banks. Change in fair value of financial assets at FVTPL of RMB158,000, RMB616,000, RMB3,267,000 were recognised during the years ended 31 December 2022, 2023 and 2024 and RMB1,881,000 (unaudited) and RMB3,864,000 were recognised during the nine months ended 30 September 2024 and 2025, respectively.

Company

Financial assets at FVTPL represent wealth management products in offered by licensed banks. Change in fair value of financial assets at FVTPL of RMB158,000, RMB616,000, RMB1,801,000 were recognised during the years ended 31 December 2022, 2023 and 2024 and RMB1,028,000 (unaudited) and RMB1,953,000 were recognised during the nine months ended 30 September 2024 and 2025, respectively.

Wealth management products are classified as current as the management of the Group and Company expects to realise these financial assets within twelve months after each reporting period end during the Track Record Period.

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25. TRADE RECEIVABLES

Group

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
— Third parties	187,777	136,612	141,352	161,174
Less: loss allowance for trade receivables	(4,065)	(9,085)	(7,579)	(11,603)
	<u>183,712</u>	<u>127,527</u>	<u>133,773</u>	<u>149,571</u>

Company

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
— Third parties	118,830	53,640	76,769	117,500
— Subsidiaries (<i>note (a)</i>)	156,623	194,418	281,370	387,380
Less: loss allowance for trade receivables	(29,043)	(36,164)	(50,969)	(72,026)
	<u>246,410</u>	<u>211,894</u>	<u>307,170</u>	<u>432,854</u>

Notes:

- (a) During the Track Record Period, the amounts due from subsidiaries with trade nature were unsecured, interest free and repayable on demand.

The Group allows a credit period of 30–90 days to its customers. The following is aging analysis of trade receivables (before allowance for impairment losses), presented based on the invoice dates, at the end of each reporting period:

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	186,610	133,763	138,479	158,931
1–2 years	1,138	1,722	959	1,321
2–3 years	16	1,117	793	138
> 3 years	13	10	1,121	784
	<u>187,777</u>	<u>136,612</u>	<u>141,352</u>	<u>161,174</u>

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The Company allows a credit period of 30-90 days to its third parties customers. The following is aging analysis of trade receivables (before allowance for impairment losses), presented based on the invoice dates, at the end of each reporting period:

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	251,477	158,430	198,217	281,491
1–2 years	23,976	65,839	100,335	101,674
2–3 years	—	23,789	36,140	75,760
> 3 years	—	—	23,447	45,955
	<u>275,453</u>	<u>248,058</u>	<u>358,139</u>	<u>504,880</u>

Details of impairment assessment of trade receivables are set out in Note 41 to the Historical Financial Information.

26. BILLS RECEIVABLE

Group

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bills receivable	196,100	237,546	280,263	307,200
Endorsed and derecognised	(70,714)	(76,845)	(168,253)	(182,888)
Discounted and derecognised	(45,484)	(79,269)	—	—
	<u>79,902</u>	<u>81,432</u>	<u>112,010</u>	<u>124,312</u>

As at 31 December 2022, 2023 and 2024 and as at 30 September 2025, the Group endorsed certain bills receivable accepted by banks in Chinese Mainland (the “**Endorsed Bills**”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB89,822,000, RMB89,165,000, RMB181,149,000 and RMB227,246,000 respectively. The Endorsed Bills had a maturity of one to twelve months at the end of each reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the banks default (the “**Continuing Involvement**”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Endorsed Bills in the absence of a default of the accepted banks is remote to the extent of RMB70,714,000, RMB76,845,000, RMB168,253,000 and RMB182,888,000 as at 31 December 2022, 2023 and 2024 and as at 30 September 2025, respectively, and the Group has transferred substantially all risks and rewards relating to such Endorsed Bills. Accordingly, it has derecognised the carrying amounts of the Endorsed Bills of RMB70,714,000, RMB76,845,000, RMB168,253,000 and RMB182,888,000 (the “**Derecognised Bills**”) and the associated trade payable of the same amount. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant. Regarding the remaining balance of Endorsed Bills of RMB19,108,000, RMB12,320,000, RMB12,896,000 and RMB44,358,000 as at 31 December 2022, 2023 and 2024 and as at 30 September 2025, respectively, in

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the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks, and accordingly, it continued to recognise the carrying amounts of these Endorsed Bills and recognised the payables settled as payables from Endorsed Bills under other payables and accrual. These financial assets are measured at FVOCI in the Historical Financial Information.

Collateralised borrowings of RMB16,100,000 as at 31 December 2022 of the Group represents bills receivable discounted on a full recourse basis to a financial institution. In the event of default by the debtors, the Group is obliged to pay the financial institution the amount in default. Interest is charged at 1.15% to 1.55% per annum on the proceeds received from the financial institution until the date the debtors pay. The Group is therefore exposed to the significant risks of credit losses and late payment in respect of the discounted debts and continues to recognise the full carrying amount of the bills receivables and has recognised the cash received on the transfer as collateralised borrowings. These financial assets are measured at FVOCI in the Historical Financial Information.

Details of impairment assessment of bills receivable are set out in Note 41 to the Historical Financial Information.

Company

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivable	90,962	106,168	143,553	188,747
Endorsed and derecognised	(51,448)	(20,344)	(82,374)	(113,009)
Discounted and derecognised.	(7,416)	(66,635)	—	—
	<u>32,098</u>	<u>19,189</u>	<u>61,179</u>	<u>75,738</u>

As at 31 December 2022, 2023 and 2024 and as at 30 September 2025, the Company endorsed certain bills receivable accepted by banks in Chinese Mainland (the “**Endorsed Bills**”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB63,637,000, RMB23,556,000, RMB93,964,000 and RMB150,517,000, respectively. The Endorsed Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Company if the bank default (the “**Continuing Involvement**”). In the opinion of the directors, the risk of the Company being claimed by the holders of the Endorsed Bills in the absence of a default of the accepted banks is remote to the extent of RMB51,448,000, RMB20,344,000, RMB82,374,000 and RMB113,009,000 as at 31 December 2022, 2023 and 2024 and as at 30 September 2025, respectively, and the Company has transferred substantially all risks and rewards relating to such Endorsed Bills. Accordingly, it has derecognised the carrying amounts of the Endorsed Bills of RMB51,448,000, RMB20,344,000, RMB82,374,000 and RMB113,009,000 (the “**Derecognised Bills**”) and the associated trade payable of the same amount. The maximum exposure to loss from the Company’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Company’s Continuing Involvement in the Derecognised Bills are not significant. Regarding the remaining balance of Endorsed Bills of RMB12,189,000, RMB3,212,000, RMB11,590,000 and RMB37,508,000 as at 31 December 2022, 2023 and 2024 and as at 30 September 2025, respectively, in the opinion of the directors, the Company has retained the substantial risks and rewards, which include default risks, and accordingly, it continued to recognise the carrying amounts of

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these Endorsed Bills and recognised the payables settled as payables from endorsement of the bills under other payables and accrual. These financial assets are measured at FVOCI in the Historical Financial Information.

Collateralised borrowings of RMB4,000,000 as at 31 December 2022 of the Company represents bills receivable discounted on a full recourse basis to a financial institution. In the event of default by the debtors, the Company is obliged to pay the financial institution the amount in default. Interest is charged at 1.15% per annum on the proceeds received from the financial institution until the date the debtors pay. The Company is therefore exposed to the significant risks of credit losses and late payment in respect of the discounted debts and continues to recognise the full carrying amount of the bills receivables and has recognised the cash received on the transfer as collateralised borrowings. These financial assets are measured at FVOCI in the Historical Financial Information.

Details of impairment assessment of bills receivable are set out in Note 41 to the Historical Financial Information.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for inventories	24,779	28,675	17,129	13,592
Prepayment for property, plant and equipment.	10,380	9,344	7,361	7,145
Other prepayment	3,475	2,420	1,530	8,226
Other tax recoverable	2,950	7,793	19,109	9,872
	41,584	48,232	45,129	38,835
Other receivables and deposit paid.	7,003	11,220	10,520	6,852
Less: loss allowance for other receivables and deposits paid	(168)	(83)	(224)	(112)
	6,835	11,137	10,296	6,740
Prepayment, deposits and other receivables, net	48,419	59,369	55,425	45,575
Less: Classified as non-current portion. .	(10,380)	(9,344)	(7,361)	(7,145)
Current portion.	38,039	50,025	48,064	38,430

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Company

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for inventories	23,358	26,880	16,623	9,694
Prepayment for property, plant and equipment.	3,804	5,997	5,884	5,599
Other prepayment	135	930	804	7,163
Other tax recoverable	—	4,442	14,128	4,894
	<u>27,297</u>	<u>38,249</u>	<u>37,439</u>	<u>27,350</u>
Other receivables and deposit paid (<i>note</i> (a))	125,133	129,038	196,414	197,407
Less: loss allowance for other receivables and deposits paid	(10,282)	(10,019)	(12,430)	(12,419)
	<u>114,851</u>	<u>119,019</u>	<u>183,984</u>	<u>184,988</u>
Prepayment, deposits and other receivables, net	142,148	157,268	221,423	212,338
Less: Classified as non-current portion. .	(3,804)	(5,997)	(5,884)	(5,599)
Current portion.	<u>138,344</u>	<u>151,271</u>	<u>215,539</u>	<u>206,739</u>

Notes:

- (a) During the Track Record Period, included in other receivables and deposit paid and amounted to RMB121,855,000, RMB122,179,000, RMB192,299,000 and RMB192,346,000 as at 31 December 2022, 31 December 2023, 31 December 2024 and 30 September 2025 respectively were due from subsidiaries. The amounts were non-trade nature, unsecured, interest free and repayable on demand.
- (b) Details of impairment assessment of the other receivables and deposits paid are set out in Note 41 to the Historical Financial Information.
- (c) For the purpose of impairment assessment, the above prepayment classified as non-current have been allocated to cash-generating unit of the Group’s business. Details of the impairment assessment are set out in Note 18.

28. CASH AND BANK BALANCES AND RESTRICTED BANK DEPOSITS

Group

	<i>Note</i>	As at 31 December			As at 30 September
		2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	(a)	576,420	462,183	314,195	165,306
Restricted bank deposits. . . .	(b), (c)	82,792	21,235	8,096	590
Less: classified as non-current portion.		(8,059)	(8,107)	(8,096)	(590)
Current		<u>74,733</u>	<u>13,128</u>	<u>—</u>	<u>—</u>

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Company

		As at 31 December			As at 30 September
		2022	2023	2024	2025
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	(a)	546,901	428,592	227,664	82,994
Restricted bank deposits. . . .	(b), (c)	30,414	7,551	7,563	—
Less: classified as non-current portion.		(7,534)	(7,551)	(7,563)	—
Current		22,880	—	—	—

Notes:

- (a) At the end of each reporting period, cash and bank balances of the Group and the Company comprised of bank balances and cash held. Bank balances carried interest at prevailing market rates which are ranging from 0% to 2.05%, 0% to 2.1%, 0% to 2.1% and 0% to 2.1% per annum as at 31 December 2022, 2023 and 2024 and as at 30 September 2025, respectively.
- (b) As at 31 December 2022, 2023 and 2024 and as at 30 September 2025, certain bank deposits of the Group with balances of approximately RMB69,658,000, RMB13,128,000, Nil and Nil were pledged to secure bills payable of RMB83,930,000, RMB31,120,000, Nil and Nil, respectively.
As at 31 December 2022, certain restricted bank deposits of the Company with balances of approximately RMB22,880,000 were pledged to secure bills payable of RMB22,800,000.
- (c) As at 31 December 2022, 2023 and 2024, a letter of guarantee of approximately EUR3,164,000, EUR2,554,000 and EUR1,933,000 equivalent to RMB23,487,000, RMB20,074,000 and RMB14,545,000, was secured by restricted bank deposits of the Group and Company with balance of approximately RMB7,534,000, RMB7,551,000 and RMB7,563,000 respectively, used to guarantee the Group’s and the Company’s obligations under lease agreements.
As at 31 December 2022, 2023, 2024 and as at 30 September 2025, the Group’s restricted bank deposits of RMB5,600,000, RMB556,000, RMB533,000 and RMB590,000, respectively was used to guarantee the Group’s other obligation of lease liabilities of approximately RMB23,868,000, RMB22,490,000, RMB19,781,000 and RMB28,911,000.
- (d) The Group’s cash and bank balances and restricted bank deposits amount to RMB635,751,000, RMB464,486,000, RMB306,552,000 and RMB144,482,000 and the Company’s cash and bank balances and restricted bank deposits amounted to RMB576,971,000, RMB436,113,000, RMB234,209,000 and RMB82,838,000 as at 31 December 2022, 2023, 2024 and as at 30 September 2025 respectively are denominated in RMB. The conversion of the RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government. The Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.
- (e) Details of impairment assessment of the cash and cash balances and restricted bank deposits are set out in Note 41 to the Historical Financial Information.

29. TRADE PAYABLES

Group

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
— Third parties	95,795	58,630	77,594	83,537
Total	95,795	58,630	77,594	83,537

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Company

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
— Third parties	31,667	10,649	23,792	40,422
— Subsidiaries (<i>note (a)</i>)	142,679	81,194	190,133	322,316
Total	174,346	91,843	213,925	362,738

Note:

(a) During the Track Record Period, the amounts due to subsidiaries with trade nature were unsecured, interest free and repayable on demand.

Payment terms with suppliers are mainly on credit ranging from 30–90 days from invoice date. The following is an aging analysis of trade payables presented based on invoice date at the end of each reporting period:

Group

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	95,708	58,585	75,848	83,467
1–2 years	87	45	1,719	60
2–3 years	—	—	27	1
Above 3 years	—	—	—	9
Total	95,795	58,630	77,594	83,537

Company

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	174,346	91,843	188,802	277,620
1–2 years	—	—	25,123	85,118
Total	174,346	91,843	213,925	362,738

30. BILLS PAYABLE

As at 31 December 2022 and 2023, the Group’s bills payable of approximately RMB83,930,000 and RMB31,120,000 were secured by certain of the Group’s restricted bank deposits of RMB69,658,000 and RMB13,128,000 respectively.

As at 31 December 2022 and 2023, the Company’s bills payable of approximately RMB22,880,000 and RMB3,931,000 were secured by certain of the Company’s restricted bank deposits of RMB22,880,000 and Nil respectively.

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These relate to trade payables in which the Group and the Company have issued bills to the relevant suppliers for settlement of trade payables. The suppliers can obtain the invoice amounts from the bank on the maturity date of the bills. The Group and the Company continue to recognise these trade payables as the Group and the Company are obliged to make payments to the relevant banks on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the consolidated statements of cash flows, settlements of these bills by the Group and the Company are included within operating cash flows based on the nature of the arrangements.

31. OTHER PAYABLES AND ACCRUAL

Group

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Payables for property, plant and equipment	7,702	6,340	9,214	6,942
Deposits from vendors	100	133	3,133	1,558
Salary and bonus payables	13,467	15,234	14,638	11,036
Other tax payables	6,999	2,090	1,906	2,647
Payables from the Endorsed Bills (<i>Note 26</i>)	19,108	12,320	12,896	44,358
Advance from investors (<i>note (a)</i>)	661,200	—	—	—
Accrual	22,092	18,742	11,392	9,941
Accrual [REDACTED] expenses	—	—	—	3,733
Others	1,702	2,444	1,985	710
Total	<u>732,370</u>	<u>57,303</u>	<u>55,164</u>	<u>80,925</u>

Company

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Payables for property, plant and equipment	6,201	4,474	6,306	3,778
Deposits from vendors	—	33	33	358
Salary and bonus payables	3,567	5,466	7,510	7,111
Other tax payables	3,487	99	545	677
Payables from the Endorsed Bills (<i>Note 26</i>)	12,189	3,212	11,590	37,508
Advance from investors (<i>note (a)</i>)	661,200	—	—	—
Accrual	8,736	5,833	5,887	1,125
Accrual [REDACTED] expenses	—	—	—	3,733
Due to subsidiaries (<i>note (b)</i>)	6,690	15,330	26,962	30,023
Others	259	842	244	705
Total	<u>702,329</u>	<u>35,289</u>	<u>59,077</u>	<u>85,018</u>

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Notes:

- (a) Advance from investors represents the investment considerations received from investors before the closing dates of the transactions as determined in relevant capital purchase agreements.
- (b) During the Track Record Period, the amounts due to subsidiaries were non-trade in nature, unsecured, interest free and repayable on demand.

32. CONTRACT LIABILITIES

Group

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities				
— Third parties	5,340	8,931	10,141	11,352
Total	5,340	8,931	10,141	11,352

Contract liabilities primarily relate to the non-refundable deposits received from customers for sale of current sensor, motion sensor and others. This amount will be recognised as contract liability until the control of the goods has been transferred to the customer, being at the point the goods are delivered to the customers.

RMB8,129,000, RMB1,630,000, and RMB3,601,000 of the contract liabilities as at 31 December 2021, 2022 and 2023 are recognised as revenue during the years ended 31 December 2022, 2023 and 2024, respectively and RMB5,337,000 of the contract liabilities as at 31 December 2024 are recognised as revenue during the nine months ended 30 September 2025.

The Group expects that the contract liabilities as at 31 December 2022, 2023 and 2024 and as at 30 September 2025 will be recognised as revenue within a year or less.

Company

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities				
— Third parties	341	2,149	2,149	3,174
Total	341	2,149	2,149	3,174

Contract liabilities primarily relate to the non-refundable deposits received from customers for sale of current sensor, motion sensor and others. This amount will be recognised as contract liability until the control of the goods has been transferred to the customer, being at the point the goods are delivered to the customers.

RMB2,201,000, RMB292,000, and RMB2,102,000 of the contract liabilities as at 31 December 2021, 2022 and 2023 are recognised as revenue during the years ended 31 December 2022, 2023 and 2024, respectively and RMB2,024,000 of the contract liabilities as at 31 December 2024 are recognised as revenue during the nine months ended 30 September 2025.

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The Company expects that the contract liabilities as at 31 December 2022, 2023 and 2024 and as at 30 September 2025 will be recognised as revenue within a year or less.

33. REFUND LIABILITIES

Group

	As at 31 December			As at
	2022	2023	2024	30 September
	RMB'000	RMB'000	RMB'000	2025
Arising from sales of products with a right of return	4,411	6,008	8,353	9,431

Company

	As at 31 December			As at
	2022	2023	2024	30 September
	RMB'000	RMB'000	RMB'000	2025
Arising from sales of products with a right of return	2,534	4,276	6,526	6,127

The refund liabilities relate to customer’s right of return of defective products within the warranty period. At the point of sales, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. The Group uses its accumulated historical experience to estimate the sales amount of returned goods.

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34. BORROWINGS

Group

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion				
Bank borrowings, guaranteed and unsecured (<i>note (a)</i>)	39,905	—	—	—
Bank borrowings, unguaranteed and unsecured (<i>note (b)</i>)	—	—	11,929	—
Bank borrowings, guaranteed and secured (<i>note (c)</i>)	—	—	12,114	—
Collateralised borrowings (<i>note (d)</i>)	16,100	—	—	—
Amount due to a director (<i>note (e)</i>)	16,683	—	—	—
	<u>72,688</u>	<u>—</u>	<u>24,043</u>	<u>—</u>
Non-current portion				
Bank borrowings, unguaranteed and unsecured (<i>note (b)</i>)	11,149	11,631	—	—
Bank borrowings, guaranteed and secured (<i>note (c)</i>)	10,965	11,446	—	—
	<u>22,114</u>	<u>23,077</u>	<u>—</u>	<u>—</u>
Total borrowings	<u>94,802</u>	<u>23,077</u>	<u>24,043</u>	<u>—</u>
Effective interest rate per annum in the range of	1.15%–4.75%	4.75%	4.75%	N/A

Total current and non-current borrowings were scheduled to repay as follows:

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
On demand or within one year	72,688	—	24,043	—
More than one year, but not exceeding two years	—	23,077	—	—
More than two years, but not more than five years	22,114	—	—	—
	<u>94,802</u>	<u>23,077</u>	<u>24,043</u>	<u>—</u>

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	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion				
Bank borrowings, guaranteed and unsecured (<i>note (a)</i>)	29,905	—	—	—
Bank borrowings, unguaranteed and unsecured (<i>note (b)</i>)	—	—	11,929	—
Bank borrowings, guaranteed and secured (<i>note (c)</i>)	—	—	12,114	—
Collateralised borrowings (<i>note (d)</i>) . . .	4,100	—	—	—
Amount due to a director (<i>note (e)</i>) . . .	—	—	—	—
	<u>34,005</u>	<u>—</u>	<u>24,043</u>	<u>—</u>
Non-current portion				
Bank borrowings, unguaranteed and unsecured (<i>note (b)</i>)	11,149	11,631	—	—
Bank borrowings, guaranteed and secured (<i>note (c)</i>)	10,965	11,446	—	—
	<u>22,114</u>	<u>23,077</u>	<u>—</u>	<u>—</u>
Total borrowings	<u>56,119</u>	<u>23,077</u>	<u>24,043</u>	<u>—</u>
Effective interest rate per annum in the range of	1.15%–4.75%	4.75%	4.75%	N/A

Total current and non-current borrowings were scheduled to repay as follows:

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
On demand or within one year	34,005	—	24,043	—
More than one year, but not exceeding two years	—	23,077	—	—
More than two years, but not more than five years	22,114	—	—	—
	<u>56,119</u>	<u>23,077</u>	<u>24,043</u>	<u>—</u>

Notes:

- (a) Guaranteed and unsecured borrowings of the Group and Company amounted to RMB20,020,000 as at 31 December 2022, were guaranteed by a director of the Company, an unrelated entity and an unrelated person, carrying interest with fixed interest rate of 3.85% per annum.
- Guaranteed and unsecured borrowings of the Group and Company amounted to RMB9,885,000 as at 31 December 2022, were guaranteed by an unrelated entity and an unrelated person, carrying interest with fixed interest rate of 3.85% per annum.
- Guaranteed and unsecured borrowings of the Group amounted to RMB10,000,000 as at 31 December 2022, were guaranteed by a director of the Company and an unrelated entity, carrying interest with fixed interest rate of 3.85% per annum.

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- (b) Unguaranteed and unsecured borrowings of the Group and Company amounted to RMB11,149,000, RMB11,631,000 and RMB11,929,000 as at 31 December 2022, 31 December 2023 and 31 December 2024, respectively, carrying interest with variable interest rate of five-year loan prime rate as announced by the People’s Bank of China per annum.
- (c) Guaranteed and secured borrowings of the Group and Company amounted to RMB10,965,000, RMB11,446,000 and RMB12,114,000 as at 31 December 2022, 31 December 2023, 31 December 2024, respectively, carrying interest with variable interest rate of five-year loan prime rate as announced by the People’s Bank of China per annum. Borrowings were secured by property, plant and equipment of the Group with a carrying amount of RMB3,990,000, RMB3,298,000 and RMB1,506,000 as at 31 December 2022, 31 December 2023, 31 December 2024 respectively.
- On 15 May 2025, pursuant to the contract entered between the financial institution and the director of the Company the ownership of such borrowings was transferred to the director. The transfer was accounted for as a substantial modification of the financial liability, the borrowings were derecognised and amount due to a director under borrowings was recognised. The balance had been settled in August 2025.
- (d) Collateralised borrowings of RMB16,100,000 as at 31 December 2022 of the Group represents bills receivable discounted on a full recourse basis to a financial institution. In the event of default by the debtors, the Group is obliged to pay the financial institution the amount in default. Interest is charged at 1.15% to 1.55% per annum on the proceeds received from the financial institution until the date the debtors pay. The Group is therefore exposed to the significant risks of credit losses and late payment in respect of the discounted debts and continues to recognise the full carrying amount of the bills receivable and has recognised the cash received on the transfer as a collateralised borrowing.
- Collateralised borrowings of RMB4,100,000 as at 31 December 2022 of the Company represents bills receivable discounted on a full recourse basis to a financial institution. In the event of default by the debtors, the Company is obliged to pay the financial institution the amount in default. Interest is charged at 1.15% per annum on the proceeds received from the financial institution until the date the debtors pay. The Company is therefore exposed to the significant risks of credit losses and late payment in respect of the discounted debts and continues to recognise the full carrying amount of the bills receivable and has recognised the cash received on the transfer as a collateralised borrowing.
- (e) During the year ended 31 December 2022, the amounts of RMB16,183,000 and RMB500,000 due to a director were matured on 30 November 2022 and 17 December 2022 respectively, with interest rate of 3.85% per annum, unsecured and unguaranteed. Subsequently, the balances had been settled in 2023.

35. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group’s and the Company’s lease liabilities at the end of each reporting period:

Group

	As at 31 December			As at
				30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	15,473	15,347	14,327	14,330
After one year but within two years. . .	8,773	13,870	10,739	13,269
After two years but within five years . .	25,600	28,373	21,131	23,908
Over five years	58,472	53,761	47,845	49,499
	108,318	111,351	94,042	101,006
Less: Amounts due for settlement within 12 months shown under current liabilities	(15,473)	(15,347)	(14,327)	(14,330)
Amount due for settlement after 12 months shown under non-current liabilities	92,845	96,004	79,715	86,676

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Company

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	6,631	3,016	3,163	3,206
After one year but within two years. . . .	3,016	3,163	3,316	4,061
After two years	8,198	5,034	3,304	—
	17,845	11,213	9,783	7,267
Less: Amounts due for settlement within 12 months shown under current liabilities	(6,631)	(3,016)	(3,163)	(3,206)
Amount due for settlement after 12 months shown under non-current liabilities	11,214	8,197	6,620	4,061

Note: As at 31 December 2022, 2023 and 2024 and as at 30 September 2025, a letter of guarantee of approximately EUR3,164,000, EUR2,554,000, EUR1,933,000 and EUR1,933,000, equivalent to RMB23,487,000, RMB20,074,000, RMB14,545,000 and RMB16,112,000, was secured by restricted bank deposits of the Group and Company with balances of approximately RMB7,534,000, RMB7,551,000, RMB7,563,000 and Nil respectively, used to guarantee the Group’s obligations under lease agreements.

As at 31 December 2022, 2023, 2024 and as at 30 September 2025, the Group’s restricted bank deposits of RMB5,600,000, RMB556,000, RMB533,000 and RMB590,000 respectively was used to guarantee the Group’s other obligation of lease liabilities of approximately RMB23,868,000, RMB22,490,000, RMB19,781,000 and RMB28,911,000.

36. DEFERRED INCOME

Group

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income	14,735	11,142	7,992	6,180
Less: Classified as non-current portion. .	(11,130)	(7,992)	(5,575)	(3,763)
Current portion.	3,605	3,150	2,417	2,417

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	Government grant related to assets
	<i>RMB’000</i>
As at 1 January 2022	8,511
Additions	8,172
Release to profit and loss	(1,958)
Exchange differences	10
As at 31 December 2022 and 1 January 2023	14,735
Release to profit and loss	(3,605)
Exchange differences	12
As at 31 December 2023 and 1 January 2024	11,142
Release to profit and loss	(3,150)
As at 31 December 2024 and 1 January 2025	7,992
Release to profit and loss	(1,812)
As at 30 September 2025	6,180

Company

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Deferred income	11,866	8,916	5,983	4,333
Less: Classified as non-current portion.	(8,916)	(5,983)	(3,783)	(2,133)
Current portion	2,950	2,933	2,200	2,200

	Government grant related to assets
	<i>RMB’000</i>
As at 1 January 2022	5,333
Additions	8,000
Release to profit and loss	(1,467)
As at 31 December 2022 and 1 January 2023	11,866
Release to profit and loss	(2,950)
As at 31 December 2023 and 1 January 2024	8,916
Release to profit and loss	(2,933)
As at 31 December 2024 and 1 January 2025	5,983
Release to profit and loss	(1,650)
As at 30 September 2025	4,333

Note: During the year ended 31 December 2022, the Group received a government subsidy of RMB8,172,000 mainly towards to cost of renovation of factory in the PRC. The upgrade and renovation of the production line has been completed in 2022. The amount received are treated as deferred income and is released to other income over the estimated useful lives of the underlying property, plant and equipment.

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37. REDEMPTION LIABILITIES

The Company and the Group

The Company has completed several rounds of financing by issuing series of issued capital of the Company with various redemption features to [REDACTED] investors, namely, Series A Shares, Series B-1 Shares, Series B-2 Shares, Series C Shares, Series D Shares, Series E Shares and Series E+ Shares.

The Company had also issued capital with various redemption features to various incentive platforms’ units which are controlled by the ultimate controlling party for the purpose of share incentive scheme to employees of the Group (“**Incentive Shares**”). Details of the share incentive scheme are set out in Note 39 to the Historical Financial Information.

Series A Shares:

In 2014, Wuxi Sinomags Electronic Technology Co., Ltd. (formerly known as Sinomags (Beijing)) entered into an investment agreement with certain Series A Investors, pursuant to which Sinomags Beijing issued and allotted approximately 1,001,250 Series A Shares at cash consideration received of RMB25,000,000. In 2015, upon the reorganization between the Sinomags (Beijing) which is now an individual third party of the Group after the re-organization, and Ningbo Sinomags, now a subsidiary of the Company, Sinomags Beijing ceased to have any interest in Ningbo Sinomags, and each of the then shareholder of Sinomags Beijing became a shareholder of Ningbo Sinomags. In 2021, upon the reorganization between the Company and Ningbo Sinomags. Such shares of Ningbo Sinomags were converted into 12,329,460 of Series A Shares of the Company upon the completion of the re-organization of the Company and Ningbo Sinomags.

Series B-1 and Series B-2 Shares (Collectively Series B Shares):

In 2015, Ningbo Sinomags entered into an investment agreement with certain Series B-1 investors, pursuant to which Ningbo Sinomags issued and allotted approximately 7,418,315 of Series B-1 Shares at cash consideration received of RMB30,000,000. In 2016, Ningbo Sinomags entered into an investment agreement with certain Series B-2 investors, pursuant to which Ningbo Sinomags issued and allotted approximately 4,945,544 Series B-2 Shares at cash consideration received of RMB20,000,000. Such shares of Ningbo Sinomags was converted into 12,329,465 Series B of the Company upon the completion of the re-organization of the Company and Ningbo Sinomags in 2021.

Series C Shares:

In 2019, Company entered into an investment agreement with certain Series C investors, pursuant to which Company issued and allotted approximately 16,439,282 Series C Shares. In 2021, each of the Series C Investors agreed to set off the consideration for the Series C Shares by way of a debt in the sum of RMB100,000,000 owed by the Company to Wuxi Lertech, a subsidiary of the Company.

Series D Shares:

In 2021, the Company entered into an investment agreement with certain Series D investors, pursuant to which Company issued and allotted approximately 17,430,336 Series D Shares at cash consideration received of RMB200,595,000 in 2021.

On 15 April 2022, the Company entered into an investment agreement with certain Series D investors, pursuant to which Company issued and allotted approximately 1,737,867 Series D Shares at cash consideration received of RMB20,000,000 in 2022.

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Incentive Shares:

In May 2022, the Company entered into a shareholder resolution to issue Incentive Shares to Dr. Wang, founder of the Company, and Bengbu Huajing Technology Center Partnership (Limited Partnership) (the “Bengbu Huajing”), the entity controlled by Dr. Wang, pursuant to which Company issued and allotted approximately 5,404,969 and 5,404,969 Incentive Shares at cash consideration of RMB25,000,000 and RMB25,000,000 respectively, received in 2022.

According to the shareholder resolution dated 6 May 2022, the Incentive Shares entitled with the preferred feature and liquidation preferences according to the Series C Shares, however, the preferred rights of Incentive Shares is not exercisable when the shares are hold by the ordinary shareholder until transferring to those other third parties’ investors.

When the ownership of the Incentive Shares transferred to other third parties shareholders, these Incentive Shares would be renamed as Series Post D-2 Shares.

Series E and Series E+ Shares (Collectively Series E Shares):

In 2022, the Company entered into an investment agreement with certain Series E investors, pursuant to which Company issued and allotted approximately 21,211,693 Series E Shares at a consideration of RMB584,000,000 in 2023, for which advance from these investors of RMB573,000,000 has been received in 2022 with the liabilities recognised in other payables set out in Note 31 to the Historical Financial Information. RMB11,000,000 was received in cash in 2023.

On 7 March 2023, the Company entered into an investment agreement with certain Series E+ investors, pursuant to which Company issued and allotted approximately 3,203,547 Series E+ Shares at a consideration of RMB88,200,000, for which advance from these investors has been received in 2022 with the liabilities recognised in other payables set out in Note 31 to the Historical Financial Information.

Other changes during the Track Record Period:

On 1 June 2022, 2,546,242 units of Incentive Shares had been transferred from original shareholders to other shareholders and converted as Series Post D-2 Shares.

On 29 September 2022, 2,465,893 and 1,643,928 units of Series B Shares and Series C Shares had been transferred from original shareholders to other shareholders.

On 14 October 2022, 1,589,061, 1,232,947, 1,232,946 units of Series A Shares, Series B Shares, Series C Shares, respectively, had been transferred from original shareholders to other shareholders. On the same date, shareholders signed and agreed the redemption feature of the failure to consummate an [REDACTED] or a strategic transaction of the Group modified from 31 December 2025 to 31 December 2026.

On 6 February 2023, 8,219,641 units of Series C Shares had been transferred from original shareholders to other shareholder. According to the agreement, all special preferred rights no longer applicable after the completion date of the transfer.

On 6 February 2023, 227,009 units of Series A Shares had been transferred from original shareholders to other shareholders and 5,960,612 units of Incentive Shares had been transferred to other shareholders in which 108,099 units continue in the same class and 5,852,513 units converted as Series Post D-2 Shares.

On 10 March 2023, 388,312 units of Series C Shares had been transferred from original shareholders to other shareholders.

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On 1 August 2023, adopted by a special resolution passed by the shareholders, all the redemption features and the liquidation preferences of all type of series shares had been terminated.

The key terms of the redemption liabilities are summarised as follows:

Redemption features

Other than the paid-up capital and Series Post D-1 Shares, upon the issue of the Series A Shares, Series B Shares, Series C Shares, Series D Shares, Series Post D-2 Shares and Series E Shares, they were granted with certain preferred rights upon capital contribution.

The following are the certain major events which will trigger the Company shall redeem, at the request of any investors with preferred rights, at any time after the earlier of: (a) the failure to consummate an [REDACTED] or a strategic transaction of the Group before a designated deadline; (b) intellectual property disputes materially and adversely affect the Group’s operations or financial condition showing that such disputes directly or indirectly reduce the Group’s consolidated core business revenue to less than 50% of the year-on-year semi-annual revenue (collectively “**Major Redemption Events**” or (c) the occurrence of other redemption events defined in the shareholders’ agreement (the “**Other Redemption Events**”).

The designated deadline of consummate an [REDACTED] or a strategic transaction of the Group was 31 December 2025, and became 31 December 2026 after the Series E Investment agreement signed on 14 December 2022.

The directors of the Company considered the Other Redemption Events are protective clauses. Any holder of redemption liabilities, as applicable, separately but not jointly, may give a written notice to the Company requesting redemption of the redeemable liabilities.

Redemption price under major redemption events are determined as follows:

Series A Shares:

Redemption price is calculated based on the principal plus 12% annualized interest (simple interest).

Series B, Series C, and Series Post D-2 Shares:

Redemption price is calculated based on highest of (i) principal plus 12% annualized interest (simple interest); (ii) share of Company’s net assets at the time of repurchase.

Series D and Series E Shares:

Redemption price is calculated based on highest of (i) principal plus 12% annualized interest (simple interest); (ii) share of Company’s net assets at the time of repurchase; (iii) (a) share of the fair value of the Company at the time of repurchase, or (b) the highest transaction price in any prior transaction of the Group.

Before the Series E Agreement dated 14 October 2022, the redemption shall be made in the following order of priority: (1) Repayment of the principal to the Investors from latest rounds to the earlier rounds among the Series Investors; (2) Payment of the remaining redemption price (i.e., calculated based on the above terms, minus the paid investment principal) from latest rounds to the earlier rounds among the Series Investors; (3) If the available funds are insufficient to fully cover the amounts payable to all Series Investors within any given priority tier, the payment shall be distributed among such Series Investors pro rata based on their respective payable amounts within that tier.

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Since the Series E Agreement dated 14 October 2022, the redemption shall be made in the following order of priority: (1) repayment of the principal to investors of Series E Investments and Series D Investments, then investors of Series C Investments, Series B Investments, Series A Investments, lastly Series Post D-2 Investments; (2) Payment of the remaining redemption price (i.e., calculated based on the above terms, minus the paid investment principal) to investors of Series E Investments and Series D, then investors of Series C Investments, Series B Investments, Series A Investments, lastly Series Post D-2 Investments; (3) Series Post D-2 (the excess investment cost of investors of Series Post D-2 Investments over principal); (4) If the available funds are insufficient to fully cover the amounts payable to all Series Investors within any given priority tier, the payment shall be distributed among such Series Investors pro rata based on their respective payable amounts within that tier.

Liquidation preferences

In the event of any liquidation of the Company, the investors shall have the right to exercise their liquidation preference to the fullest extent permitted under relevant PRC law with the priority as follows:

Before the Series E Agreement dated 14 October 2022:

Settlement of statutory obligation which including of liquidation expenses, employee wages, social insurance contributions, statutory compensation, unpaid taxes, and company debts, as required by law.

Distribution to investors of Series D Investments based on the higher of (i) the residual assets distributable to them based on their then current shareholding ratio in the Company; (ii) the sum of principal plus 12% annualized simple interest rate from the date of their investment payment until the actual distribution date.

Payment of principal to prior-round investors of Series C Investments, Series B Investments and Series A Investments in sequential order based on the higher of (i) the principal; (ii) the residual assets distributable based on their then current shareholding ratio.

Payment of interest to prior-round investors of Series C, Series B and Series A calculated at a 12% annualized simple interest rate based on the principal.

Residual distribution to all shareholders.

Since the Series E Agreement dated 14 October 2022:

Settlement of statutory obligation which including of liquidation expenses, employee wages, social insurance contributions, statutory compensation, unpaid taxes, and company debts, as required by law.

Distribution to investors of Series D and Series E Investments based on the higher of (i) the residual assets distributable to them based on their then current shareholding ratio in the Company; (ii) the sum of their principal plus 12% annualized simple interest rate from the date of their investment payment until the actual distribution date.

Payment of principal to prior-round investors of Series C Investments, Series B and Series A in sequential order based on the higher of (i) principal; (ii) the residual assets distributable based on their then current shareholding ratio.

Payment of interest to prior-round investors of above calculated at a 12% annualized simple interest rate based on the principal.

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Payment of interest to prior-round investors of Series Post D-2 Investments calculated at a 12% annualized simple interest rate based on the principal.

Residual distribution to all shareholders.

Other key terms

The investors have also been granted certain customary special rights in relation to the Company, including, among others, pre-emptive rights, anti-dilution rights, right of first refusal, co-sale rights, information rights, most-favored treatment rights, veto rights in respect of certain matters at shareholders’ meetings and board meetings and rights to nominate directors, special quorum requirements in board meetings.

To mitigate the accounting mismatch arising on measuring the liabilities at amortised cost and measuring the derivative at FVTPL, the Group designated redemption liabilities as financial liabilities measured as fair value through profit or loss. The director of the Company determined that it was not due for settlement within twelve months as at 31 December 2022 and classified as non-current liabilities in the consolidated statements of financial position. The redemption liabilities do not carry any equity component and are classified liabilities in their entirety. Changes in fair value of redemption liabilities were recorded in “fair value changes of redemption liabilities”. The movements of the redemption liabilities are set out as below:

	<i>RMB’000</i>	<i>RMB’000</i>
As at 1 January 2022 (<i>note (i)</i>)		504,534
Capital contribution from Series D shareholders (<i>note (ii)</i>)		20,000
Capital contribution from Incentive Shares (<i>note (iii)</i>)		109,618
Fair value change on modification on 1 June 2022 (<i>note (iv)</i>)	1,380	
Fair value change on modification on 14 October 2022 (<i>note (vi)</i>)	687,588	
Fair value change for the year	506,197	1,195,165
As at 31 December 2022 and 1 January 2023		1,829,317
Capital contribution from Series E shareholders (<i>note (vii)</i>)		672,200
Fair value change on modification on 6 February 2023 (<i>note (ix)</i>)	1,696	
Fair value change for the year	46,051	47,747
Derecognition of Series C Shares (<i>note (viii)</i>)		(208,601)
Derecognition (<i>note (xi)</i>)		(2,340,663)
As at 31 December 2023		—

Note:

- (i) On 1 January 2022, the redemption liabilities consisted of 12,329,460 units of Series A Shares, 9,352,905 units of Series B Shares, 16,439,282 units of Series C Shares, 2,976,560 units of Series C+ Shares, 17,430,336 units of Series D Shares, with fair value of RMB81,222,000, RMB68,546,000, RMB130,536,000, RMB23,635,000, RMB200,595,000 respectively.
- (ii) On 15 April 2022, the Company recognised redemption liabilities of 1,737,867 units of Series D Shares at cash consideration of RMB20,000,000 received in 2022.
- (iii) On 13 May 2022, the Company issued Incentive Share of 10,809,938 units of investments at consideration of RMB50,000,000 which consist of redeemable feature and liquidation preference as Series C Shares, being recognised as redemption liabilities in 2022 with fair value of these shares amounted to RMB109,618,000. The different between the fair value and the consideration at initial recognition of RMB59,618,000 was debited to equity under other reserve.

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- (iv) Due to the transfer of Incentive Shares from original shareholder to other shareholders and converted as Series Post D-2 Shares on 1 June 2022 set out above, 2,546,242 units of Incentive Shares were accounted for as a substantial modification of the financial liability. The original financial liabilities of these Shares with fair value of RMB25,820,000 were derecognised and new 2,546,242 units of Series Post D-2 Shares with fair value of RMB27,200,000 were recognised. The net fair value loss of RMB1,380,000, represented the fair value difference of the substantial modification, was recognised.
- (v) Due to the change of existing owner of the shares on the transfer of Series B Shares and Series C Shares on 29 September 2022 as set out above, 2,465,893 and 1,643,928 units of Series B Shares and Series C were accounted for as a substantial modification of the financial liability. The original financial liabilities of these Shares with fair value of RMB24,556,000 and RMB16,670,000 were derecognised respectively and new 2,465,893 and 1,643,928 units of Series B Shares and Series C Shares with fair value of RMB24,556,000 and RMB16,670,000 were recognised respectively. No fair value change was noted.
- (vi) Due to the change in redemption feature on the as well as the transfer of Series A Shares, Series B Shares and Series C Shares on 14 October 2022 as set out above, 12,329,460, 9,352,905, 16,439,282, 2,976,560, 19,168,203, 2,546,242 and 8,263,696 units of Series A Shares, Series B Shares, Series C Shares, Series C+ Shares, Series D Shares, Series Post D-2 Shares and Incentive Shares were accounted for as a substantial modification of the financial liability. The original financial of these Shares with fair value of RMB116,644,000, RMB93,138,000, RMB166,703,000, RMB30,184,000, RMB240,036,000, RMB27,200,000 and RMB83,798,000 were derecognised respectively and new 12,329,460, 9,352,905, 16,439,282, 2,976,560, 19,168,203, 2,546,242 and 8,263,696 units of Series A Shares, Series B Shares, Series C Shares, Series C+ Shares, Series D Shares, Series Post D-2 Shares and Incentive Shares with fair value of RMB234,080,000, RMB183,992,000, RMB326,276,000, RMB59,077,000, RMB424,836,000, RMB53,018,000 and RMB164,012,000 were recognised. The net fair value loss of RMB687,588,000, represented the fair value difference of the substantial modification, was recognised.
- (vii) In 2023, the Company recognised redemption liabilities of 24,415,240 units of Series E Shares at cash consideration of RMB672,200,000 of RMB610,000,000 received in 2022 and RMB62,200,000 received in 2023.
- (viii) Due to the termination of redemption features and liquidation preferences of 8,219,641 units of Series C Shares on 6 February 2023 set out above, the obligation to purchase the equity instruments had been discharged and the instruments were reclassified as equity. 8,219,641 units of Series C Shares and such units with the fair value of RMB208,601,000 measured at that date was derecognised and the corresponding carrying amounts of the new issued capital of RMB8,220,000 and capital reserve of RMB200,381,000 was recognised.
- (ix) Due to the change of existing owner of the shares on the transfer of Series A Shares and Incentive Shares on 10 March 2023 as set out above, 227,009 units and 5,960,612 of Series A Shares and Incentive Shares were accounted for as a substantial modification of financial liabilities. The original financial liabilities of these shares with fair value of RMB5,711,000 and RMB151,271,000 respectively were derecognised and new 227,009, 5,852,513 and 108,099 of Series A Shares, Series Post D-2 Shares and Incentive Shares with fair value of RMB5,711,000, RMB150,224,000 and RMB2,743,000 was recognised. The net fair value loss of RMB1,696,000 represented the fair value difference of the substantial modification, was recognised.
- (x) Due to the change of existing owner of the shares on the transfer of Series C Shares on 10 March 2023 as set out above, 388,312 units of Series C Shares were accounted for as a substantial modification of financial liabilities. The original financial liabilities of these shares with fair value of RMB9,856,000 was derecognised and new 388,312 units of Series C Shares with fair value of RMB9,856,000 was recognised. No fair value change was recognised.
- (xi) Due to the termination of redemption features and liquidation preferences on 1 August 2023 set out above, the obligation to purchase the equity instruments had been discharged and the instruments were reclassified as equity. 12,329,460, 9,352,905, 8,219,641, 2,976,560, 19,168,203, 8,398,755, 24,415,240 and 2,411,183 units of Series A Shares, Series B Shares, Series C Shares, Series C+ Shares, Series D Shares, Series post D-2 Shares, Series E Shares, Incentive Shares with fair value of RMB2,340,663,000 was transferred to share capital of RMB87,272,000 and capital reserve of RMB2,253,391,000.

The fair value of the redemption liabilities as at 1 January 2022, 31 December 2022 and 1 August 2023 was estimated based on a back-solve method and option pricing method (“OPM”) under equity allocation method (“EAM”).

The back-solve method is adopted to derive the total equity value of the Company as of a valuation date when there is a third-party transaction or latest financing occurred prior to the valuation date. The methodology is based on the OPM under the EAM. EAM is able to account for all capital classes of the Company including both ordinary shares and redeemable liabilities, and the total equity value will be allocated to each equity class respectively through this method.

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Under the back-solve method, the total equity value of the Company was back-solved based on the OPM under 3 scenarios which took account for the existing equity classes and their respective liquidation and redemption features. The allocated value of the redeemable liabilities of the Company was made to be equal to the transaction amount of the recent investment of redeemable liabilities as at transaction date through an iterative goal seeking process.

The indicative total equity value derived from back-solve method as at transaction date represented the fair value of the Company’s equity value, since the transaction date was close to the valuation date. The equity value of the Company was further applied in the OPM under 3 scenarios to derive the value of the each class of redeemable liabilities and ordinary shares as at the valuation date.

This method includes (i) review of the different classes in the capital structure of the Company; and (ii) allocation of the equity value to each of the classes with respect to their seniority, redemption feature and liquidation preferences.

Key valuation assumptions used to determine the fair value of the redemption liabilities are set as below:

	1 January	31 December	1 August
	2022	2022	2023
Risk-free interest rate.	2.53%	2.53%	2.30%
Volatility	54.67%	54.15%	51.88%
IPO date	31 December 2025	31 December 2026	31 December 2026
Possibility under redemption scenario . . .	25.00%	20.00%	5.00%
Possibility under liquidation scenario . . .	25.00%	20.00%	5.00%
Possibility under non-redemption and non-liquidation scenario.	50.00%	35.00%	90.00%

38. ISSUED CAPITAL/SHARE CAPITAL

	Number of shares	Issued capital/Share capital	Total
		RMB’000	RMB’000
Group and Company			
As at 1 January 2022 and 31 December 2022.	N/A	19,727	19,727
Transfer from redeemable capital contribution	N/A	95,492	95,492
Transformation into joint stock company . . .	115,218,724	—	—
As at 1 January 2023, 31 December 2023, 1 January 2024, 31 December 2024 and 1 January 2025 and 30 September 2025.	115,218,724	115,219	115,219

Notes:

Due to the termination of redemption features and liquidation preferences of 8,219,641 units of Series C Shares on 6 February 2023 set out in Note 37, the obligation to purchase the equity instruments had been discharged. 8,219,641 units of Series C Shares and such units with the fair value of RMB208,601,000 measured at that date was derecognised and reclassified to equity. The corresponding carrying amounts of the new issued capital of RMB8,220,000 and capital reserve of RMB200,381,000 was recognised.

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Due to the termination of redemption features and liquidation preferences on 1 August 2023 set out in Note 37, the obligation to purchase the equity instruments had been discharged. 12,329,460, 9,352,905, 8,219,641, 2,976,560, 19,168,203, 8,398,755, 24,415,240 and 2,411,183 units of Series A, Series B, Series C, Series C+, Series D, Series post D-2, Series E, Incentive Shares had been reclassified as equity, such units with fair value of RMB2,340,663,000 was transferred to share capital of RMB87,272,000 and capital reserve of RMB2,253,391,000.

On 31 August 2023, the Company was converted into a joint stock company with limited liability with a registered share capital of RMB115,218,724 divided into 115,218,724 ordinary shares with a par value of RMB1.00 each.

39. SHARE-BASED PAYMENT

Share incentive scheme (the “[REDACTED] Incentive Scheme”) were approved and adopted by shareholders of the Company in November 2019 and February 2021. The purpose of the [REDACTED] Share Incentive Schemes is to further establish and improve the Company’s incentive and restraint mechanisms; attract and retain talents; mobilize the enthusiasm of the Company’s management and core team members; and combine the interests of the shareholders, the Company and the individual interests of the participants. Employees are entitled to receive a proportional ownership of the partnership interest and become limited partners of the Group’s incentive platforms’. The unit (the “**Restricted Shares**” or “**RSU**”) granted under the [REDACTED] Incentive Scheme (“**Share Awards**”) indirectly hold the shares of the Company underlying the RSU by virtue of their capacity as partners of the relevant incentive platforms which is the ordinary shareholders of the Company.

Bengbu Lesi Share Incentive Plan:

In November 2019, pursuant to Bengbu Lesi Share Incentive Plan, Bengbu Lesi Technology Center (Limited Partnership) (the “**Bengbu Lesi**”) which was established as the employee incentive platform, grants RSUs to the Group’s eligible employees. Bengbu Lesi further grants RSU to the Group’s eligible employees in February 2021.

Each grant of RSU needs to meet service requirements from the date of grant to the later of the date of successful initial public offering (“**IPO**”) of the Company and five-years period from the date of grant. For the financial reporting purpose, the directors of the Company identified the consummate an IPO as the vesting condition. After taking into consideration of the best estimation of the IPO, the management determined the vesting period of the relevant Share Awards based on the above service requirements. As such, the share-based payment expenses are amortised during the vesting period.

Movements in the number of RSUs granted and the respective grant date fair value were as follows:

	Number of RSUs	Weighted average grant date fair value
		<i>RMB</i>
As at 1 January 2022 and 31 December 2022, 1 January 2023, 31 December 2023, 1 January 2024, 31 December 2024, 1 January 2025	326,201	2.34
Forfeited	(4,687)	2.06
As at 30 September 2025	321,514	2.35

The grant date fair value of the shares of the Restricted Shares in November 2019 and February 2021 were RMB2.09 and RMB39.42 per share, which was determined by a third-party valuer. The difference between the fair value of the Restricted Shares granted and the subscription price paid by the grantee are recorded in the share-based payment reserve within equity with the corresponding “share-based payment expenses” in profit or loss.

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The management determined the grant date fair value by reference to the fair value of the ordinary share of the Company. The back-solve method is adopted to derive the total equity value of the Company as of the valuation date in November 2019. When there is a third-party investors’ recent capital injection transaction or latest financing occurred to the Company prior to the valuation date. The methodology is based on the OPM under the EAM which can account for all capital classes of the Company including both ordinary shares and redeemable liabilities, and the total equity value will be allocated to each equity class respectively through this method.

The back-solve method is adopted to derive the total equity value of the Company as of a valuation date when there is a third-party transaction or latest financing occurred prior to the valuation date. The methodology is based on the OPM under the EAM. EAM is able to account for all capital classes of the Company including both ordinary shares and redemption liabilities, and the total equity value will be allocated to each equity class respectively through this method.

Under the back-solve method, the total equity value of the Company was back-solved based on the OPM under 3 scenarios which took account for the existing equity classes and their respective liquidation and redemption features. The allocated value of the redemption liabilities of the Company was made to be equal to the transaction amount of the recent investment as at transaction date through an iterative goal seeking process.

The indicative total equity value derived from back-solve method as at transaction date represented the fair value of the Company’s equity value, since the transaction date was close to the valuation date. The equity value of the Company was further applied in the OPM under 3 scenarios to derive the value of the each class of redemption liabilities and ordinary shares as at the valuation date.

This method includes (i) review of the different classes in the capital structure of the Company; and (ii) allocation of the equity value to each of the classes with respect to their seniority, redemption feature and liquidation preferences.

In order to avoid the fluctuation of the equity value and to maintain the reasonableness of the overall trend of the equity value, for the grant date in February 2021, due to lack of recent transaction, the valuer considered both the fair value of the Company and applied interpolation between November 2019 and 31 December 2021.

Bengbu Huajing and Huaan Share Incentive Plan:

Pursuant to Bengbu Huajing and Huaan Share Incentive Plan adopted in December 2022, Bengbu Huajing and Bengbu Hua’an Technology Center (Limited Partnership) (“**Huaan**”) grants Restricted Shares to the Group’s eligible employees at the aggregated subscription price of RMB7,576,000 and RMB1,090,000 respectively in January 2023, at the subscription price of RMB2.976 and RMB2.976 per share respectively. Bengbu Huajing further grants Restricted Shares to the Group’s eligible employees at the aggregated subscription price of RMB1,500,000 in May 2024, at the subscription price of RMB2.976 per share.

Each employee with grant of Restricted Shares needs to meet service requirements of 5 years from the date of grant. For the financial reporting purpose, the management determined the vesting period of the relevant RSU based on the above service requirements. As such, the share-based payment expenses are amortised during the vesting period.

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Movements in the number of Restricted Shares granted and the respective grant date fair value of Bengbu Huajing were as follows:

	Number of RSUs	Weighted average grant date fair value
		<i>RMB</i>
As at 1 January 2022, 31 December 2022 and 1 January 2023 . .	—	—
Granted	2,545,424	2.52
As at 31 December 2023 and 1 January 2024	2,545,424	2.52
Granted	503,999	3.27
Forfeited	(335,990)	2.52
As at 31 December 2024 and 1 January 2025	2,713,433	2.66
Forfeited	(285,592)	2.52
As at 30 September 2025	2,427,841	2.68

Movements in the number of shares granted and the respective grant date fair value of Bengbu Huaan were as follows:

	Number of RSUs	Weighted average grant date fair value
		<i>RMB</i>
As at 1 January 2022, 31 December 2022 and 1 January 2023	—	—
Granted	366,240	2.52
As at 31 December 2023 and 1 January 2024	366,240	2.52
Forfeited	(25,200)	2.52
As at 31 December 2024 and 1 January 2025	341,040	2.52
Forfeited	(29,974)	2.52
As at 30 September 2025	311,066	2.52

The grant date fair value of the shares of the Restricted Shares in January 2023 and May 2024 for Bengbu Huajing were RMB2.52 and RMB3.27 per share respectively and the grant date fair value of the shares of the Restricted Shares in January 2023 and January 2023 for Bengbu Huaan was RMB2.52, which was determined by a third-party valuer. The difference between the fair value of the Restricted Shares granted and the subscription price paid by the grantee are recorded in the share-based payment reserve within equity with the corresponding “share-based payment expenses” in profit or loss.

The management determined the grant date fair value in January 2023 with reference to the fair value of the Incentive Shares of the Company. The back-solve method is adopted to derive the total equity value of the Company as of the valuation date in January 2023.

The management determined the grant date fair value in May 2024 with reference to the fair value of the ordinary share of the Company. The management determined the ordinary share of the Company based on a discounted cash flow method. The post-tax discount rate applied to cash flow projection is 9.9%. The growth rate used to extrapolate the cash flow beyond the 11.67 years period is 0%.

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Key valuation assumptions used to determine the grant date fair value of the Restricted Shares under the back-solve method are set as below:

	November 2019	January 2023
Risk-free interest rate	2.92%	2.53%
Volatility	46.38%	54.15%
IPO date	31 December 2022	31 December 2026
Possibility under redemption scenario	35.00%	20.00%
Possibility under liquidation scenario	35.00%	20.00%
Possibility under non-redemption and non-liquidation scenario	30.00%	35.00%

40. RESERVE MOVEMENT OF THE COMPANY

	Capital reserve	Other reserve	Share-based payment reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	—	—	154	(198,191)	(198,037)
Loss for the year	—	—	—	(1,183,695)	(1,183,695)
Transaction with shareholder (Note 37(iii))	—	(59,618)	—	—	(59,618)
Share-based payment (Note 39)	—	—	109	—	109
As at 31 December 2022 and 1 January 2023	—	(59,618)	263	(1,381,886)	(1,441,241)
Loss for the year	—	—	—	(27,846)	(27,846)
Transfer from redemption liabilities (Note 38)	2,453,772	—	—	—	2,453,772
Share-based payment (Note 39)	—	—	1,567	—	1,567
Transformation into joint stock company (Note 38)	(48,202)	—	—	48,202	—
As at 31 December 2023 and 1 January 2024	2,405,570	(59,618)	1,830	(1,361,530)	986,252
Profit for the year	—	—	—	13,448	13,448
Share-based payment (Note 39)	—	—	1,432	—	1,432
As at 31 December 2024 and 1 January 2025	2,405,570	(59,618)	3,262	(1,348,082)	1,001,132
Profit for the period	—	—	—	13,383	13,383
Share-based payment (Note 39)	—	—	866	—	866
As at 30 September 2025	2,405,570	(59,618)	4,128	(1,334,699)	1,015,381

41. OVERVIEW OF THE GROUP’S EXPOSURE TO CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group’s maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of the financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

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In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group’s credit risk grading to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group’s own historical repayment records to rate its major customers and other debtors. The Group’s exposure and the credit ratings of its counterparties are continuously monitored and the aggregate exposure is spread amongst approved counterparties.

The Group’s credit risk is primarily attributable to trade receivables and other receivables and deposit paid. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Trade receivables

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for trade receivables that are credit-impaired, the Group determines the ECL on these items collectively based on loss patterns as reflected in the debtors’ historical payment pattern. The Group determines the ECL on these items by using a provision matrix as at 31 December 2022, 2023 and 2024 and as at 30 September 2025 within lifetime ECL (not credit impaired) estimated based on the financial quality of debtors and historical credit loss experience over the past 3-5 years under roll rate method, adjusted as appropriate to reflect current conditions and estimates of future economic conditions with reference to general macroeconomic conditions (such as gross domestic products and money supply in Chinese Mainland and gross domestic products unemployment rate in Germany) that may affect the ability of debtors to settle receivables. To measure the ECL, the trade receivables has been grouped into the categories based on share credit risk characteristics such as customers in the PRC and Germany and the days past due.

Bills and other receivables and deposits paid

For bills and other receivables and deposits paid, management of the Group makes periodic assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group measures the loss allowance equal to 12m ECL, unless when there are indicators that the financial asset is credit-impaired, the Group recognises lifetime ECL. The Group recognises lifetime ECL when there is evidence indicating (i) there has been significant increase in credit risk since initial recognition; (ii) the asset is credit-impaired but the Group has realistic prospect of recovery; or (iii) the debtor is in severe financial difficulty. In determining the ECL for bills and other receivables and deposits paid, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the financial assets that are subject to impairment occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The Group only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the bills receivable is insignificant and thus no loss allowance is recognised.

Cash and bank balances and restricted bank deposits

For the purposes of impairment assessment, cash and bank balances and restricted bank deposits that are subject to impairment are considered to have low credit risk as the counterparties are reputable banks with high credit rating assigned by international credit agencies. Accordingly, for the purpose of impairment assessment for these assets, the loss allowance is measured at an amount equal to 12m

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ECL, by reference to information relating to probability of default and loss given default of respect credit rating grades published by external credit agency. The directors of the Company considered that the ECL allowance is insignificant as at 31 December 2022, 2023 and 2024 and as at 30 September 2025.

The following table details the credit risk exposures of the Group’s trade receivables by geographical location which are subject to ECL assessment :

Group

	Average expected credit loss rate	Gross amounts	Loss allowance
		<i>RMB’000</i>	<i>RMB’000</i>
Customers in the PRC			
As at 31 December 2022 (by past-due date)			
Current	2.10%	161,445	3,390
Past due within 1 year	5.60%	8,016	449
Past due 1 to 2 years	15.90%	1,112	177
Past due 2 to 3 years	39.70%	10	4
		<u>170,583</u>	<u>4,020</u>

	Average expected credit loss rate	Gross amounts	Loss allowance
		<i>RMB’000</i>	<i>RMB’000</i>
Customers in the PRC			
As at 31 December 2023 (by past-due date)			
Current	4.20%	100,569	4,224
Past due within 1 year	12.70%	20,420	2,593
Past due 1 to 2 years	42.60%	1,050	448
Past due 2 to 3 years	84.90%	1,113	944
Past due over 3 years	100.00%	8	8
		<u>123,160</u>	<u>8,217</u>

	Average expected credit loss rate	Gross amounts	Loss allowance
		<i>RMB’000</i>	<i>RMB’000</i>
Customers in the PRC			
As at 31 December 2024 (by past-due date)			
Current	2.10%	104,255	2,189
Past due within 1 year	12.20%	21,937	2,676
Past due 1 to 2 years	49.50%	754	375
Past due 2 to 3 years	100.00%	146	146
Past due over 3 years	100.00%	1,121	1,121
		<u>128,213</u>	<u>6,507</u>

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	Average expected credit loss rate	Gross amounts	Loss allowance
		<i>RMB’000</i>	<i>RMB’000</i>
Customers in the PRC			
As at 30 September 2025 (by past-due date)			
Current	3.30%	116,125	3,833
Past due within 1 year	18.50%	32,973	6,100
Past due 1 to 2 years	73.20%	621	455
Past due 2 to 3 years	73.30%	—	—
Past due over 3 years	100.00%	644	644
		<u>150,363</u>	<u>11,032</u>

	Average expected credit loss rate	Gross amounts	Loss allowance
		<i>RMB’000</i>	<i>RMB’000</i>
Customers in the Germany			
As at 31 December 2022 (by past-due date)			
Current	0.12%	9,262	11
Past due within 1 year	0.20%	7,914	16
Past due 1 to 2 years	100.00%	5	5
Past due 2 to 3 years	100.00%	13	13
		<u>17,194</u>	<u>45</u>

	Average expected credit loss rate	Gross amounts	Loss allowance
		<i>RMB’000</i>	<i>RMB’000</i>
Customers in the Germany			
As at 31 December 2023 (by past-due date)			
Current	0.90%	6,980	63
Past due within 1 year	2.10%	5,789	122
Past due 1 to 2 years	100.00%	677	677
Past due 2 to 3 years	100.00%	6	6
		<u>13,452</u>	<u>868</u>

	Average expected credit loss rate	Gross amounts	Loss allowance
		<i>RMB’000</i>	<i>RMB’000</i>
Customers in the Germany			
As at 31 December 2024 (by past-due date)			
Current	1.50%	7,679	115
Past due within 1 year	2.90%	4,637	134
Past due 1 to 2 years	100.00%	175	175
Past due 2 to 3 years	100.00%	648	648
		<u>13,139</u>	<u>1,072</u>

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	Average expected credit loss rate	Gross amounts	Loss allowance
		RMB'000	RMB'000
Customers in the Germany			
As at 30 September 2025 (by past-due date)			
Current	1.20%	6,433	77
Past due within 1 year	2.80%	3,400	95
Past due 1 to 2 years	27.60%	700	193
Past due 2 to 3 years	47.90%	138	66
Past due over 3 years	100.00%	140	140
		<u>10,811</u>	<u>571</u>

Movements in lifetime ECL that have been recognised for trade receivables are as follows:

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of year/period	1,649	4,065	9,085	7,579
Impairment losses recognised/(reversed).	2,415	4,992	(1,461)	3,936
Exchange differences	1	28	(45)	88
At the end of year/period	<u>4,065</u>	<u>9,085</u>	<u>7,579</u>	<u>11,603</u>

The table below details the credit risk exposures of the Group’s other receivables and deposits paid which are subject to ECL assessment:

	Average expected credit loss rate	Gross amounts	Loss allowance
		RMB'000	RMB'000
As at 31 December 2022			
12m ECL	2.40%	7,003	168
Lifetime ECL (credit-impaired)		—	—
		<u>7,003</u>	<u>168</u>
As at 31 December 2023			
12m ECL	0.74%	11,220	83
Lifetime ECL (credit-impaired)		—	—
		<u>11,220</u>	<u>83</u>
As at 31 December 2024			
12m ECL	2.13%	10,520	224
Lifetime ECL (credit-impaired)		—	—
		<u>10,520</u>	<u>224</u>
As at 30 September 2025			
12m ECL	1.63%	6,852	112
Lifetime ECL (credit-impaired)		—	—
		<u>6,852</u>	<u>112</u>

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Movement in 12m ECL that has been recognised for other receivables and deposits paid of the Group are as follows:

	12m ECL
	<i>RMB’000</i>
As at 1 January 2022	354
Impairment losses reversed	(186)
As at 31 December 2022 and 1 January 2023	168
Impairment losses reversed	(84)
Exchange differences	(1)
As at 31 December 2023 and 1 January 2024	83
Impairment losses recognised	140
Exchange differences	1
As at 31 December 2024 and 1 January 2025	224
Impairment losses reversed	(112)
As at 30 September 2025	<u>112</u>

The following table details the credit risk exposures of the Company’s trade receivables which are subject to ECL assessment:

Company

	Average expected credit loss rate	Gross amounts	Loss allowance
		<i>RMB’000</i>	<i>RMB’000</i>
As at 31 December 2022 (by past-due date)			
Current	2.10%	109,754	2,305
Past due within 1 year	5.60%	7,987	447
Past due 1 to 2 years	15.90%	1,089	173
		118,830	2,925
Individual assessment	16.68%	156,623	26,118
		<u>275,453</u>	<u>29,043</u>

	Average expected credit loss rate	Gross amounts	Loss allowance
		<i>RMB’000</i>	<i>RMB’000</i>
As at 31 December 2023 (by past-due date)			
Current	4.20%	44,989	1,889
Past due within 1 year	12.70%	6,511	827
Past due 1 to 2 years	42.60%	1,051	448
Past due 2 to 3 years	84.90%	1,089	925
		53,640	4,089
Individual assessment	16.50%	194,418	32,075
		<u>248,058</u>	<u>36,164</u>

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	Average expected credit loss rate	Gross amounts	Loss allowance
		<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2024 (by past-due date)			
Current	2.10%	52,914	1,111
Past due within 1 year	12.20%	21,306	2,599
Past due 1 to 2 years	49.50%	62	31
Past due 2 to 3 years	100.00%	146	146
Past due over 3 years	100.00%	1,089	1,089
		75,517	4,976
Individual assessment	16.27%	282,622	45,993
		358,139	50,969

	Average expected credit loss rate	Gross amounts	Loss allowance
		<i>RMB'000</i>	<i>RMB'000</i>
As at 30 September 2025 (by past-due date)			
Current	3.30%	83,758	2,764
Past due within 1 year	18.50%	32,585	6,029
Past due 1 to 2 years	73.20%	522	382
Past due 2 to 3 years	N/A	—	—
Past due over 3 years	100.00%	634	634
		117,499	9,809
Individual assessment	16.06%	387,381	62,217
		504,880	72,026

Movements in lifetime ECL that have been recognised for trade receivables are as follows:

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of year/period	9,917	29,043	36,164	50,969
Impairment losses recognised	19,126	7,121	14,805	21,057
At the end of year/period	29,043	36,164	50,969	72,026

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The table below details the credit risk exposures of the Company’s other receivables and deposits paid which are subject to ECL assessment:

	Average expected credit loss rate	Gross amounts <i>RMB’000</i>	Loss allowance <i>RMB’000</i>
As at 31 December 2022			
12m ECL	8.22%	125,133	10,282
Lifetime ECL (credit-impaired)		—	—
		<u>125,133</u>	<u>10,282</u>
As at 31 December 2023			
12m ECL	7.76%	129,038	10,019
Lifetime ECL (credit-impaired)		—	—
		<u>129,038</u>	<u>10,019</u>
As at 31 December 2024			
12m ECL	6.33%	196,414	12,430
Lifetime ECL (credit-impaired)		—	—
		<u>196,414</u>	<u>12,430</u>
As at 30 September 2025			
12m ECL	6.29%	197,407	12,419
Lifetime ECL (credit-impaired)		—	—
		<u>197,407</u>	<u>12,419</u>

Movement in 12m ECL that has been recognised for other receivables and deposits of the Company paid are as follows:

	12m ECL <i>RMB’000</i>
As at 1 January 2022	7,790
Impairment losses recognised	<u>2,492</u>
As at 31 December 2022 and 1 January 2023	10,282
Impairment losses reversed	<u>(263)</u>
As at 31 December 2023 and 1 January 2024	10,019
Impairment losses recognised	<u>2,411</u>
As at 31 December 2024 and 1 January 2025	12,430
Impairment losses reversed	<u>(11)</u>
As at 30 September 2025	<u>12,419</u>

42. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities comprising the Group will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged throughout the Track Record Period.

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The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debts (which included lease liabilities, redemption liabilities and borrowings) less cash and bank balances, capital comprises all components of equity and non-controlling interests.

Management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts.

The Group’s adjusted net debt-to-capital ratio was as follows:

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	(94,802)	(23,077)	(24,043)	—
Lease liabilities	(108,318)	(111,351)	(94,042)	(101,006)
Redemption liabilities	(1,829,317)	—	—	—
Less: cash and bank balances	576,420	462,183	314,195	165,306
Adjusted net (debt)/cash	(1,456,017)	327,755	196,110	64,300
Capital	(1,445,537)	1,053,672	1,107,298	1,208,529
Adjusted net debt-to-capital	101%	N/A	N/A	N/A

43. FINANCIAL INSTRUMENTS

Categories of financial instruments

Group

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets measured at amortised cost				
— Trade receivables (<i>Note 25</i>)	183,712	127,527	133,773	149,571
— Other receivables and deposits paid (<i>Note 27</i>)	6,835	11,137	10,296	6,740
— Restricted bank deposits (<i>Note 28</i>)	82,792	21,235	8,096	590
— Cash and bank balances (<i>Note 28</i>)	576,420	462,183	314,195	165,306
	849,759	622,082	466,360	322,207
Financial assets measured at FVOCI				
— Bills receivable (<i>Note 26</i>)	79,902	81,432	112,010	124,312
Financial assets at FVTPL	30,168	30,774	202,275	256,344

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	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Financial liabilities at amortised cost				
— Trade payables (<i>Note 29</i>)	95,795	58,630	77,594	83,537
— Bills payables (<i>Note 30</i>)	83,930	31,120	—	—
— Other payables and accrual, excluding salary and bonus payables and other tax payables (<i>Note 31</i>)	711,904	39,979	38,620	67,242
— Borrowing (<i>Note 34</i>)	94,802	23,077	24,043	—
— Refund liabilities (<i>Note 33</i>)	4,411	6,008	8,353	9,431
	<u>990,842</u>	<u>158,814</u>	<u>148,610</u>	<u>160,210</u>
Lease liabilities (<i>Note 35</i>)	<u>108,318</u>	<u>111,351</u>	<u>94,042</u>	<u>101,006</u>
Financial liabilities measured at FVTPL				
— Redemption liabilities (<i>Note 37</i>)	<u>1,829,317</u>	<u>—</u>	<u>—</u>	<u>—</u>

Company

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets measured at amortised cost				
— Trade receivables (<i>Note 25</i>)	246,410	211,894	307,170	432,854
— Other receivables and deposits paid (<i>Note 27</i>)	114,851	119,019	183,984	184,988
— Restricted bank deposits (<i>Note 28</i>)	30,414	7,551	7,563	—
— Cash and bank balances (<i>Note 28</i>)	546,901	428,592	227,664	82,994
	<u>938,576</u>	<u>767,056</u>	<u>726,381</u>	<u>700,836</u>
Financial assets measured at FVOCI				
— Bills receivable (<i>Note 26</i>)	<u>32,098</u>	<u>19,189</u>	<u>61,179</u>	<u>75,738</u>
Financial assets at FVTPL	<u>30,168</u>	<u>30,774</u>	<u>101,241</u>	<u>103,193</u>

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	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Financial liabilities at amortised cost				
— Trade payables (<i>Note 29</i>)	173,346	91,843	213,925	362,738
— Bills payable (<i>Note 30</i>)	22,880	3,931	—	—
— Other payables and accrual, excluding salary and bonus payables and other tax payables (<i>Note 31</i>)	695,275	29,724	51,022	77,230
— Borrowing (<i>Note 34</i>)	56,119	23,077	24,043	—
— Refund liabilities (<i>Note 33</i>)	2,534	4,276	6,526	6,127
	<u>950,154</u>	<u>152,851</u>	<u>295,516</u>	<u>446,095</u>
Lease liabilities (<i>Note 35</i>)	<u>17,845</u>	<u>11,213</u>	<u>9,783</u>	<u>7,267</u>
Financial liabilities measured at FVTPL				
— Redemption liabilities (<i>Note 37</i>)	<u>1,829,317</u>	<u>—</u>	<u>—</u>	<u>—</u>

Financial risk management objectives and policies

The Group and the Company’s major financial assets and liabilities include financial assets at FVTPL, trade receivable, bills receivables, other receivables and deposits, restricted bank deposits, cash and bank balances, trade payables, bills payable, other payables and accrual, refund liabilities, borrowings, redemption liabilities and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group and the Company’s activities expose it primarily to currency risk, interest rate risk and price risk. There has been no change in the Group’s exposure to these risks or the manner in which it managed and measured the risks during each of the reporting period.

Currency risk

Several subsidiaries of the Company have foreign currency sales, capital expenditure and cash and bank balances, which expose the Group to foreign currency risk.

The subsidiaries are mainly exposed to foreign currency of United State Dollars (“US\$”), Swiss Franc (“CHF”) and Euro dollar (“EUR”).

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The Group and Company currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The carrying amounts of the Group’s foreign currency denominated monetary assets (trade and other receivables and cash and bank balances) and liabilities (trade and other payables) at the end of each reporting period are summarised as follows:

Group

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
US\$.	714	458	3,256	1,195
EUR	41,566	34,575	27,526	31,506
	42,280	35,033	30,782	32,701

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
US\$.	24	7	66	—
EUR	13,808	15,687	11,403	17,407
CHF	22	—	—	115
	13,854	15,694	11,469	17,522

Company

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
US\$.	560	458	3,256	505
EUR	—	34,575	27,526	—
	560	35,033	30,782	505

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	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
US\$	24	—	—	—
EUR	13,808	454	332	711
CHF	22	—	—	—
	<u>13,854</u>	<u>454</u>	<u>332</u>	<u>711</u>

Sensitivity analysis

The following table details the Group’s and the Company’s sensitivity to a 5% increase and decrease in RMB against foreign currencies, the foreign currencies with which the Group may have a material exposure. 5% represents management’s assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A positive number below indicates a decrease in loss before tax and an increase in profit before tax where foreign currencies strengthen 5% against RMB. For a 5% weakening of foreign currencies against RMB, there would be an equal and opposite impact on (loss)/profit before tax.

Group

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Impact on (loss)/profit before tax				
US\$	35	23	160	60
EUR	1,388	944	806	705
CHF	(1)	—	—	6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Company

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Impact on (loss)/profit before tax				
US\$	27	23	160	25
EUR	(690)	1,706	1,360	(36)
CHF	(1)	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposure does not reflect the exposure for the year/period during the Track Record Period.

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Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its restricted bank deposits, lease liabilities and fixed rate borrowings. No sensitivity analysis is presented as management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant given a change of bank deposit rate is limited.

Credit risk

As at 31 December 2022, 2023 and 2024 and as at 30 September 2025, the Group has concentration of credit risk as 32%, 17%, 14% and 16.2%, respectively, of the total trade receivable was due from the Group’s largest customer. The Group’s concentration of credit risk on the top five largest customers accounted for 65%, 53%, 63% and 67.7% of the total trade receivable as at 31 December 2022, 2023 and 2024 and as at 30 September 2025, respectively.

The Group expects that there is no significant credit risk associated with bank deposits since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Liquidity risk

In the management of the liquidity risk, the Group monitor and maintain a level of cash and bank balances and banking facilities deemed adequate by management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group’s and the Company’s remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

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Group

	Effective interest rate	On demand or less than one year	One to two years	Two to five years	Over five years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2022							
Trade payables	N/A	95,795	—	—	—	95,795	95,795
Bills payable	N/A	83,930	—	—	—	83,930	83,930
Other payables and accrual (<i>note</i>)	N/A	711,904	—	—	—	711,904	711,904
Refund liabilities	N/A	4,411	—	—	—	4,411	4,411
Borrowings	1.15%–4.75%	73,083	—	24,563	—	97,646	94,802
Redemption liabilities	N/A	—	—	1,829,317	—	1,829,317	1,829,317
Lease liabilities	1.83%–4.75%	20,406	12,804	33,580	68,222	135,012	108,318
Total		<u>989,529</u>	<u>12,804</u>	<u>1,887,460</u>	<u>68,222</u>	<u>2,958,015</u>	<u>2,928,477</u>
As at 31 December 2023							
Trade payables	N/A	58,630	—	—	—	58,630	58,630
Bills payable	N/A	31,120	—	—	—	31,120	31,120
Other payables and accrual (<i>note</i>)	N/A	39,979	—	—	—	39,979	39,979
Refund liabilities	N/A	6,008	—	—	—	6,008	6,008
Borrowings	4.75%	—	24,563	—	—	24,563	23,077
Lease liabilities	1.83%–4.75%	20,263	17,975	35,924	65,016	139,178	111,351
Total		<u>156,000</u>	<u>42,538</u>	<u>35,924</u>	<u>65,016</u>	<u>299,478</u>	<u>270,165</u>
As at 31 December 2024							
Trade payables	N/A	77,594	—	—	—	77,594	77,594
Other payables and accrual (<i>note</i>)	N/A	38,620	—	—	—	38,620	38,620
Refund liabilities	N/A	8,353	—	—	—	8,353	8,353
Borrowings	4.75%	24,563	—	—	—	24,563	24,043
Lease liabilities	1.83%–4.75%	19,256	13,575	26,876	53,905	113,612	94,042
Total		<u>168,386</u>	<u>13,575</u>	<u>26,876</u>	<u>53,905</u>	<u>262,742</u>	<u>242,652</u>
As at 30 September 2025							
Trade payables	N/A	83,537	—	—	—	83,537	83,537
Other payables and accrual (<i>note</i>)	N/A	67,242	—	—	—	67,242	67,242
Refund liabilities	N/A	9,431	—	—	—	9,431	9,431
Lease liabilities	3.35%–4.75%	19,038	16,738	30,836	54,978	121,590	101,006
Total		<u>179,248</u>	<u>16,738</u>	<u>30,836</u>	<u>54,978</u>	<u>281,800</u>	<u>261,216</u>

Note: Excluding salary and bonus payables and other tax payables

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Company

	Effective interest rate	On demand or less than one year	One to two years	Two to five years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2022						
Trade payables	N/A	174,346	—	—	174,346	174,346
Bills payable	N/A	22,880	—	—	22,880	22,880
Other payables and accrual (<i>note</i>)	N/A	695,275	—	—	695,275	695,275
Refund liabilities	N/A	2,534	—	—	2,534	2,534
Borrowings.	1.15%–4.75%	34,215	—	24,563	58,778	56,119
Redemption liabilities.	N/A	—	—	1,829,317	1,829,317	1,829,317
Lease liabilities.	4.75%	8,488	3,952	9,223	21,663	17,845
Total.		937,738	3,952	1,863,103	2,804,793	2,798,316
As at 31 December 2023						
Trade payables	N/A	91,843	—	—	91,843	91,843
Bills payable	N/A	3,931	—	—	3,931	3,931
Other payables and accrual (<i>note</i>)	N/A	29,724	—	—	29,724	29,724
Refund liabilities	N/A	4,276	—	—	4,276	4,276
Borrowings.	4.75%	—	24,563	—	24,563	23,077
Lease liabilities.	4.75%	3,952	3,805	5,417	13,174	11,213
Total.		133,726	28,368	5,417	167,511	164,064
As at 31 December 2024						
Trade payables	N/A	213,925	—	—	213,925	213,925
Other payables and accrual (<i>note</i>)	N/A	51,022	—	—	51,022	51,022
Refund liabilities	N/A	6,526	—	—	6,526	6,526
Borrowings.	4.75%	24,563	—	—	24,563	24,043
Lease liabilities.	4.75%	5,724	3,652	1,766	11,142	9,783
Total.		301,760	3,652	1,766	307,178	305,299
As at 30 September 2025						
Trade payables	N/A	362,738	—	—	362,738	362,738
Other payables and accrual (<i>note</i>)	N/A	77,230	—	—	77,230	77,230
Refund liabilities	N/A	6,127	—	—	6,127	6,127
Lease liabilities.	4.75%	3,802	4,298	—	8,100	7,267
Total.		449,897	4,298	—	454,195	453,362

Note: Excluding salary and bonus payables and other tax payables

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Group

	31 December 2022	31 December 2023	31 December 2024	30 September 2025	Fair value hierarchy
	RMB'000	RMB'000	RMB'000	RMB'000	
Financial assets					
Financial assets at FVTPL					
Wealth management products	30,168	30,774	202,275	256,344	Level 2
Financial assets at FVOCI					
Bills receivable	79,902	81,432	112,010	124,312	Level 3
Financial liabilities					
Financial liabilities at FVTPL					
Redemption liabilities	1,829,317	—	—	—	Level 3

Company

	31 December 2022	31 December 2023	31 December 2024	30 September 2025	Fair value hierarchy
	RMB'000	RMB'000	RMB'000	RMB'000	
Financial assets					
Financial assets at FVTPL					
Wealth management products	30,168	30,774	101,241	103,193	Level 2
Financial assets at FVOCI					
Bills receivable	32,098	19,189	61,179	75,738	Level 3
Financial liabilities					
Financial liabilities at FVTPL					
Redemption liabilities	1,829,317	—	—	—	Level 3

There were no transfers between level during the Track Record Period.

Fair value measurement

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instrument with significant observable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation’s findings to the directors every half-yearly to explain the causes of fluctuation in fair value.

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(i) *Fair value of the Group and the Company’s financial assets that are measured at fair value on a recurring basis*

This note provides information about how the Group and Company determines fair value of the following financial assets and financial liabilities that are measured at fair value on a recurring basis.

Group

	31 December 2022	31 December 2023	31 December 2024	30 September 2025	Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	RMB’000	RMB’000	RMB’000	RMB’000				
Financial assets								
Bills receivable	<u>79,902</u>	<u>81,432</u>	<u>112,010</u>	<u>124,312</u>	Level 3	Discounted cash flow	— Expected cash flows — Risk-adjusted discount rate	The estimated fair value would increase (decrease) if — the expected cashflows were higher (lower); or — the risk-adjusted discount rate were lower (higher)
Financial liabilities								
Redemption liabilities	<u>1,829,317</u>	<u>—</u>	<u>—</u>	<u>—</u>	Level 3	Back-solve method	— Risk-free interest rate — Volatility	The estimated fair value would increase (decrease) if — the risk-free interest rate were lower (higher); or — the volatility were higher (lower)

The sensitivity analysis on changes in fair value of the bills receivable is as follows:

A 5% decrease in expected cash flows while all other variables keep constant, would decrease the carrying amount as at 31 December 2022, 2023, 2024 and 30 September 2025 by RMB3,995,000, RMB4,072,000, RMB5,601,000 and RMB6,215,000, respectively. A 0.5% increase/decrease in risk-adjusted discount rate while all other variables keep constant, would not vary the carrying amount as at 31 December 2022, 2023, 2024 and 30 September 2025.

The sensitivity analysis on changes in fair value of the redemption liabilities is as follows:

A 5% increase/decrease in risk-free interest rate while all other variables keep constant, would decrease/increase the carrying amount as at 31 December 2022 by RMB102,000/RMB102,000. A 5% increase/decrease in volatility while all other variables keep constant, would decrease/increase the carrying amount as at 31 December 2022 by RMB422,000/RMB390,000.

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Details of reconciliation of financial assets at FVOCI measured at Level 3 fair value measurement are set out as below:

	Year ended 31 December			Nine months ended 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January	69,562	79,902	81,432	112,010
Origination.	333,505	626,883	490,247	455,278
Settlement	(323,165)	(625,353)	(459,669)	(442,976)
As at 31 December.	<u>79,902</u>	<u>81,432</u>	<u>112,010</u>	<u>124,312</u>

Company

	31 December 2022	31 December 2023	31 December 2024	30 September 2025	Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	RMB'000	RMB'000	RMB'000	RMB'000				
Financial assets								
Bills receivable	<u>32,098</u>	<u>19,189</u>	<u>61,179</u>	<u>75,738</u>	Level 3	Discounted cash flow	— Expected cash flows — Risk-adjusted discount rate	The estimated fair value would increase (decrease) if — the expected cashflows were higher (lower); or — the risk-adjusted discount rate were lower (higher)

Financial liabilities

Redemption liabilities	<u>1,829,317</u>	<u>—</u>	<u>—</u>	<u>—</u>	Level 3	Back-solve method	— Risk-free interest rate — Volatility	The estimated fair value would increase (decrease) if — the risk-free interest rate were lower (higher); or — the volatility were higher (lower)

The sensitivity analysis on changes in fair value of the bills receivable is as follows:

A 5% decrease in expected cash flows while all other variables keep constant, would decrease the carrying amount as at 31 December 2022, 2023, 2024 and 30 September 2025 by RMB1,605,000, RMB959,000, RMB3,059,000 and RMB3,787,000 respectively. A 0.5% increase/decrease in risk-adjusted discount rate while all other variables keep constant, would not vary the carrying amount as at 31 December 2022, 2023, 2024 and 30 September 2025.

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The sensitivity analysis on changes in fair value of the redemption liabilities is as follows:

A 5% increase/decrease in risk-free interest rate while all other variables keep constant, would decrease/increase the carrying amount as at 31 December 2022 by RMB102,000/RMB102,000. A 5% increase/decrease in volatility while all other variables keep constant, would decrease/increase the carrying amount as at 31 December 2022 by RMB422,000/RMB390,000.

Details of reconciliation of financial assets at FVOCI measured at Level 3 fair value measurement are set out as below:

	Year ended 31 December			Nine months ended 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January	23,637	32,098	19,189	61,179
Origination.	157,866	225,439	233,400	272,493
Settlement	(149,405)	(238,348)	(191,410)	(257,934)
As at 31 December.	32,098	19,189	61,179	75,738

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group’s and the Company’s financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings	Lease liabilities	Redemption liabilities
	RMB'000	RMB'000	RMB'000
As at 1 January 2022	137,627	96,706	504,534
Changes from cash flows:			
Proceeds from borrowings.	224,100	—	—
Repayment of borrowings	(257,046)	—	—
Interest paid for borrowings and lease liabilities	(17,454)	(2,065)	—
Payment of principal element of lease liabilities	—	(10,033)	—
Proceed from redemption liabilities	—	—	70,000
Total changes from financing cash flows:.	(50,400)	(12,098)	70,000

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	Borrowings	Lease liabilities	Redemption liabilities
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Other changes:			
Interest expense on borrowings and lease liabilities	7,575	2,065	—
New lease	—	16,651	—
Modification.	—	2,687	—
Fair value change on redemption liabilities . .	—	—	1,254,783
Exchange differences	—	2,307	—
Total other changes.	<u>7,575</u>	<u>23,710</u>	<u>1,254,783</u>
As at 31 December 2022 and			
1 January 2023	<u>94,802</u>	<u>108,318</u>	<u>1,829,317</u>
Changes from cash flows:			
Proceeds from borrowing	29,900	—	—
Repayment of borrowings	(101,953)	—	—
Interest paid for borrowings and lease liabilities	(941)	(2,835)	—
Payment of principal element of lease liabilities	—	(19,050)	—
Proceed from redemption liabilities	—	—	11,000
Total changes from financing cash flows:. . .	<u>(72,994)</u>	<u>(21,885)</u>	<u>11,000</u>
Other changes:			
Interest expense on borrowings and lease liabilities	1,269	2,835	—
New of lease	—	4,666	—
Modification.	—	12,369	—
Fair value change on redemption liabilities . .	—	—	47,747
Transfer from other payable and accrual . . .	—	—	661,200
Transfer to share capital and capital reserve. .	—	—	(2,549,264)
Exchange differences	—	5,048	—
Total other changes.	<u>1,269</u>	<u>24,918</u>	<u>(1,840,317)</u>
As at 31 December 2023	<u>23,077</u>	<u>111,351</u>	<u>—</u>
	Borrowings	Lease liabilities	Redemption liabilities
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at 1 January 2024	<u>23,077</u>	<u>111,351</u>	<u>—</u>

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	Borrowings	Lease liabilities	Redemption liabilities
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Changes from cash flows:			
Interest paid for borrowings and lease liabilities	—	(2,445)	—
Payment of principal element of lease liabilities	—	(13,692)	—
Total changes from financing cash flows: . . .	—	(16,137)	—
Other changes:			
Interest expense on borrowings and lease liabilities	966	2,445	—
Termination of lease	—	(36)	—
Exchange differences	—	(3,581)	—
Total other changes.	966	(1,172)	—
As at 31 December 2024 and			
1 January 2025	24,043	94,042	—
Changes from cash flows:			
Repayment of borrowings	(20,000)	—	—
Interest paid for borrowings and lease liabilities	(4,602)	(1,550)	—
Payment of principal element of lease liabilities	—	(12,134)	—
Total changes from financing cash flows: . . .	(24,602)	(13,684)	—
Other changes:			
Interest expense on borrowings and lease liabilities	559	1,550	—
New lease	—	2,327	—
Modification	—	8,913	—
Termination of lease	—	(585)	—
Exchange differences	—	8,443	—
Total other changes.	559	20,648	—
As at 30 September 2025.	—	101,006	—

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ACCOUNTANTS’ REPORT

	Borrowings	Lease liabilities	Redemption liabilities
	RMB'000	RMB'000	RMB'000
As at 1 January 2024	23,077	111,351	—
Changes from cash flows:			
Interest paid for borrowings and lease liabilities	—	(1,872)	—
Payment of principal element of lease liabilities	—	(10,106)	—
Total changes from financing cash flows: . . .	—	(11,978)	—
Other changes:			
Interest expense on borrowings and lease liabilities	723	1,872	—
Exchange differences	—	(457)	—
Total other changes.	723	1,415	—
As at 30 September 2024 (unaudited)	23,800	100,788	—

45. CAPITAL COMMITMENTS

The Group has capital commitments under non-cancellable contracts as follows:

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Acquisition of property, plant and equipment.	37,277	17,123	15,070	15,584
Acquisition of intangible assets	—	221	899	899
	37,277	17,344	15,969	16,483

46. RELATED PARTY TRANSACTION AND BALANCES

The related parties of the Group during the Track Record Period are as follows:

Names of related parties	Relationship
Julong Co., Ltd. (note (ii))	Then shareholder
Anhui Saizhi Bole Private Equity Fund Management Co., Ltd.	Shareholder
Bengbu Lesi	Shareholder

Note:

- (i) The English names of the related parties registered in the PRC mentioned above represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.
- (ii) As at 14 October 2022, the then shareholder ceased to be the shareholder of the Company.

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In addition to the transactions and balances disclosed in Note 29(a), 31(b) and 34(e) to the Historical Financial Information, the Group had the following significant transactions and balances with related parties during the Track Record Period:

(a) Related party transactions:

(i) Sales of current sensor

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
A then shareholder of the Company	925	—	—	—	—
Associate	—	—	—	—	35
	925	—	—	—	35

(ii) Interest expense on amount due to a director

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
A director of the Company	629	96	—	—	—
	629	96	—	—	—

(b) Related party balances:

As at the end of each reporting period, the Group had balances with related parties as follows:

	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivable Associate	—	—	—	40
Other receivable and deposit paid Shareholders				
— Non-trade balances (note (a))	500	—	—	—
Key management personnel				
— Non-trade balances (note (b))	1,559	126	88	—
	2,059	126	88	40

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	As at 31 December			As at 30 September
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Due to:				
Shareholder				
— Non-trade balances (<i>note (a)</i>)	2,618	2,618	2,618	—
	2,618	2,618	2,618	—

Notes:

- (a) During the year ended 31 December 2022, 2023 and 2024, the amount due from and due to shareholders is interest free, unsecured and repayment on demand.
- (b) During the Track Record Period, the amount due from key management personnel is interest free, unsecured and repayment on demand.

(c) Compensation of key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

The remuneration of the directors of the Company and other members of key management of the Group during the Track Record Period were as follows:

	Year ended 31 December			Nine months ended 30 September	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Directors’ fee, salaries, bonus and other benefits.	3,159	4,529	5,603	3,900	4,113
Retirement benefit scheme contributions.	130	156	174	129	133
Share-based payment	45	397	823	590	700
	3,334	5,082	6,600	4,619	4,946

Note: The remuneration of key management is determined with reference to the performance of the individuals and market trends.

47. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 September 2025.

48. EVENT AFTER THE REPORT PERIOD

[Saved as disclosed elsewhere in the Historical Financial Information, no material subsequent events undertaken by or impacted on the Group or the Company subsequent to 30 September 2025 and up to the date of this report.]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX IIA

[REDACTED]

[•]

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TAXATION AND FOREIGN EXCHANGE

TAXATION OF SECURITY HOLDERS

Income tax and capital gains tax of holders of the H shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of the H shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, and has not taken in to account the expected change or amendment to the relevant laws or policies and does not constitute any opinion or advice. The discussion does not deal with all possible tax consequences relating to an investment in the H shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in the H shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change or adjustment and may have retrospective effect.

This discussion does not address any aspects of PRC taxation other than income tax, capital gains tax, value-added tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisers regarding the PRC and other tax consequences of owning and disposing of the H shares.

TAXATION IN MAINLAND CHINA

Tax on Dividends

Individual investors

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the “**IIT Law**”), latest amended by the SCNPC on August 31, 2018 and effective on January 1, 2019, and the Implementation Rules of the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法實施條例》) amended by the State Council on December 18, 2018 and effective on January 1, 2019, dividends paid by PRC companies are subject to PRC withholding tax at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to a withholding tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to the Notice of the STA on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document (Guo Shui Fa [1993] No. 045) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the STA on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the excessive withholding amount will be refunded. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the individual income tax at the effective tax rate agreed, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold individual income tax at a rate of 20%.

Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion**”

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with respect to Taxes on Income”), signed by the Mainland of China and the Hong Kong Special Administrative Region on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》) (the “**Fifth Protocol**”), issued by the STA and effective on December 6, 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) promulgated by the SCNPC, latest amended and implemented on December 29, 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council, latest amended on December 6, 2024 and became effective on January 20, 2025, a non-resident enterprise is subject to a 10% enterprise income tax on PRC-sourced income, including dividends paid by a PRC resident enterprise that issues and lists shares in Hong Kong, if such non-resident enterprise does not have an establishment or place of business in the PRC or has an establishment or place of business in the PRC but the PRC-sourced income is not actually connected with such establishment or place of business in the PRC. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, and the payer shall be the withholding agent, and the tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation.

Pursuant to the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the STA and effective on November 6, 2008, a PRC resident enterprise is required to withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise holders of H Shares which are derived out of profit generated since 2008.

According to the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《對所得避免雙重徵稅和防止偷漏稅的安排》), the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. Non-resident enterprises entitled

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to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Tax on Gains from Share Transfer

Individual Investors

According to the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Under the Circular on Declaring that Individual Income Tax Continues to Be Exempted over Individual Income Tax from Transfer of Shares (Cai Shui Zi[1998]No.61) (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) joint issued by the MOF and SAT on March 30, 1998 and effective on the same date, from January 1, 1997, gains of individuals from the transfer of shares of listed companies continue to be exempted from individual income tax. The SAT has not clearly specified in the latest revision of the IIT Law and its implementation rules whether gains from the transfer of shares in listed companies will continue to be exempt from personal income tax.

As of the Latest Practicable Date, there are no specific regulations stipulating the imposition of personal income tax on the gains from the sale of shares in PRC resident enterprise listed on overseas stock exchanges (such as the Hong Kong Stock Exchange) by non-PRC resident individual shareholders.

Enterprise Investors

In accordance with the EIT Law and its implementation rules, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Taxation Policy of Shanghai-Hong Kong Stock Connect

Under the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui[2014]No. 81) (《財政部、國家稅務總局、中國證券監督管理委員會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) which came into effect on November 17, 2014, for dividends and bonus obtained by mainland individual investors investing in H shares listed on the Hong Kong Stock Exchange (the “**HKSE**”) through Shanghai-Hong Kong Stock Connect, the H-share companies shall apply to the China Securities Depository and Clearing Corporation Limited (the “**CSDC**”) for provision by CSDC to the H-share companies register of individual investors in Mainland China, and the H-share companies shall withhold individual income tax at the rate of 20%.

Income from share dividend derived by Mainland China corporate investors from investment in shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect shall be included in their total income and be subject to enterprise income tax pursuant to the law. Income from share dividend derived by a Mainland China resident enterprise for holding H shares over 12 consecutive months shall be exempted from enterprise income tax pursuant to the law. The H shares

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company is not required to withhold income tax on share dividend for its Mainland China corporate investors, and the corporate investors shall make declaration and payment for the tax payable amount voluntarily.

Pursuant to the Announcement on Continuing the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mutual Recognition of Funds between Mainland China and Hong Kong (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) which promulgated on August 21, 2023 and implemented on the same date, the transfer spread income derived by mainland individual investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall continue to be exempted from individual income tax until December 31, 2027.

Taxation Policy of Shenzhen-Hong Kong Stock Connect

Under the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui[2016]No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) which came into effect on December 5, 2016, for dividends and bonus income obtained by mainland individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-share companies shall apply to CSDC for provision by CSDC to the H-share companies register of individual investors in Mainland China, and individual income tax shall be withheld by H-share companies at the tax rate of 20%.

Income from dividends and bonuses derived by a corporate investor in Mainland China from investment in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect shall be included in the total income amount, and subject to enterprise income tax pursuant to the law. Income from dividends and bonuses derived by a Mainland China resident enterprise for H shares held for 12 months consecutively shall be exempted from enterprise income tax pursuant to the law. The H shares company shall not withhold income tax on dividends and bonuses for corporate investors in Mainland China, and the tax payable amount shall be declared and paid by the corporate investor.

Pursuant to the Announcement on Continuing the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mutual Recognition of Funds between Mainland China and Hong Kong (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) which promulgated on August 21, 2023 and implemented on the same date, the transfer spread income derived by mainland individual investors from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect shall continue to be exempted from individual income tax until December 31, 2027.

Stamp Duty

According to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), which was promulgated on June 10, 2021 and came into effect on July 1, 2022, PRC stamp duty only applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the Latest Practicable Date, no estate duty has been levied in the PRC under the PRC laws.

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MAJOR TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to the EIT Law and its implementation rules, all the domestic enterprises in China (including foreign-invested enterprises) shall be subject to enterprise income tax at the uniform tax rate of 25%.

According to the Administrative Measures for Determination of High and New Tech Enterprises (《高新技術企業認定管理辦法》), which was promulgated by the Ministry of Science and Technology, the MOF and the STA on April 14, 2008, amended on January 29, 2016 and became effective on January 1, 2016, an enterprise recognized as a high and new technology enterprise may apply for a preferential enterprise income tax rate of 15% pursuant to the relevant requirements of the Enterprise Income Tax Law.

According to the Announcement of the Ministry of Finance and the State Taxation Administration on the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households (《財政部、國家稅務總局關於小微企業和個體工商戶所得稅優惠政策的公告》), which was promulgated on March 26, 2023, the annual taxable income of a small low-profit enterprise that is not more than 1 million yuan shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%. According to the Announcement of the Ministry of Finance and the State Taxation Administration on the Relevant Tax and Fee Policies for Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households (《財政部、國家稅務總局關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》), which was promulgated on August 2, 2023, the taxable income of a small low-profit enterprise shall be calculated at the reduced rate of 25%, and the policy of payment of enterprise income tax at the rate of 20% shall continue to be implemented until December 31, 2027.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council, last amended and became effective on November 19, 2017 and the Implementation Rules for the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF and latest amended on October 28, 2011 and became effective on November 1, 2011, all entities and individuals in the PRC engaging in the sale of goods, providing processing, repair and assembly services or importation of goods in the PRC shall be taxpayers of Value-added Tax (the “VAT”) and shall pay VAT. The rate of VAT for taxpayers on sale and importation of goods, as well as providing processing, repair and assembly services in the PRC is 17%, unless otherwise specified, while in some specific circumstances, the rate of VAT may be 11%, 6%, 0%.

In accordance with Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), which was issued on April 4, 2018 and implemented on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16%, 10%.

According to Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) promulgated by the MOF, the STA and the General Administration of Customs on March 20, 2019 and implemented on April 1, 2019, for general VAT payers’ sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

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On December 25, 2024, the SCNPC promulgated the VAT Law (《增值稅法》), which will come into effective on January 1, 2026, and replace the Provisional Regulations on Value-added Tax of the PRC. According to the VAT Law, entities and individuals (including individual businesses) that sell goods, services, intangible assets, real estate, and imports goods in the PRC are taxpayers of VAT and shall pay VAT in accordance with the provisions of this law. The rate of VAT for taxpayers on sale of goods, processing, repair and assembly services, tangible movable property leasing services, and importation of goods is 13%, while in some specific circumstances, the rate of VAT may be 9%, 6%, 0%.

FOREIGN EXCHANGE ADMINISTRATION IN THE PRC

The lawful currency of the PRC is the Renminbi. Authorized by the PBOC, the SAFE is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regulations.

Pursuant to the Regulations of the People’s Republic of China on Foreign Exchange Control (《中華人民共和國外匯管理條例》) amended by the State Council and became effective on August 5, 2008, all international payments and transfers are classified into current account items and capital account items. The PRC does not impose restrictions on international payments and transfers under current account items. Foreign exchange income from the current account of PRC enterprises may be retained or sold to financial institutions engaged in the settlement and sale of foreign exchange in accordance with relevant provisions of the State. The retention or sale of foreign exchange receipts under capital accounts to financial institutions engaging in settlement and sale of foreign exchange shall be subject to the approval of foreign exchange administrative authorities, unless otherwise stipulated by the State.

Pursuant to the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996, the remaining restrictions on convertibility of foreign exchange in respect of current account items are abolished while the existing restrictions on foreign exchange transactions in respect of capital account items are retained.

According to relevant laws and regulations of the PRC, PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign-invested enterprise that need to distribute profits to their shareholders in foreign exchange and Chinese enterprise that need to pay fixed dividends in foreign exchange in accordance with the requirements shall pay from its foreign exchange account or pay at the designated foreign exchange bank by a resolution of the board of directors on the distribution of profits.

According to the Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State Council and effective on October 23, 2014, the administrative approval of the SAFE and its branches on matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing has been canceled.

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According to the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control Pertaining to Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE on December 26, 2014, a domestic company shall complete registration formalities for overseas listing with the SAFE’s local branch at its place of registration within 15 working days from completion of issuance for its overseas listing. Funds raised from overseas listing of a domestic company may be repatriated to China or deposited overseas, and the usage of funds shall be consistent with the relevant contents set out in the document or disclosure documents such as the corporate bonds offering documentation, shareholders’ circular and the board of directors or shareholders’ general meeting resolution.

According to the Notice of the State Administration of Foreign Exchange on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated by the SAFE on June 9, 2016, domestic institutions may settle their foreign exchange receipts under the capital account (including repatriated funds raised through overseas listing) entitled to discretionary settlement according to relevant policies with banks as actually needed for business operation. Domestic institutions may, at their discretion, settle up to 100% of their foreign exchange receipts under the capital account for the time being. The SAFE may adjust the aforesaid proportion in due time in light of the balance of payment.

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This Appendix summarizes certain aspects of PRC laws and regulations which are relevant to our Company’s current engagement of day to day business operation activities in the PRC. Laws and regulations relating to taxation in the PRC are discussed separately in “Appendix III — Taxation and Foreign Exchange”. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulatory provisions applicable to our Company. This summary is not intended to include all the information which is important to the potential investors. For a discussion of laws and regulations which are relevant to our Company’s business, see “Regulatory Overview” in this document.

PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) amended and came into effect on March 11, 2018 (the “**Constitution**”) and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is the signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) which was last amended on March 13, 2023 and came into effect on March 15, 2023 (the “**Legislation Law**”), the NPC and SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. The SCNPC formulates and amends the laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people’s congresses of the provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, ecological civilization development, historical and cultural protection, and grassroots governance based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions.

The standing committees of the people’s congresses of the provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval shall be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of the relevant provinces or autonomous regions. People’s congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

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The ministries and commissions of the State Council, PBOC, the National Audit Office, the subordinate institutions with administrative functions directly under the State Council, and the organizations prescribed by laws may formulate departmental rules and regulations within the permissions of their respective departments based on the laws as well as the administrative regulations, decisions and orders of the State Council.

The NPC has the power to amend or repeal any inappropriate laws enacted by the SCNPC, and to repeal any autonomous regulations and separate rules approved by the SCNPC that are in conflict with the Constitution and the Legislation Law. The SCNPC has the power to repeal any administrative regulations that are in conflict with the Constitution and the laws, and to repeal any local regulations that are in conflict with the Constitution, the laws, and the administrative regulations, and to repeal autonomous regulations and separate regulations approved by the standing committees of the people’s congresses of the relevant provinces, autonomous regions or municipalities directly under the central government as being in conflict with the Constitution and the Legislation Law. The State Council has the right to amend or repeal any inappropriate departmental and local government regulations. The people’s congresses of the provinces, autonomous regions and municipalities directly under the central government have the right to amend or repeal any inappropriate local laws or regulations promulgated or approved by their respective standing committees. The standing committees of local people’s congresses have the right to repeal any inappropriate rules promulgated by the people’s governments at the same level, and the people’s governments of provinces and autonomous regions have the right to amend or repeal any inappropriate rules promulgated by the people’s governments at lower levels.

Pursuant to the Resolution of the SCNPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, in cases where the scope of provisions of laws or decrees needs to be further defined or additional stipulations need to be made, the SCNPC shall provide interpretations or make stipulations by means of decrees. Issues related to the application of laws in a court trial should be interpreted by the Supreme People’s Court, issues related to the application of laws in a prosecution process of the procuratorate should be interpreted by the Supreme People’s Procuratorate, and issues related to the application of laws other than in a court trial or in a prosecution process of the procuratorate should be interpreted by the State Council and the competent authorities. At the regional level, the power to interpret regional regulations is vested in the regional legislative and administrative authorities which promulgate such regulations.

PRC JUDICIAL SYSTEM

According to the Constitution and the Law of Organization of the People’s Court of the PRC (《中華人民共和國人民法院組織法》) amended by the SCNPC on October 26, 2018 and becoming effective on January 1, 2019, the people’s courts of the PRC are divided into the Supreme People’s Court, the local people’s courts at all levels and special people’s courts. The local people’s courts at all levels are divided into three levels, namely, the basic people’s courts, the intermediate people’s courts and the higher people’s courts. The basic people’s courts may set up certain people’s tribunals based on the status of the region, population and cases. The Supreme People’s Court shall be the highest judicial organ of the state. The Supreme People’s Court shall supervise the administration of justice by the local people’s courts at all levels and by the special people’s courts. The people’s courts at a higher level shall supervise the judicial work of the people’s courts at lower levels.

The people’s courts employ a two-tier appellate system, i.e., judgments or rulings of the second instance at the people’s courts are final. A party may appeal against the judgment or ruling of the first instance of a local people’s courts. The people’s procuratorate may present a protest to the people’s courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people’s procuratorate within the stipulated period,

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the judgments or rulings of the people’s courts are final. Judgments or rulings of the second instance of the intermediate people’s courts, the higher people’s courts and the Supreme People’s Court and those of the first instance of the Supreme People’s Court are final. However, if the Supreme People’s Court finds any definite errors in a legally effective final judgment or ruling of a people’s court at any lower level, the people’s courts at the next higher level finds any definite errors in a legally effective final judgment or ruling of the people’s court at a lower level, or if the chief judge of a people’s court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the “**Civil Procedure Law**”) latest amended on September 1, 2023 and took effect on January 1, 2024, prescribes the conditions for instituting a civil action, the jurisdiction of the people’s court, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally under the jurisdiction of the court located in the defendant’s place of domicile. The litigants of a contract dispute or other property rights dispute may agree in writing on selection of the People’s Court at the location of the Defendant’s domicile, place of performance of contract, place of execution of contract, address of the Plaintiff, location of the subject matter, etc. or a venue which has actual connection with the dispute to be the People’s Court which has jurisdiction, but shall not violate the provisions of the Civil Procedure Law on grade jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a people’s court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the People’s court of PRC may apply the same limitations to the citizens or enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he/she or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a people’s court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people’s court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people’s court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people’s court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people’s court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. The laws governing the suspension or interruption of the statute of limitations shall apply to the suspension or interruption of the statute of limitations for the application for enforcement. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment against such party.

Where a party requests for enforcement of an effective judgment or ruling made by a people’s court, but the opposite party or his property is not within the territory of the People’s Republic of China, the party may directly apply to the foreign court with jurisdiction for recognition and enforcement of the judgment or ruling, or the people’s court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or according to the principle of reciprocity, request for recognition and enforcement by the foreign court. Similarly, for an effective judgment or ruling made by a foreign court that requires recognition and enforcement

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by a people’s court of the PRC, a party may directly apply to an intermediate people’s court of the PRC with jurisdiction for recognition and enforcement of the judgment or ruling, or the foreign court may, in accordance with the provisions of international treaties to which its country and the PRC are signatories or in which its country is a participant or according to the principle of reciprocity, request for recognition and enforcement by the people’s court, unless the people’s court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security or would not be in social and public interest.

THE COMPANY LAW, TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION

A joint stock limited company established in the PRC seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations of the PRC.

The Company Law of the PRC (《中華人民共和國公司法》) (the “**Company Law**”) was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was successively revised or amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023. The latest revision of the Company Law has taken effect on July 1, 2024.

The Trial Measures for the Administration Related to the Overseas Securities Offering and Listing by Domestic Companies (the “**Trial Measures**”) and relevant guidelines promulgated by the CSRC on February 17, 2023 and came into effect on March 31, 2023, and were applicable both direct and indirect overseas share subscription and listing of domestic enterprises. The Trial Measures also set out the filing and administration methods and regulatory requirements for the overseas issuance of securities and listing of domestic enterprises.

On March 28, 2025, the CSRC promulgated the latest revised Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the “**Guidelines for Articles of Association**”), which came into effect on the same date. Pursuant to the Trial Measures and its supporting Guidelines for the Application of Regulatory Rules — Overseas Issuance and Listing Category No.1, domestic enterprises that directly issue and list overseas shall formulate articles of association and standardize corporate governance with reference to the Articles of Association Guidelines and other relevant provisions of the CSRC on corporate governance.

Set out below is a summary of the major provisions of the Company Law, the Trial Measures and the Guidelines for Articles of Association which are applicable to our Company.

General Provisions

“A joint stock limited company” means a corporate legal person incorporated in China under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they have subscribed for and the liability of a company is limited to the full value of all the property owned by it.

A company must conduct its business in accordance with laws and regulations as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint liabilities associated with the debts of the invested companies.

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Incorporation

A joint stock limited company may be established by means of promotion or stock floatation. To establish a joint stock limited company, there shall be not less than 1 but not more than 200 promoters, more than half of whom shall have their domiciles within the territory of the PRC.

Where a joint stock limited company is to be established by means of promotion, promoters shall fully subscribe for the shares that shall be issued at the time of the establishment of the company as provided for in the articles of association. If a joint stock limited company is to be established by means of stock floatation, the promoters shall subscribed for not less than 35% of the total shares that shall be issued at the time of the establishment of the company as provided for in the articles of association; however, where laws and administrative regulations provide otherwise, such provisions shall prevail.

Promoters of a joint stock limited company established by means of stock floatation shall, within 30 days after full payment has been made for the shares to be issued at the time of establishment, hold an establishment meeting of the company. The promoters shall notify each subscriber of the date of the meeting or make a public announcement 15 days before the meeting is held. The establishment meeting may not be held unless the subscribers who hold more than half of the voting rights attend the meeting. Where a joint stock limited company is established by means of promotion, the convening and voting procedures for the establishment meeting shall be prescribed by the articles of association of the company or the agreement of the promoters.

The establishment meeting of a company shall exercise the following functions and powers:

- (i) deliberating on the report on the preparations for establishment of the company by promoters;
- (ii) adopting the articles of association;
- (iii) electing directors and supervisors;
- (iv) reviewing the expenses for the establishment of the company;
- (v) reviewing the valuations of the non-monetary property contributed by the promoters; and
- (vi) where any force majeure or any major change of business conditions directly affects the establishment of the company, the resolution of not establishing the company may be made.

The resolutions made at the establishment meeting about the matters as mentioned in the preceding provision shall be adopted by the subscribers present at the meeting who represent more than half of the voting rights.

Within 30 days after the conclusion of the establishment meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after the business license has been issued by the relevant registration authority.

Registered Shares and Issue of Shares

Under the Company Law, a shareholder may make capital contributions in currency, or in kind, intellectual property, land use right, stock rights, creditor’s rights or other non-monetary property that may be assessed in currency and transferred according to law, except the property that may not be used as capital contributions according to any law or administrative regulation.

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The capital of a joint stock limited shall be divided into shares. All the shares of the company shall alternatively be shares with or without par value in accordance with the Articles of Association. Where par value shares are adopted, all the shares shall be of equal value. The company may, according to the Articles of Association, convert all the issued par value shares into no par value shares, or vice versa. Where no par value shares are adopted, more than half of the proceeds from the issuance of the shares shall be included in the registered capital.

A joint stock limited company shall make a register of shareholders and keep it in the company. The register of shareholders shall contain the following items:

- (i) name and domicile of each shareholder;
- (ii) class and number of shares subscribed for by each shareholder;
- (iii) serial number of shares if the shares are issued in paper form; and
- (iv) date on which each shareholder acquired the shares.

Shares of a joint stock limited company shall be issued under the principle of fairness and impartiality. The shares of the same class shall rank *pari passu*. Shares of the same class in the same issue shall be issued at the same price and on same conditions. The same price shall be paid for each share subscribed for by a subscriber. The issue price of par value stock may be based on the face value or exceed the face value but shall not be lower than the face value.

The Trial Measures provides that a company that offers and lists securities on overseas markets may raise funds and pay dividends in a foreign currency or Renminbi. Under certain circumstances, such as equity incentives and the acquisition of assets through the issuance of securities, a domestic enterprise is allowed to issue securities to specific domestic targets when it directly issues and lists overseas.

Under the Trial Measures, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorize the domestic company to file with the CSRC on their behalf. The term “domestic unlisted shares” in the preceding provision refers to shares offered by a domestic company but not listed or quoted for trading on any domestic trading venues. Domestic unlisted shares shall be centrally registered and deposited at a domestic securities depository and settlement agency. The registration and settlement of overseas listed shares is subject to applicable rules in overseas markets.

Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer shall file with the CSRC. If a domestic enterprise indirectly issues and is listed overseas, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

Increase in Share Capital

Pursuant to the relevant provisions of the Company Law, where a joint stock limited company intends to issue new stocks, its shareholders’ general meeting shall make a resolution about the following matters:

- (i) the class and amount of the new stocks;
- (ii) the issuing price of the new stocks;

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- (iii) the beginning and ending dates for the issuance of the new stocks;
- (iv) the class and amount of the new stocks to be issued to the original shareholders; and
- (v) if any no par value stock is issued, the proceeds from the issuance of the new stocks shall be included into the registered capital.

Where a company intends to make public offering of shares, it shall go through the registration with the securities regulatory authority of the State Council and announce the documents.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- (i) the company shall prepare a balance sheet and an inventory of property;
- (ii) the reduction of registered capital must be approved by shareholders at the shareholders’ general meeting;
- (iii) the company shall notify its creditors within ten days from the date of the resolution of the shareholders’ general meeting to reduce the registered capital and make an announcement in the newspaper or the National Enterprise Credit Information Publicity System within thirty days;
- (iv) the creditors have the right to demand the company to settle the debts or provide corresponding guarantees within thirty days from the date of receipt of the notice, or within forty-five days from the date of the announcement if the notice has not been received; and
- (v) the company shall apply to the company registration authority for change in registration.

Where a company reduces its registered capital, it shall reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless it is otherwise prescribed by any law, or is agreed upon by all the shareholders of a limited liability company or is otherwise prescribed by the Articles of Association of a joint stock limited company.

Share Buy-Back

Under the Company Law, no company may purchase its own shares except under any of the following circumstances:

- (i) where the company’s registered capital is reduced;
- (ii) where it merges with another company holding its shares;
- (iii) where its shares are used for employee stock ownership plan or equity incentives;
- (iv) where any shareholder, who raises objections to the resolution of the shareholders’ general meeting on the merger or split-up of the company, requests the company to purchase its shares;
- (v) where its shares are used for converting the corporate bonds into convertible stocks issued by the company; and
- (vi) it is necessary for a listed company to maintain its company value and its shareholders’ equity.

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Where a company purchases its own shares under any of the circumstances as mentioned in items (i) or (ii) of the preceding paragraph, a resolution of the shareholders’ general meeting shall be adopted. Where a company purchases its own shares under any of the circumstances as mentioned in items (iii), (v) or (vi) of the preceding paragraph, a resolution shall be adopted at the meeting of the board of directors with the attendance of not less than two thirds of the directors, according to the Articles of Association or the shareholders’ general meeting of the company.

After the company purchases its own shares according to the first paragraph of this Article, the shares purchased shall be written off within ten days from the purchase date under the circumstance as mentioned in item (i); the shares shall be transferred or written off within six months under the circumstance as mentioned in item (ii) or (iv); and the shares held accumulatively by the company shall not exceed 10% of the total shares issued and be transferred or written off within three years under any of the circumstances as mentioned in item (iii), (v) or (vi).

Transfer of Shares

Shares held by a shareholder may be transferred according to the law. Under the Company Law, the share transfer by a shareholder shall be conducted on a lawfully established stock exchange or by any other means as prescribed by the State Council. The stocks shall be transferred by a shareholder in the form of endorsement or by any other means prescribed by the relevant laws or administrative regulations. After the transfer, the company shall record the name and domicile of the transferee in the register of shareholders. The register of shareholders shall not be modified within 20 days before any shareholders’ general meeting is held, or within 5 days prior to the benchmark date decided by the company for the distribution of dividends. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the modification of the register of shareholders of a listed company, such provisions shall prevail.

Under the Company Law, the shares issued before a company makes a public offering of shares shall not be transferred within 1 year from the day when the stocks of the company are listed and traded on the stock exchange. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the transfer of shares held by the shareholders or actual controllers of a listed company, such provisions shall prevail.

The directors, supervisors and senior executives of the company shall declare to the company the shares they hold and the changes thereof. During the term of office as determined when they assume the posts, the shares transferred each year shall not exceed 25% of the total shares they hold of the Company. The shares of the Company held by them shall not be transferred within 1 year from the day when the stocks of the company are listed and traded on the stock exchange. Any of the aforesaid persons shall not transfer the shares of the Company held within six months after he/she leaves office. Any other restrictions on the transfer of Company shares held by directors, supervisors or senior executives may be specified in the Articles of Association.

Where the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee may not exercise the pledge right within such restricted period.

Shareholders

Under the Company Law and Guidelines for Articles of Association the rights of a shareholder include:

- (i) to receive dividends and other forms of distributions in proportion to their shareholdings;

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- (ii) to request the holding of, convene, preside, attend or appoint a proxy to attend shareholders’ general meetings in accordance with the laws and to exercise corresponding voting rights;
- (iii) to supervise the business operations of the company and to put forward proposals or raise inquiries;
- (iv) to transfer, assign or pledge the shares held in accordance with the laws, administrative regulations and the Articles of Association;
- (v) to inspect and duplicate the Articles of Association, register of shareholders, minutes of the shareholders’ general meeting, resolutions of the meeting of the board of directors, and financial accounting reports. Shareholders who meet the requirements may inspect the company’s accounting books and certificates;
- (vi) to participate in the distribution of the surplus assets of the company in proportion to the number of shares held in the event of the termination or liquidation of the company;
- (vii) in respect of shareholders who have objection to the resolutions of the shareholders’ general meeting on the merger and demerger of the company, to request the company to acquire their shares; and
- (viii) other rights provided by the laws, administrative regulations, departmental rules or the Articles of Association.

The obligations of a shareholder include:

- (i) to comply with the laws, administrative regulations and the Articles of Association;
- (ii) to pay subscription monies according to the number of shares subscribed and the method of subscription;
- (iii) not to withdraw their share capital unless required by the laws and regulations;
- (iv) not to abuse their shareholders’ rights to damage the interests of a company or other shareholders; not to abuse the independent legal person status of a company and the limited liability of shareholders to damage the interests of the creditors of a company; and
- (v) other obligations conferred by laws, administrative regulations and the Articles of Association.

Shareholders’ General Meetings

Under the Company Law, the shareholders’ general meeting of a joint stock limited company is made up of all shareholders. The shareholders’ general meeting is the authority of a company, which shall exercise the following functions and powers:

- (i) electing and replacing directors and supervisors and deciding on their remunerations;
- (ii) deliberating on and approving the reports of the board of directors;
- (iii) deliberating on and approving the reports of the board of supervisors;
- (iv) deliberating on and approving the plans for profit distribution and making up losses of the company;
- (v) making resolutions on the increase or decrease of the registered capital of the company;
- (vi) making resolutions on the issuance of corporate bonds;

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- (vii) making resolutions on the merger, split-up, dissolution, liquidation or change of corporate form of the company;
- (viii) amending the Articles of Association; and
- (ix) other functions and powers as prescribed in the Articles of Association.

Under the Company Law, an annual shareholders’ general meeting shall be held every year. If any of the following circumstances occurs, an interim shareholders’ general meeting shall be held within two months:

- (i) where the number of directors is less than two thirds of the number as provided for by the Company Law or the Articles of Association;
- (ii) where the unrecovered losses of the company reach one third of the total capital stock;
- (iii) where the shareholders who separately or aggregately hold 10% or more of the company’s shares so request;
- (iv) where the board of directors deems it necessary;
- (v) where the board of supervisors so proposes; or
- (vi) other circumstances as provided for in the Articles of Association.

The shareholders’ general meeting shall be convened by the board of directors and presided over by the chairman. If the chairman is unable or fails to perform his/her duties, the meeting shall be presided over by the deputy chairman. If the deputy chairman is unable or fails to perform his/her duties, the meeting shall be presided over by a director jointly elected by more than half of the directors.

If the board of directors is unable or fails to perform the duties of convening the shareholders’ general meeting, the board of supervisors shall timely convene and preside over the meeting. If the board of supervisors fails to convene and preside over the meeting, shareholders who separately or aggregately hold 10% or more of the shares of the company for 90 or more consecutive days may convene and preside over the meeting by themselves.

If the shareholders who separately or aggregately hold 10% or more of the shares of the company request to convene an interim shareholders’ general meeting, the board of directors and the board of supervisors shall, within 10 days after the receipt of such request, decide whether to hold an interim shareholders’ general meeting and reply to the shareholders in writing.

The time and place of the meeting and the matters to be deliberated shall be notified to each shareholder 20 days before a shareholders’ general meeting is held. For an interim shareholders’ general meeting, a notice shall be served 15 days in advance.

The shareholders who separately or aggregately hold 1% or more of the shares of the company may, 10 days before a shareholders’ general meeting is held, submit an interim proposal in writing to the board of directors. The interim proposal shall contain a clear topic for discussion and specific matters for resolution. The board of directors shall, within 2 days after it receives such a proposal, notify other shareholders and submit the interim proposal to the shareholders’ general meeting for deliberation, unless the interim proposal is in violation of any law, administrative regulation or the Articles of Association or fails to fall into the scope of functions of the shareholders’ general meeting. The company shall not raise the shareholding proportion of the shareholder who brings forward any interim proposal.

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Under the Company Law, a shareholder may entrust a proxy to attend a shareholders’ general meeting, and it should clarify the matters, power and time limit of the proxy. The proxy shall present a written power of attorney issued by the shareholder to a company and shall exercise his/her voting rights within the scope of authorization. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders’ general meeting.

Under the Company Law, shareholder who attends the shareholders’ general meeting has one vote for each share held by it, except the shareholders of classified shares. The company may not have a voting right for the shares it holds.

Under the Company Law and the Guidelines for Articles of Association, a resolution made at the shareholders’ general meeting shall be adopted by more than half of the voting rights held by the shareholders who attend the meeting. A resolution made at the shareholders’ general meeting on modifying the Articles of Association, increasing or reducing the registered capital as well as merger, split-up, dissolution or change of the corporate form shall be adopted by two thirds or more of the voting rights held by the shareholders who attend the meeting.

The shareholders’ general meeting may, in electing the directors or supervisors, adopt a cumulative voting system according to the Articles of Association or the resolutions of the shareholders’ general meeting. Under the cumulative voting system, when the shareholders’ general meeting elects the directors or supervisors, each share is entitled to a number of voting rights equal to the number of directors or supervisors to be elected, and shareholders can cast all their voting rights concentratedly.

The Board of Directors

Under the Company Law, a joint stock limited company shall have a board of directors, which consists of more than three members. The term of office of directors shall be prescribed in the Articles of Association, but each term shall not exceed three years. After the term of office of a director expires, he/she may be reelected to serve another term.

The board of directors shall have one chairman and may have deputy chairmen. The chairman and deputy chairmen shall be elected by more than half of all the directors. The chairman shall convene and preside over the meetings of the board of directors and check the implementation of the resolutions of the board of directors. The deputy chairman shall assist the chairman in work. If the chairman is unable or fails to perform his/her duties, the deputy chairman shall perform such duties. If the deputy chairman is unable or fails to perform his/her duties, a director jointly elected by more than half of the directors shall perform such duties.

Under any of the following circumstances, anyone may not act as a director of a company:

- (i) having no capacity for civil conduct or having limited capacity for civil conduct;
- (ii) having been sentenced to any criminal penalty due to an offence of corruption, bribery, encroachment of property, misappropriation of property or disrupting the order of the socialist market economy, or having been deprived of political rights due to a crime, where a five-year period has not elapsed since the expiration of execution period; If he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension of sentence;

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- (iii) serving as a director, factory director or manager of a company or enterprise which has been bankrupt and liquidated and being personally liable for the bankruptcy of such company or enterprise, where a three-year period has not elapsed since the completion of the bankruptcy and liquidation;
- (iv) acting as the legal representative of a company or enterprise whose business license has been revoked or which was ordered to close down due to any violation of the law and being personally liable, where a three-year period has not elapsed since the date of revocation of business license or the order for closure; or
- (v) being listed as a dishonest person subject to enforcement by the people's court due to his/her failure to pay off a relatively large amount of due debts.

The board of directors shall convene at least two meetings every year. Each meeting shall be notified to all directors and supervisors 10 days before it is held. The board of directors shall exercise the following functions and powers:

- (i) convening the shareholders' general meeting and reporting its work to the shareholders' general meeting;
- (ii) executing the resolutions of the shareholders' general meeting;
- (iii) deciding the business plans and investment scheme of the company;
- (iv) formulating the plans for profit distribution and making up for loss of the company;
- (v) formulating the plan for increasing or decreasing the registered capital, as well as the plan for issuance of corporate bonds;
- (vi) formulating the plan for merger, division, dissolution, or change of corporate form of the company;
- (vii) deciding the establishment of the internal management body of the company;
- (viii) deciding the appointment or dismissal of the manager of the company and the remuneration thereof, and, according to the nomination of the manager, deciding on hiring or dismissing deputy managers and financial director of the company as well as their remuneration;
- (ix) formulating the basic management rules of the company; and
- (x) other functions and powers specified in the Articles of Association or granted by the shareholders' general meeting.

No meeting of the board of directors may be held unless more than half of the directors are present. A resolution made by the board of directors shall be adopted by more than half of all the directors. For voting on a resolution of the board of directors, each director shall have one vote. The board of directors shall prepare minutes regarding the decisions on the matters discussed at the meetings, which shall be signed by the directors present.

The directors shall attend the meeting of the board of directors in person. Where any director is unable to attend the meeting for any reason, he/she may, by issuing a written power of attorney, entrust another director to attend the meeting on his/her behalf. The power of attorney shall indicate the scope of authorization. The directors shall be responsible for the resolutions made by the board of directors. Where a resolution of the board of directors is in violation of any law, administrative regulation, article of association or resolution of the shareholders' general meeting and causes any serious loss to the

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company, the directors who participate in adopting such resolution shall be liable for compensation to the company. If a director is proved to have expressed his/her objection to the voting on such resolution and such objection has been recorded in the minutes, he/she may be exempted from liability.

Managers and Senior Management

Under the Company Law, a joint stock limited company may have a manager, who shall be appointed or removed as decided by the board of directors. The manager shall be responsible to the board of directors and exercise his/her functions and powers according to the articles of association or the authorization of the board of directors. The manager shall attend the meetings of the board of directors as a non-voting member.

According to the Company Law, senior management refers to the company manager, deputy company manager, head of finance, secretary to the board of directors of a listed company, and any other persons as specified in the company’s articles of association.

Audit Committee

Under the Company Law, if a joint stock limited company does not have a board of supervisors, its audit committee shall consist of at least three members, and a majority of the members shall not hold any position in the Company other than that of director, and shall not have any relationship with the Company that may affect their independent and objective judgement.

Among the members of the company’s board of directors, employee representatives may serve as members of the audit committee. Resolutions of the audit committee shall be adopted by a majority of its members. In voting on audit committee resolutions, each member shall have one vote. The deliberation methods and voting procedures of the audit committee shall be specified in the company’s articles of association, unless otherwise provided by the Company Law. The company may establish other committees within the board of directors in accordance with its articles of association.

Duties of Directors and Senior Management

Directors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors and senior management shall assume the obligation of loyalty to the company and take measures to avoid the conflict between their own interests and those of the company and may not seek any improper interests by taking advantage of their powers.

The directors and senior management shall assume the duty of diligence to the company. When performing their duties, they shall, for the best interests of the company, exercise the reasonable care that shall be generally possessed by a manager.

Directors and senior management are prohibited from:

- (i) embezzling the property or misappropriating the funds of the company;
- (ii) depositing the funds of the company into an account opened in his/her own name or in the name of any other individual;
- (iii) giving bribes or accepting any other illegal proceeds by taking advantage of his/her power;
- (iv) taking commissions from the transactions between the company and any other person into his/her own pocket;
- (v) unlawfully disclosing the confidential information of the company; or

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(vi) other acts in violation of the obligation of loyalty to the company.

Where any director or senior management directly or indirectly concludes a contract or conducts a transaction with his/her company, he/she shall report the matters relating to the conclusion of the contract or transaction to the board of directors or shareholders' general meeting, which shall be subject to the resolution of the board of directors or shareholders' general meeting according to the articles of association.

Where any of the near relatives of the directors or senior management, or any of the enterprises directly or indirectly controlled by the directors or senior management or any of their near relatives, or any of the related parties who has any other related-party relationship with the directors or senior management, concludes a contract or conducts a transaction with the company, the provisions of the preceding paragraph shall apply.

No director or senior management may take advantage of his/her position to seek any business opportunity that belongs to the company for himself/herself or any other person except under any of the following circumstances:

- (i) where he/she has reported to the board of directors or the shareholders' general meeting and has been approved by a resolution of the board of directors or the shareholders' general meeting according to the articles of association; or
- (ii) where the company cannot make use of the business opportunity as stipulated by laws, administrative regulations or the articles of association.

Where any director or senior management fails to report to the board of directors or the shareholders' general meeting and obtain an approval by resolution of the board of directors or the shareholders' general meeting according to the articles of association, he/she may not engage in any business that is similar to that of the company where he/she holds office for himself/herself or for any other person.

Where any director or senior management violates any law, administrative regulation or the articles of association during the performance of duties and causes any loss to the company, he/she shall be liable for compensation.

Finance and Accounting

Under the Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each fiscal year, the company shall prepare a financial accounting report which shall be audited by an accounting firm in accordance with the law. The financial accounting report shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial department of the State Council.

The financial accounting report of a joint stock limited company shall be made available for inspection by the shareholders at the company not later than twenty days before the annual meeting of shareholders; a joint stock limited company that has publicly issued shares shall announce its financial accounting report.

The premiums received by a company from the issuance of shares at an issue price in excess of the par value of the shares, the amount of share proceeds from the issuance of no-par shares that have not been credited to the registered capital, and other items required by the financial department of the State Council to be included in the capital reserve shall be classified as the capital reserve of the company.

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The reserve of a company shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company. Where the reserve of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. Where the statutory reserve is converted to increase registered capital, the amount of such reserve retained shall not be less than 25% of the registered capital of the company prior to the conversion.

No company may keep any accounting books other than the statutory accounting books. No account shall be opened in the name of any individual for the deposit of a company's funds.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the employment or dismissal of an accounting firm undertaking a company's auditing business shall be decided by the shareholders' general meeting, the board of directors or the board of supervisors in accordance with the provisions of the company's articles of association. When a company's shareholders' general meeting, board of directors or the board of supervisors votes on the dismissal of an accounting firm, the accounting firm shall be allowed to state its own opinions. A company shall provide true and complete accounting documents, accounting books, financial accounting reports and other accounting information to the accounting firm engaged by it, and shall not refuse, conceal or misrepresent them.

The Guidelines for Articles of Association provide that the Company's engagement of an accounting firm shall be decided by the shareholders' general meeting. The board of directors shall not engage any accounting firm before the decision is made by the shareholders' general meeting. The audit fee to the accounting firm shall be decided by the shareholders' general meeting.

Profit Distribution

When a company distributes its after-tax profit for the current year, 10% of the profit shall be accrued and included in the company's statutory reserve. Such accrual is no longer required when the accumulated amount of the company's statutory reserve is 50% or more of the company's registered capital. Where the accumulative amount of the company's statutory reserve is not enough to make up for the losses of the previous year, the current year's profits shall first be used to make up for the losses before the statutory reserve is accrued according to the provisions of the preceding provision. After having accrued statutory reserves from the after-tax profits, a company can also set aside discretionary reserve from the after-tax profits upon a resolution made by the shareholders' general meeting. The residual after-tax profits after a company has made up its losses and accrued reserve shall be distributed by the company (in the case of a joint stock limited company) in proportion to the shares held by its shareholders, except as otherwise provided for in the company's articles of association. Profit shall not be distributed for a company's shares held by this company.

Where a company distributes profits to shareholders in violation of the provisions of the Company Law, the shareholders shall refund the profits distributed to the company, and the shareholders and the liable directors and senior management shall be held liable for compensation if any loss is caused to the company.

If the shareholders' general meeting resolves to distribute profits, the board of directors shall do so within six months after the resolution is made.

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Dissolution and Liquidation

According to the Company Law, a company shall be dissolved for the following reasons:

- (i) the expiration of the business period stipulated in the company’s articles of association or the occurrence of other causes of dissolution stipulated in the company’s articles of association;
- (ii) dissolution by a resolution of the shareholders’ general meeting;
- (iii) dissolution due to merger or demerger of the company;
- (iv) suspension of the business license, being ordered to close down or being revoked in accordance with the law; or
- (v) being dissolved by the People’s Court in accordance with the provisions of Article 231 of the Company Law.

If any of the situations as mentioned in the preceding paragraph arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Where the company is dissolved in accordance with sub-paragraph (i) above, it may carry on its existence by amending its articles of association or upon a resolution of the shareholders’ general meeting, which must be approved by more than two-thirds of the voting rights held by the shareholders present at the shareholders’ general meeting. Where the company is dissolved pursuant to sub-paragraphs (i), (ii), (iv) or (v) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution. The liquidation group shall be composed of the directors, unless it is otherwise provided for in the company’s Articles of Association or it is otherwise elected by the shareholders’ general meeting. The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors.

The liquidation group fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people’s court to designate relevant persons to form a liquidation group. The people’s court shall accept such requests and organize a liquidation group to carry out the liquidation in a timely manner.

The liquidation group may exercise the following functions during the period of liquidation:

- (i) liquidating the property of the company, preparing a balance sheet and an inventory of property, respectively;
- (ii) notifying the company’s creditors by mail or public announcement;
- (iii) handling and liquidating the unfinished business of the company;
- (iv) paying off the taxes overdue by the company and the taxes incurred in the process of liquidation;
- (v) liquidation of claims and debts;
- (vi) distributing the remaining property after all the debts of the company are paid off; and
- (vii) representing the company in civil litigation activities.

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The liquidation group shall notify the company’s creditors within ten days as of its formation and shall make a public announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their proofs of claim with the liquidation group within 30 days as of the receipt of the notice or within 45 days as of the issuance of the public announcement in the case of failing to receive such notice. When filing a proof of claim, the creditor shall describe the relevant matters of claim and provide the relevant evidentiary materials. The liquidation group shall register the proof of claim. During the period for filing proofs of claims, the liquidation group shall not pay off for any of the creditors.

The liquidation group shall, after liquidating the property of the company and preparing a balance sheet and an inventory of property, make a plan of liquidation and report the same to the shareholders’ general meeting or the people’s court for confirmation.

After paying off the liquidation expenses, wages of employees, social insurance premiums and statutory compensations, the outstanding taxes and the debts of the company with the property of the company, the remaining assets may, in the case of a limited liability company, be distributed in proportion to capital contributions of the shareholders, and in the case of a joint stock limited company, distributed in proportion to the shares held by the shareholders.

During the period of liquidation, the company survives, but shall not carry out any business operation unrelated to the liquidation. The property of the company shall not be distributed to the shareholders until it has been liquidated in accordance with the preceding paragraph.

Where the liquidation group finds that the property of the company are not sufficient for paying off the debts after liquidating the property of the company and preparing a balance sheet and an inventory of property, it shall file an application to a people’s court for bankruptcy liquidation in accordance with the law. After the people’s court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people’s court.

The members of the liquidation group performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation group who neglects to fulfill his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation group who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Upon completion of the liquidation of the company, the liquidation group shall produce a liquidation report, report the same to the shareholders’ general meeting or the people’s court for confirmation, and submit the same to the company registration authority to apply for deregistration of the company.

Where, after three years since the business license of a company is revoked, or the company is ordered to close down or is revoked, the company fails to apply for its deregistration with the company registration authority, the said authority may announce the company’s deregistration through the National Enterprise Credit Information Publicity System for a period of no less than 60 days. If there is no objection after the announcement period expires, the company registration authority may deregister the company.

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Overseas Listing

According to the Trial Measures, initial public offerings or listings in overseas markets shall be filed with the CSRC within 3 working days after the relevant application is submitted overseas. Subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within 3 working days after the offering is completed.

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法(2019年修訂)》) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Trial Measures, upon the occurrence of voluntary or mandatory delisting after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report thereof to CSRC within 3 working days after the occurrence and public disclosure of the event.

SECURITIES LAW AND REGULATIONS

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by Chinese companies in the mainland China or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. On March 29, 1998, the State Council consolidated the above two departments and reformed the CSRC.

The Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) promulgated by the State Council and effective on April 22, 1993 provide the application and approval procedures for the public issue of shares, trading of shares, takeover of listed companies, the deposit, settlement and transfer of listed shares, the disclosure of information by listed companies, investigation and penalties, and arbitration of disputes.

The Regulations of the State Council Concerning the Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》), which were promulgated by the State Council and came into effect on December 25, 1995, mainly provide for the issue, subscription, trading and payment of dividends of domestic listed foreign shares and disclosure of information of joint stock limited companies with domestic listed foreign shares.

The Securities Law of the People’s Republic of China (《中華人民共和國證券法》) (the “**PRC Securities Law**”), which was latest amended by the SCNPC on December 28, 2019 and came into effect on March 1, 2020, provides a series of provisions regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council’s securities regulatory authorities in the PRC, and comprehensively regulates activities in the PRC securities market. The PRC Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the PRC or listing and trading its securities outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

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Arbitration and Enforcement of Arbitral Awards

Under the Arbitration Law of the People’s Republic of China (《中華人民共和國仲裁法》) (the “**Arbitration Law**”), amended by the SCNPC on September 1, 2017 and effective on January 1, 2018, the Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the Arbitration Law. An arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with relevant regulations under the Arbitration Law and the PRC Civil Procedure Law. Where the disputing parties have reached an arbitration agreement and one party applies to the People’s Court to have the case heard, the People’s Court shall not deal with this, except if the arbitration agreement is invalid.

Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people’s court for enforcement according to the PRC Civil Procedure Law. A people’s court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the making of an award on matters beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission). Where a party applies for enforcement of an arbitral award made in the PRC pursuant to the law which has come into legal effect, and the person subject to enforcement or its properties are not located in the PRC, the party may apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the people’s court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

According to the Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People’s Court on January 24, 2000 and effective on February 1, 2000, and the Supplementary Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People’s Court on November 26, 2020 and effective on November 27, 2020, awards made by PRC arbitral authorities can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial Judgment and its Enforcement

Under the Supreme People’s Court’s Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People’s Court on July 3, 2008 and effective on August 1, 2008 and was abolished on January 29, 2024, as for an enforceable final judgment made by a court in Mainland China or Hong Kong court concerning a civil and commercial case under a written agreement on jurisdiction, in which payment must be made, the party concerned may, under the Arrangement, apply to a court in Mainland China or a Hong Kong court for recognition and enforcement. The term “written agreement on jurisdiction” refers to agreements clearly stipulated in written form by parties concerned that a court in Mainland China or Hong Kong court has sole jurisdiction as to the effectiveness of the Arrangement, so as to settle disputes relevant to a certain legal relationship that has either arisen or might arise. Therefore, the party concerned may apply to the court in Mainland China

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or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in Mainland China or Hong Kong that meet certain conditions of the aforementioned regulations.

On January 25, 2024, the Supreme People’s Court promulgated the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**New Arrangement**”), which takes into effect on January 29, 2024 and seeks to establish a mechanism with further clarification on and certainty for recognition and enforcement of judgements in a wider range of civil and commercial matters between Hong Kong Special Administrative Region and the China.

LAWS AND REGULATIONS ON FOREIGN INVESTMENT

The establishment, operation, and governance of Chinese corporate entities are regulated by the Company Law of the People’s Republic of China (“**PRC Company Law**”), which was promulgated by the Standing Committee of the National People’s Congress (“**NPC Standing Committee**”) on December 29, 1993, latest amended on December 29, 2023, and took effect on July 1, 2024. Both limited liability companies and joint stock limited companies incorporated in China are subject to the PRC Company Law. Unless otherwise stipulated by foreign investment laws, foreign-invested enterprises are also governed by the PRC Company Law.

The Foreign Investment Law of the PRC, which was promulgated by the NPC on March 15, 2019 and implemented on January 1, 2020, establishes the management system for pre-access national treatment and negative list for foreign investment in the PRC. Pre-access national treatment means that foreign investors and their investments shall be treated no less favorably than domestic investors and their investments at the stage of investment access; negative list refers to the special administrative measures for access of foreign investment in specific fields as prescribed by the PRC. The PRC gives national treatment to foreign investment outside the negative list. In addition, the Regulation for Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**Implementation Regulations**”), which was promulgated by the NPC on December 26, 2019 and came into effect on January 1, 2020, further stipulates that the PRC shall, according to the needs of national economic and social development, formulate a catalogue of encouraged foreign-invested industries, and specify the specific industries, fields and regions in which foreign investors are encouraged and guided to invest.

The National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM) jointly revised and issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 version) (《外商投資准入特別管理措施(負面清單) (2024年版)》) (the “**Negative List**”) on September 6, 2024, which came into effect on November 1, 2024, to replace the previous negative list. Domestic enterprises engaged in business activities within the prohibited sectors on the Negative List that seek to issue and list securities overseas must obtain prior approval from the relevant state authorities. For such enterprises, overseas investors shall not participate in corporate management, and their shareholding ratio shall be implemented with reference to the relevant regulations governing overseas investors’ securities investments in the mainland market.

Pursuant to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) jointly promulgated by the NDRC and the MOFCOM on December 19, 2020 and effective from January 18, 2021, foreign investments that affect or may affect national security are subject to security review in accordance with the said Measures. Foreign investors or relevant domestic affiliate shall proactively file an application with the working mechanism office before they conduct any investment

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into any of the following fields: (1) investment in the military industry or military-related industry, and investment in areas in proximity of defense facilities or military establishment; and (2) investment in any important agricultural product, important energy and resources, critical equipment manufacturing, important infrastructure, important transportation services, important cultural products and services, important information technologies and internet products and services, important financial services, critical technologies and other important fields which concern the national security where actual control over the invested enterprise is obtained.

LAWS AND REGULATIONS ON IMPORT AND EXPORT TRADE

Pursuant to PRC Customs Law (《中華人民共和國海關法》) promulgated on January 22, 1987, and latest amended on April 29, 2021, for import and export goods, unless otherwise stipulated, the consignee or consignor of import and export goods may go through customs declaration and tax payment formalities by himself, or may entrust the customs declaration enterprise to go through customs declaration and tax payment formalities. The consignee or consignor of import and export goods and the customs declaration enterprise shall file the customs declaration formalities with the customs in accordance with the law.

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the Standing Committee of the NPC on May 12, 1994, and latest amended on December 30, 2022 and the Regulations on the PRC on the Administration of the Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) issued by the State Council on December 10, 2001, last amended on March 10, 2024 and took effect on May 1, 2024, no entity or individual may impose or maintain any prohibition or restriction on the import or export of goods except for the goods which is explicitly prohibited or restricted by laws or administrative regulations.

Pursuant to the Provisions on the Registration of Customs Declaration Entities of the People’s Republic of China (《中華人民共和國海關報關單位備案管理規定》) which was promulgated by the General Administration of Customs (the “GAC”) on November 19, 2021 and took effect on January 1, 2022, the consignee or consignor of imported or exported goods or a customs declaration enterprise needs only to apply for record-filing to the customs, with no registration with the GAC necessary any longer. The record-filing information shall be made public via the Import and Export Credit Information Publicity Platform of the Customs of China.

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994, and latest amended on December 30, 2022, the requirements for foreign trade operators engaging in goods or technology import and export to go through the record-filing registration with the foreign trade department of the State Council or its authorized agencies have been abolished.

LAWS AND REGULATIONS ON TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) promulgated by the SCNPC, latest amended and implemented on December 29, 2018 and the Implementation Regulations for the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council, latest amended on December 6, 2024 and implemented on January 20, 2025, the unified enterprise income tax rate is 25%. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishments or premises in the PRC but there is no actual relationship between the relevant income derived and the established institutions or premises set up by

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them, enterprise income tax is set at the rate of 10% with respect to their income sourced from the PRC. A uniform 25% enterprise income tax rate is imposed to both foreign invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. The recognized high-tech enterprises will enjoy a reduced tax rate of 15% for Enterprise Income Tax.

Value-Added Tax

Pursuant to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council and was latest amended and implemented on November 19, 2017, and the Implementation Rules for the Provisional Regulations the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance and was latest amended on October 28, 2011 and effective from November 1, 2011, entities and individuals engaging in selling goods, providing processing, repairing or replacement services or importing goods within the territory of the PRC are taxpayers of the value-added tax (“VAT”), and are subject to VAT. Unless otherwise specified, the tax rate for taxpayers selling or importing goods and providing processing, repairing and replacement services within China is 17% and 11%, 6% and 0% under certain specific circumstances.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-Added Tax Rates, which was issued on April 4, 2018 and implemented on May 1, 2018, the taxpayers with regard to the occurrence of value-added tax taxable sales or imported goods, that were originally applied to the tax rates of 17% and 11%, the tax rates were adjusted to 16% and 10% respectively.

According to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform, issued by Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on March 20, 2019 and implemented on April 1, 2019, the ordinary value-added tax taxpayers with regard to the occurrence of value-added tax taxable sales or imported goods that were originally applied to the tax rate of 16%, the tax rate were adjusted to 13%; if they were originally applied to the tax rate of 10%, the tax rate were adjusted to 9%.

On December 25, 2024, the SCNPC issued the VAT Law of the PRC (the “VAT Law”) will come into effect on January 1, 2026, and the Provisional Regulations of the PRC on Value-added Tax will be abolished at the same time. According to the VAT Law, entities and individuals (including individual industrial and commercial households) who sell goods, services, intangible assets, real estate and import goods within the PRC are taxpayers of value-added tax and shall pay VAT in accordance with the law. Unless otherwise specified, the tax rate for taxpayers selling goods and providing processing, repairing and replacement services, leasing services of tangible movable property and importing goods is 13% and 9%, 6% and 0% under certain specific circumstances.

LAWS AND REGULATIONS ON FOREIGN EXCHANGE

According to the Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) latest amended by the State Council on August 5, 2008, the regulations apply to the foreign exchange receipts and payments or foreign exchange business activities of domestic institutions and domestic individuals, as well as the foreign exchange receipts and payments or foreign exchange business activities of overseas institutions and foreign individuals in China.

According to the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) announced by the SAFE on December 26, 2014, the SAFE and its branch

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offices and administrative offices shall oversee, regulate and inspect domestic companies regarding their business registration, opening and use of accounts, trans-border payments and receipts, exchange of funds and other conduct involved in overseas listing. Domestic company shall, within 15 working days upon the end of its public offering overseas, handle registration formalities for overseas listing with the foreign exchange authority at its place of registration with the relevant materials.

According to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by SAFE on June 9, 2016, the relevant policies have clearly implemented foreign exchange income from capital account (including foreign exchange capital, foreign debt funds and funds transferred from overseas listing, etc.) that will be settled in banks according to the actual operating needs of domestic institutions. If there are restrictive provisions on the settlement of foreign exchange income from capital account of domestic institutions in current laws and regulations, such provisions shall prevail.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their funds received by way of capital contribution, foreign debts and overseas listing, with no need to provide the evidentiary materials concerning authenticity of such payment to banks on a case-by-case basis in advance, provided that their capital use shall be authentic and compliant, and conform with the prevailing administrative regulations on the use of income under capital accounts. According to the Circular on Further Deepening the Reform to Facilitate Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) issued by the SAFE on December 4, 2023, foreign exchange funds raised by domestic enterprises through overseas listing, may be directly remitted to the settlement account of capital accounts. Funds in the settlement account of capital accounts may be settled and used at discretion.

LAWS AND REGULATIONS ON OVERSEAS SECURITIES ISSUANCE AND LISTING BY DOMESTIC ENTERPRISES

Laws and Regulations on Securities

The Securities Law of the People’s Republic of China (《中華人民共和國證券法》, the “**Securities Law**”) which was latest amended by the SCNPC on December 28, 2019 and became effective on March 1, 2020, comprehensively regulate the activities of the domestic securities market in China, including the issuance and trading of securities, the acquisition of listed companies, information disclosure, investor protection, securities trading venues, securities companies, securities registration and clearing institutions, securities service institutions, securities industry associations and securities regulatory authorities, etc. The Securities Law further stipulates that domestic enterprises directly or indirectly issuing securities overseas or listing their securities overseas shall comply with the relevant regulations of the State Council. If domestic company shares are subscribed and traded in foreign currencies, the specific measures shall be separately stipulated by the State Council. The CSRC is a securities regulatory agency established by the State Council, which is responsible for supervising and managing the securities market according to law, maintaining market order and ensuring the legal operation of the market.

Overseas Listing

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Measures**”) and relevant guidelines, which took effect on March 31, 2023. According

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to the Trial Measures, if an enterprise in China directly or indirectly issues or lists shares overseas, it shall file with the CSRC within 3 working days after submitting the application documents for issuance and listing overseas; no overseas offering and listing shall be made under any of the following circumstances: where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; where the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or have undermined the order of socialist market economy during the latest three years; the domestic company intending to make the securities offering and listing is currently under investigation for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; there are material ownership disputes over equity held by controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and actual controller.

According to the Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the **“Provisions on Strengthening Confidentiality and Archives Administration”**) jointly issued by the CSRC and other relevant departments on February 24, 2023, which took effect on March 31, 2023, in the course of overseas issuance and listing of domestic enterprises, domestic enterprises and securities companies and securities service agencies which provide the corresponding services shall strictly comply with the relevant laws and regulations of the PRC and the requirements of the Provisions on Strengthening Confidentiality and Archives Administration, strengthen legal awareness of confidentiality of state secrets and archives administration, establish a sound system for confidentiality and archives work, adopt the requisite measures to perform the responsibilities of confidentiality and archives administration, and shall not divulge state secrets and work secrets of state agencies or harm state and public interests. To provide or publicly disclose to the relevant securities companies, securities service agencies, overseas regulatory authorities and other entities and individuals, or to provide or publicly disclose, through its overseas listing entities, any document or data involving state secrets or work secrets of state agencies, a domestic enterprise shall apply to the competent department with examination and approval authority for approval in accordance with the law, and file the same with the secrecy administration at the same level for the record. To provide or publicly disclose to the relevant securities companies, securities service agencies, overseas regulatory authorities and other entities and individuals, or to provide or publicly disclose, through its overseas listing subjects, other documents and materials, the disclosure of which will cause adverse impact on the national security or public interests, a domestic enterprise shall strictly go through the corresponding procedures pursuant to the relevant provisions of the state.

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This appendix primarily provides investors with the overview of the Articles of Association (draft) adopted in July 2025, which shall become effective on the date of the Company’s [REDACTED] of H shares and [REDACTED] on the Stock Exchange. As the following information is a summary, it does not contain all information that may be material to investors.

SHARES

Issuance of Shares

The capital of the Company shall be divided into shares. The shares of the Company shall take the form of share certificates. The share certificates of the Company shall be in registered form.

The shares of the Company shall be issued in a transparent, fair and equal manner, and each share shall rank pari passu with other shares of the same class. Shares of the same class issued at the same time shall be issued with the same conditions and price per share; any subscriber shall pay the same price per share for the subscription of shares.

All the shares issued by the Company are denominated in Renminbi. The total number of shares issued at the time of the establishment of the Company is 115,218,724 shares, with a par value of RMB1 per share.

The H Shares [REDACTED] by the Company shall be deposited centrally at [REDACTED]. The domestic unlisted shares issued by the Company shall be registered and deposited with the domestic securities depository and clearing institution in a centralized manner.

INCREASE, REDUCTION AND REPURCHASE OF SHARES

Increase and Reduction of Shares

The Company may, pursuant to a resolution passed by a shareholders’ general meeting, adopt the following methods to increase its capital according to its operation and development needs and in compliance with the provisions of laws and regulations:

- (i) issuance of shares to non-specific investors;
- (ii) issuance of shares to specific investors;
- (iii) distribution of bonus shares to existing shareholders;
- (iv) conversion of the common reserve fund into additional share capital;
- (v) other means as permitted by laws, administrative regulations and CSRC.

The Company may reduce its registered capital. If the Company reduces its registered capital, such reduction shall be made in accordance with the Company Law and other requirements, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed and the procedures stipulated in the Articles of Association.

Repurchase of Shares

The Company shall not acquire the shares of the Company. However, except under any of the following circumstances:

- (i) reduction of the registered capital of the Company;
- (ii) merging with other companies which are holding the shares of the Company;
- (iii) when shares are used for employee stock ownership plan or equity incentives;

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- (iv) when dissenting shareholders who object to a resolution on the merger or division of the Company passed by a shareholders’ general meeting request the Company to acquire their shares;
- (v) when shares are used for the conversion of corporate bonds issued by the Company that are convertible into shares;
- (vi) where it is necessary for the Company to maintain corporate value and shareholders’ interests;
- (vii) other circumstances as permitted by laws, administrative regulations, the regulatory rules of the place where the Company’s shares are listed, etc.

The Company may acquire its own shares through public and centralized transactions, or through other methods recognized by laws, administrative regulations, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed and CSRC (if needed). If the Company acquires its own shares under the circumstances specified in items (iii), (v) and (vi) above, it shall be conducted through public and centralized trading.

The Company’s acquisition of its own shares under the circumstances stipulated in aforesaid items (i) or (ii) shall be subject to a resolution of the shareholders’ general meeting. The Company’s acquisition of its own shares due to the circumstances stipulated in aforesaid items (iii), (v) or (vi) shall be subject to the provisions of the Articles of Association or authorized by the shareholders’ general meeting and approved by a resolution of a Board meeting attended by more than two-thirds of all directors.

After the Company has acquired its own shares in compliance with aforesaid requirements, if the acquisition is carried out under the circumstance stipulated in item (i), such shares so acquired shall be canceled within 10 days from the date of acquisition; if the acquisition is carried out under the circumstances stipulated in items (ii) or (iv), such shares so acquired shall be transferred or canceled within six months; if the acquisition is carried out under the circumstances stipulated in items (iii), (v) or (vi), the total number of the Company’s shares held by the Company shall not exceed 10% of the total issued shares of the Company, and shall be transferred or canceled within three years.

If the relevant matters related to share repurchase are provided otherwise under the laws, regulations, normative documents and the securities regulatory rules of the place where the Company’s shares are listed, such provisions shall prevail.

Transfer of Shares

Shares of the Company may be transferred in accordance with laws. Except for purchase and sale of shares during the trading hours on the Hong Kong Stock Exchange, transfer of all H shares shall be executed with a written instrument of transfer in a format accepted by the Board (including the standard transfer format or form of transfer specified by the Hong Kong Stock Exchange from time to time); the said instrument of transfer may only be signed by hand, or be stamped with the valid corporate seal (if the transferor or the transferee is a company). If the transferor or the transferee is a recognized clearing house or agent thereof as defined in the relevant provisions of Hong Kong laws effective from time to time, the instrument of transfer may be signed by hand or in machine printed form. All instruments of transfer shall be kept at the legal address of the Company or other place designated by the Board from time to time.

The Company does not accept its own shares as collateral of pledge.

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Shares issued prior to the public offering of shares by the Company shall not be transferred within one year from the date on which the share certificates of the Company are listed and traded on the stock exchange.

The directors and senior management officers of the Company shall report to the Company on their holdings of the shares of the Company (including preferred shares) and changes thereof, and shall not transfer more than 25% of the total shares held by them of the same class in the Company per annum during their terms of office, which was determined when they took office; the shares of the Company held by them shall not be transferred within one year from the date on which the share certificate of the Company are listed and traded. The shares they held in the Company also cannot be transferred within half a year after such persons have left office.

Where the securities regulatory authorities in the place where the Company’s shares are listed and relevant requirements contain any other provisions on the transfer restrictions of H shares, such provisions shall prevail.

The Company’s shareholders, directors and senior management officers holding more than 5% of the Company’s shares, who sell the Company’s share certificates or other equity-based securities within six months after purchase, or buy back within six months after selling, all the gains generated shall belong to the Company, and the Board of the Company is responsible for recovering such gains. However, any securities company which holds more than 5% of the shares due to the purchase of remaining share certificates after underwriting, and other circumstances as prescribed by the CSRC, are exempted. (“**Paragraph 1 of Article 31 of the Articles of Association**”)

Share certificates or other equity-based securities held by directors, senior management officers and natural person shareholders as mentioned in the preceding paragraph, include share certificates or other equity-based securities held by their spouses, parents or children, or through the accounts of others.

If the Board of the Company fails to execute the provisions as stated in Paragraph 1 of Article 31 of the Articles of Association, the shareholders shall have the right to require the Board to execute within 30 days. If the Board of the Company fails to execute such action within the aforesaid time limit, the shareholders shall have the right to directly initiate a lawsuit in the people’s court in their own names for the benefit of the Company.

If the Board of the Company fails to execute the provisions as stated in Paragraph 1 of Article 31 of the Articles of Association, the responsible directors shall bear joint and several liabilities under the law.

SHAREHOLDERS AND SHAREHOLDERS’ GENERAL MEETINGS

Shareholders

The Company shall make a register of members in accordance with evidentiary documents provided by the securities registration authorities, and such register of members shall be the sufficient evidence substantiating that the shareholders hold the shares of the Company. Shareholders enjoy rights and undertake obligations according to the class of shares they hold. Holders of the same class shall enjoy the same rights and bear the same obligations.

Any shareholder who is registered on, or any person who requests to have his/her name registered on the register of members may, if his/her share certificate is lost, apply to the Company for a replacement share certificate in respect of such shares. Holders of domestic shares who have lost their share certificates and apply for the issuance of replacement shall be dealt with in accordance with the relevant provisions of the Company Law. Holders of overseas listed foreign shares who have lost their

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share certificates and apply for replacement may be dealt with in accordance with the laws, rules of the stock exchange or other relevant regulations of the place where the original register of members of overseas listed foreign shares is kept.

If any of the laws and regulations enacted by the securities regulatory authorities of the place where the Company’s shares are listed and stock exchanges provide for the suspension of the registration of share transfers, such regulations shall prevail.

Where the Company convenes a shareholders’ general meeting, distributes dividends, liquidates and participates in other activities requiring the recognition of shareholders’ identities, the Board or the convener of the shareholders’ general meeting shall decide the record date, and shareholders whose names appear on the register of members at the close of business on the record date are entitled to relevant rights and interests.

The shareholders of the Company shall enjoy the following rights:

- (i) obtaining dividends and other forms of benefit distribution in proportion to the shares held by them;
- (ii) requiring to hold, convene, chair, attend or appoint a proxy to attend a shareholders’ general meeting pursuant to the law and exercising the corresponding rights to vote;
- (iii) supervising the Company’s operations, proposing recommendations or raising questions;
- (iv) transferring, donating or pledging shares held by them pursuant to laws, administrative regulations and the provisions of the Articles of Association;
- (v) inspecting and copying the Articles of Association, register of members, minutes of shareholders’ general meetings, resolutions of the Board meetings and financial accounting reports. Shareholders who meet the requirements may inspect the Company’s accounting books and certificates;
- (vi) upon termination or liquidation of the Company, participating in the distribution of the remaining property of the Company in proportion to the number of shares held by them;
- (vii) dissenting shareholders who object to the resolution on the merger or division of the Company may request the Company to acquire their shares;
- (viii) other rights stipulated by laws, administrative regulations, departmental rules or the Articles of Association.

If any shareholder proposes to inspect and copy the relevant information of the Company, the said shareholder shall comply with laws and administrative regulations such as the Company Law, the Securities Law, the Hong Kong Listing Rules and the securities regulatory rules of the place where the Company’s shares are listed, and provide the Company with written documents bearing evidence of the class and number of shares of the Company held by him/her/it, and the Company shall provide the information as required by the said shareholder upon verification of his/her/its identity.

If the content of a resolution passed at the shareholders’ general meeting or Board meeting of the Company violates laws or administrative regulations, shareholders shall have the right to petition the people’s court to invalidate the resolution.

If the procedures for convening, or the method of voting at, a shareholders’ general meeting or Board meeting violate laws, administrative regulations or the Articles of Association, or the content of a resolution violates the Articles of Association, shareholders shall have the right to petition the people’s court to revoke the resolution within 60 days from the date of the adoption of such resolution.

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However, this shall not apply if there are only minor defects in the convening procedures or voting method of a shareholders' general meeting or a Board meeting, which do not materially affect the resolution.

Where the Board, shareholders and other stakeholders dispute the validity of a resolution of a shareholders' general meeting, they shall promptly file a lawsuit with the people's court. Before the people's court makes a judgement or ruling as rescinded the resolution, the stakeholders shall execute the resolution of the shareholders' general meeting. The Company, directors and senior management officers shall perform their duties diligently to ensure the normal operation of the Company.

Where the people's court makes a judgement or ruling on a relevant matter, the Company shall fulfil its obligation to disclose the information in accordance with the laws, administrative regulations, the requirements of the CSRC and the stock exchange, fully explain the impact, and actively co-operate with the enforcement of the judgement or ruling after it has come into effect. Where corrections to prior events are involved, they will be handled in a timely manner and the corresponding information disclosure obligations will be fulfilled.

Resolutions of the shareholders' general meeting or Board meeting of the Company shall not be valid under any of the following circumstances:

- (I) no shareholders' general meetings or Board meetings has been convened to pass the resolution;
- (II) the resolution is not voted on at the shareholders' general meeting or Board meeting;
- (III) the number of persons attending the meeting or the number of voting rights held does not reach the number of persons or the number of voting rights held as provided for in the Company Law or the Articles of Association;
- (IV) the number of persons agreeing to the resolution or the number of voting rights held does not reach the number of persons or the number of voting rights held as provided for in the Company Law or the Articles of Association.

Where the directors (other than the members of the Audit Committee) and senior management violate the laws, administrative regulations or the Articles of Association in performing their duties to the Company resulting in any loss to the Company, the shareholder(s) severally or jointly holding more than 1% of the shares in the Company for more than 180 consecutive days may request the Audit Committee in writing to initiate proceedings in the people's court. Where the members of the Audit Committee violate the laws, administrative regulations or the Articles of Association in performing duties to the Company resulting in any loss to the Company, the aforementioned shareholders may request the Board of Directors in writing to initiate proceedings in the people's court. (**"Paragraph 1 of Article 38 of the Articles of Association"**)

If the Audit Committee and the Board of Directors, upon receipt of the shareholders' written request stipulated in the preceding paragraph, reject to initiate a lawsuit, or a lawsuit is not initiated within 30 days from the date of receipt of such request, or in the event of emergency where the interest of the Company will suffer irreparable damage if a lawsuit is not initiated immediately, the shareholders stipulated in the preceding paragraph shall have the right to initiate legal proceedings directly with the people's court in their own names for the interest of the Company.

Where other parties infringe the lawful interests of the Company resulting in losses to the Company, the shareholders stipulated in Paragraph 1 of Article 38 of the Articles of Association may initiate legal proceedings in a people's court in accordance with the provisions of the preceding two paragraphs.

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Where the directors, supervisors, or senior management of a wholly-owned subsidiary of the Company violate the provisions of laws, administrative regulations or the Articles of Association during the performance of their duties and cause losses to the Company, or if any third parties infringe upon the legitimate rights and interests of a wholly-owned subsidiary of the Company and cause losses, the shareholders severally or jointly holding 1% or more of the Company’s shares for a period of 180 consecutive days or longer, in accordance with the provisions of the first three paragraphs of Article 189 of the Company Law, are entitled to request the board of supervisors and the board of directors of the wholly-owned subsidiary to initiate legal proceedings with the people’s court in writing or directly initiate legal proceedings with the people’s court in its own name.

Where any director or senior management violates the provisions of laws, administrative regulations or the Articles of Association, damaging the interests of shareholders, the shareholders may initiate legal proceedings in a people’s court.

The shareholders of the Company shall assume the following obligations:

- (i) complying with laws, administrative regulations and the Articles of Association;
- (ii) paying share payments as per the shares subscribed for and the method of subscription;
- (iii) not to withdraw its share capital, except for circumstances stipulated by laws and regulations;
- (iv) not to abuse the shareholders’ rights to impair the interest of the Company or other shareholders; not to abuse the independent legal person status of the Company and the limited liability of shareholders to impair the interest of creditors of the Company;
- (v) other obligations of the shareholders as prescribed by laws, administrative regulations and the Articles of Association.

Shareholders of the Company shall be liable for making compensation for any loss suffered by the Company or other shareholders arising from their abuse of shareholders’ rights in accordance with law. Shareholders of the Company who abuse the independent legal person status of the Company and the limited liability of shareholders to evade debts and seriously impair the interest of creditors of the Company shall be jointly and severally liable for the debts of the Company.

General Provisions for Shareholders’ General Meetings

The shareholders’ general meeting of the Company shall be composed of all shareholders. The shareholders’ general meeting is the authority of power of the Company which shall exercise the following functions and powers in accordance with the laws:

- (i) elect and replace directors, decide on the remuneration matters of the relevant directors;
- (ii) consider and approve the reports of the Board of Directors;
- (iii) consider and approve the Company’s profit distribution plans and loss recovery plans;
- (iv) pass resolutions to increase or reduce the registered capital of the Company;
- (v) pass resolutions on the issuance of corporate bonds;
- (vi) pass resolutions on merger, division, dissolution and liquidation or change in corporate form of the Company;
- (vii) amend the Articles of Association;

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- (viii) pass resolutions on the engagement or dismissal of accounting firms engaged in the audit work of the Company;
- (ix) consider and approve the guarantee matters stipulated in Article 47 of the Articles of Association;
- (x) consider matters regarding the purchase and sale of material assets by the Company within one year for an amount exceeding 30% of the latest audited total assets of the Company;
- (xi) consider and approve the changes in the use of proceeds raised;
- (xii) consider equity incentive plan and employee stock ownership plan;
- (xiii) consider other matters which shall be decided by the shareholders’ general meetings as stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association.

The shareholders’ general meeting may authorize the Board of Directors to resolve on the issue of corporate bonds.

The following external guarantees of the Company shall be considered and approved at the shareholders’ general meeting: (“**Article 47 of the Articles of Association**”)

- (i) any guarantee after the total amount of external guarantees provided by the Company and its holding subsidiaries has exceeded 50% of the Company’s latest audited net assets;
- (ii) any guarantee provided after the total amount of external guarantees of the Company has exceeded 30% of the Company’s latest audited total assets;
- (iii) any guarantee after the amount of guarantees provided by the Company to others within one year has exceeded 30% of the Company’s latest audited total assets;
- (iv) any guarantee provided for a party whose ratio of liabilities to assets exceeds 70%;
- (v) any guarantee with a single sum of guarantee that has exceeded 10% of the latest audited net assets;
- (vi) guarantees provided to the shareholders, de facto controllers and their related parties;
- (vii) other guarantee circumstances stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association, which shall be decided by the shareholders’ general meeting.

The shareholders’ general meetings consist of annual general meetings and extraordinary general meetings. The annual general meetings shall be convened once every year and shall be held within six months from the end of the previous fiscal year.

The Company shall convene an extraordinary general meeting within two months from the date of the occurrence of any of the following circumstances:

- (i) where the number of directors is less than the number stipulated in the Company Law or two-thirds of the number prescribed in the Articles of Association;
- (ii) where the losses of the Company that have not been made up represent one-third of its total share capital;

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- (iii) where such meeting is requested by shareholders individually or jointly holding more than 10% of the shares of the Company (including preferred shares in which the voting rights are restored, etc.);
- (iv) where such meeting is deemed necessary by the Board of Directors;
- (v) where such meeting is proposed to be convened by the Audit Committee;
- (vi) other circumstances stipulated by laws, administrative regulations, departmental rules or the Articles of Association.

The venue for holding a shareholders’ general meeting of the Company shall be the domicile of the Company or other places specified in the notice convening such meeting by the Board of Directors. A venue shall be set up for a shareholders’ general meeting to be convened by means of physical meeting. The Company shall also provide means to enable online voting to facilitate shareholders.

If laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, and other securities regulatory rules of the place where the Company’s shares are listed explicitly require the Company to engage a lawyer to witness the shareholders’ general meeting and issue a legal opinion, the Company shall engage a lawyer to issue a legal opinion on the following matters and make an announcement:

- (i) whether the convening and meeting procedures comply with the law, administrative regulations, and the provisions of the Articles of Association;
- (ii) whether the qualifications of the attendees and the convener are legally valid;
- (iii) whether the voting procedures and decisions of the meeting are legally valid;
- (iv) legal opinions on other related matters issued at the request of the Company.

Convening of Shareholders’ General Meetings

The Board of Directors shall convene the shareholders’ general meeting on time within the specified period.

Subject to the consent of more than half of all the independent Directors, the independent Directors shall have the right to propose to the Board of Directors to convene an extraordinary general meeting. In respect of any proposal for convening an extraordinary general meeting made by the independent Directors, the Board of Directors shall, in accordance with the provisions of laws, administrative regulations, the Hong Kong Listing Rules, and the Articles of Association, provide its feedback in writing on whether or not it agrees to convene the extraordinary general meeting within 10 days upon receipt of such proposal. If the Board of Directors agrees to convene the extraordinary general meeting, a notice of the shareholders’ general meeting shall be given within 5 days after a resolution of the Board of Directors is approved; if the Board of Directors disagrees to convene the extraordinary general meeting, the reasons shall be stated and an announcement shall be made accordingly.

The Audit Committee shall submit such proposal in writing to the Board of Directors when proposing to the Board of Directors to convene an extraordinary general meeting. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations, the Hong Kong Listing Rules, and the Articles of Association, provide its feedback in writing on whether or not it agrees to convene the extraordinary general meeting within 10 days upon receipt of such proposal.

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If the Board of Directors agrees to convene the extraordinary general meeting, a notice of the shareholders’ general meeting shall be given within 5 days after a resolution of the Board of Directors is approved, and any changes to the original proposal set out in the notice shall be subject to the consent of the Audit Committee.

If the Board of Directors disagrees to convene the extraordinary general meeting or fails to provide feedback within 10 days upon receipt of such proposal, the Board of Directors shall be deemed to be unable or failing to perform its duties of convening a shareholders’ general meeting, and the Audit Committee may convene and preside over the meeting on its own.

Where shareholders individually or jointly holding more than 10% of the shares of the Company (including preferred shares in which the voting rights are restored, etc.) request the Board of Directors to convene an extraordinary general meeting, such request shall be submitted to the Board of Directors in writing. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations, the Hong Kong Listing Rules, and the Articles of Association, provide its feedback in writing on whether or not it agrees to convene the extraordinary general meeting within 10 days upon receipt of such request.

If the Board of Directors agrees to convene the extraordinary general meeting, a notice of the shareholders’ general meeting shall be given within 5 days after a resolution of the Board of Directors is approved, and any changes to the original request set out in the notice shall be subject to the consent of the relevant shareholders.

If the Board of Directors disagrees to convene the extraordinary general meeting or fails to provide feedback within 10 days upon receipt of such request, shareholders individually or jointly holding more than 10% of the shares of the Company (including preferred shares in which the voting rights are restored, etc.) shall submit the request in writing to the Audit Committee when proposing to the Audit Committee to convene the extraordinary general meeting.

If the Audit Committee agrees to convene the extraordinary general meeting, a notice of the shareholders’ general meeting shall be given within 5 days upon receipt of such request, and any changes to the original request set out in the notice shall be subject to the consent of relevant shareholders.

If the Audit Committee fails to give a notice of the shareholders’ general meeting within the prescribed period, the Audit Committee shall be deemed to be failing to convene and preside over the shareholders’ general meeting, and shareholders individually or jointly holding more than 10% of the shares of the Company (including preferred shares in which the voting rights are restored, etc.) for more than 90 consecutive days may convene and preside over the meeting on their own.

Where the Audit Committee or shareholders decide to convene a shareholders’ general meeting on their own, they shall notify the Board of Directors in writing and concurrently file such notice with the stock exchange.

The Audit Committee or the shareholders convening the meeting shall submit relevant supporting documents to the stock exchange when issuing the notice of the shareholders’ general meeting and the announcement of the resolutions of the shareholders’ general meeting.

Prior to the announcement of a resolution of a shareholders’ general meeting, the shareholding of shareholders (including preferred shares in which the voting rights are restored, etc.) convening the meeting shall not be less than 10%.

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For a shareholders' general meeting convened by the Audit Committee or shareholders on their own, the Board of Directors and the secretary to the Board of Directors shall provide cooperation. The Board of Directors shall provide the register of members as of the record date.

For a shareholders' general meeting convened by the Audit Committee or shareholders on their own, the expenses necessary for the meeting shall be borne by the Company.

Proposals and Notices of Shareholders' General Meetings

The content of a proposal shall fall within the terms of reference of a shareholders' general meeting with a clear topic and specific matters to be resolved, and shall comply with the relevant provisions of laws, administrative regulations, the Hong Kong Listing Rules, and other securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

The Board of Directors, the Audit Committee and shareholders individually or jointly holding more than 1% of the shares of the Company (including preferred shares in which the voting rights are restored, etc.) shall have the right to put forward proposals to the Company when convening a shareholders' general meeting of the Company.

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

Except for the circumstances prescribed in the preceding paragraph, the convener, after issuing the notice of a shareholders' general meeting, shall not modify the proposals that have already been set out in the notice of the shareholders' general meeting or include any new proposals.

Proposals that are not set out in the notice of a shareholders' general meeting or that do not comply with the provisions of the Articles of Association, shall not be voted and resolved at the shareholders' general meeting.

The Convener shall notify all shareholders the convening of an annual general meeting by means of an announcement no later than 21 days prior to date of the meeting and shall notify all shareholders the convening of an extraordinary general meeting by means of an announcement no later than 15 days prior to date of the meeting.

The notice of a shareholders' general meeting shall include the following:

- (i) the time, venue and duration of the meeting;
- (ii) the matters and proposals being put forward at the meeting for consideration;

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- (iii) a prominent statement that all ordinary shareholders (including preferred shareholders with restored voting rights), shareholders holding shares with special voting rights and other shareholders are entitled to attend the shareholders' general meeting in person, or appoint in writing proxies to attend and vote on his or her behalf and that such proxies need not be shareholders of the Company;
- (iv) the record date of shareholders entitled to attend the shareholders' general meeting;
- (v) the name and telephone number of the permanent contact person for conference affairs;
- (vi) the time and procedures for voting online or by other means.

If matters related to the election of Directors are proposed to be discussed at a shareholders' general meeting, detailed information of the candidates for Directors shall be fully disclosed in the notice of the shareholders' general meeting, including at least the following:

- (i) his/her personal particulars such as educational background, work experience and part-time employment;
- (ii) whether he/she has a connected relationship with the Company or the controlling shareholder and de facto controller of the Company;
- (iii) the number of shares of the Company held by him/her;
- (iv) whether he/she has been penalized by the CSRC and other relevant authorities and disciplined by a stock exchange.

Except for the election of Directors by adopting a cumulative voting system, the election of each candidate for a Director shall be proposed by way of a separate proposal.

After the issuance of the notice of a shareholders' general meeting, such shareholders' general meeting shall not be postponed or cancelled without a proper reason, and the proposals set out in the notice of the shareholders' general meeting shall not be revoked. In the event of postponement or cancellation, the convener shall make an announcement stating the reasons at least 2 working days prior to the original date of the meeting.

Holding of Shareholders' General Meetings

The Board of Directors and other conveners of the Company shall take all necessary measures to ensure the normal order of a shareholders' general meeting. Measures shall be taken to stop acts of interfering with the shareholders' general meetings, picking quarrels and provoking trouble and infringing on the legitimate rights and interests of shareholders, which shall be promptly reported to relevant authorities for investigation and punishment.

All ordinary shareholders (including preferred shareholders with restored voting rights), shareholders holding shares with special voting rights and other shareholders in the register as at the record date or their proxies shall have the right to attend the shareholders' general meeting and exercise voting rights pursuant to relevant laws, regulations and the Articles of Association.

Shareholders may attend the shareholders' general meeting in person or appoint proxy/proxies to attend the meeting and exercise their voting rights on their behalf.

If an individual shareholder attends the meeting in person, he/she shall produce his/her identity card or other valid documents or certificates that can identify him/herself; if a shareholder authorizes a proxy to attend a meeting on his/her behalf, the proxy shall produce his/her own valid identity card and the power of attorney from the shareholder.

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Corporate shareholders shall attend the meeting by their legal representative or a proxy appointed by the legal representative. If the legal representative attends the meeting, he/she shall produce his/her identity card or a valid certificate to prove his/her qualification as a legal representative; if a proxy attends the meeting, the proxy shall produce his/her identity card, the written power of attorney issued by the legal representative of the corporate shareholder entity under laws.

If such shareholder is a recognized clearing house as defined in the relevant regulations under Hong Kong laws in force from time to time (or its proxies), such shareholder may authorize such person or persons as it thinks fit to act as its representative at any shareholders' general meeting. However, if more than one person is authorized, the power of attorney shall state the number and class of the shares in respect of which each such person is so authorized, and the power of attorney shall be signed by the person authorized by the recognized clearing house. A person so authorized may attend meetings (without production of shareholding credentials, notarized authorization and/or further evidence of his duly authorized authority) on behalf of a recognized clearing house (or its proxies) and exercise rights as if such person is an individual shareholder of the entity.

The form of proxy issued by shareholders to authorize others to attend the shareholders' general meeting of shareholders shall contain the following contents:

- (i) name of the appointer, and the class and number of shares held in the Company;
- (ii) the name of the proxy;
- (iii) the specific instructions of the shareholder, including the instructions to vote for, against, or abstain from voting in respect of each of the matters on the agenda to be considered at the shareholders' general meeting;
- (iv) date of issue and validity period of the form of proxy;
- (v) signature (or seal) of the appointer, if the appointer is a corporate shareholder, such form of proxy shall be affixed with the official seal of the corporate entity.

Where the form of proxy is signed by a person authorized by the appointer, the power of attorney or other authorization instruments to authorize the signing shall be notarized. The notarized power of attorney or other authorization instruments, together with the voting form of proxy are required to be lodged at the domicile of the Company or other places as specified in the notice of the meeting.

The Company shall be responsible for preparing the register of meeting for recording attendance at the meeting. The register of meeting shall record, among other things, the name of the attending person (or entity), identity card number, the number of shares held with voting rights or representing voting rights, and the name of the appointer (or entity).

The convener and the lawyer (if any) engaged by the Company shall collectively verify the legality of shareholders' qualifications based on the register of members provided by the securities depository and clearing corporation, and register the names of the shareholders and the number of shares with voting rights held by them. The registration of the meeting shall be terminated prior to the announcement by the chairman of the meeting on the number of shareholders and proxies attending the meeting and the total number of shares with voting rights held by them.

If the shareholders' general meeting requires Directors and senior management officers to attend the meeting, the Directors and senior management officers shall attend and answer inquiries from shareholders.

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A shareholders' general meeting shall be chaired by the Chairman of the Board. Where the chairman of the Board is unable to discharge or fails to discharge his/her duties, the meeting shall be chaired and presided over by the vice chairman of the Board (if there are two or more vice chairmen, the one elected by more than one half of the Directors); where the vice chairman of the Board is unable to discharge or fails to discharge his/her duties, more than one half of the Directors shall designate a director to preside over the meeting.

A shareholders' general meeting convened by the Audit Committee on its own initiative shall be chaired by the convener of the Audit Committee. In the event that the convener of the Audit Committee is unable to or fails to perform his/her duties, a member of the Audit Committee jointly elected by more than half of the members of the Audit Committee shall chair the meeting.

A shareholders' general meeting convened by shareholders on their own initiative shall be chaired by the representative nominated by the convener.

When convening a shareholders' general meeting, if the chairman of the meeting breaches the procedural rules causing the shareholders' general meeting unable to proceed, with the consent of more than half of the shareholders with voting rights attending the shareholders' general meeting, the shareholders' general meeting may nominate a person to act as the chairman of the meeting to continue convening such meeting.

The Company shall formulate the rules of procedure for shareholders' general meetings, which shall specify in details the holding, convening and voting procedures for the shareholders' general meeting, including notice, registration, consideration of the proposals, voting, vote counting, announcement of voting results, formation of meeting resolutions, minutes of meeting and signing, and the content of announcement, as well as the principles for authorization by the shareholders' general meeting to the Board, and the content of authorization shall be clear and specific.

At the annual general meeting, the Board shall report their work in the previous year to the shareholders' general meeting. Each independent director shall also present a work report.

Directors and senior management officers shall provide explanations and clarifications on the queries and suggestions from shareholders at the shareholders' general meeting.

The chairman of the meeting shall, prior to voting, announce the number of shareholders and proxies attending the meeting as well as the total number of shares with voting rights held by them, which shall be the number of shareholders and proxies attending the meeting and the total number of shares with voting rights held by them as indicated in the register of meeting.

The shareholders' general meeting shall keep minutes of meeting, which shall be responsible by the secretary to the Board. The minutes of meeting shall contain the following content:

- (i) the time, venue and agenda of the meeting, and the name of the convener;
- (ii) the names of the chairman of the meeting and the Directors and senior management officers present at the meeting;
- (iii) the number of shareholders and proxies attending the meeting, the total number of voting shares held by them and the proportion of these shares to the total number of shares of the Company;
- (iv) the deliberation process of each proposal, summaries of the speeches and the voting results;
- (v) the details of the queries, comments or recommendations of the shareholders, and the corresponding responses or explanations;

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- (vi) the names of the counter and the scrutineer of votes;
- (vii) other contents that should be recorded in the minutes of meeting as provided in the Articles of Association.

The convener shall ensure that the contents of the minutes of meeting are true, accurate and complete. The Directors, secretary to the Board, the convener or representative thereof, and the chairman of the meeting who have attended or present at the meeting shall sign on the minutes of meeting. The minutes of meeting shall be kept for a term of at least ten years together with the book of signatures of the shareholders attending the meeting, the forms of proxies of the attending proxies, and the valid information on voting through internet and other means.

The convener shall ensure that the shareholders’ general meeting is held continuously until final resolutions have been reached. In the event that the shareholders’ general meeting is suspended or the shareholders fail to reach any resolution due to force majeure or for other special reasons, necessary measures shall be taken to resume convening the meeting as soon as possible or directly terminate the meeting and made an announcement in a timely manner.

Voting and Resolutions at Shareholders’ General Meetings

Resolutions of a shareholders’ general meeting shall be classified as ordinary resolutions and special resolutions.

Ordinary resolutions of a shareholders’ general meeting shall be passed by votes representing more than half of the voting rights held by the shareholders attending the shareholders’ general meeting.

Special resolutions of a general meeting shall be passed by votes representing more than two-thirds of the voting rights held by the shareholders attending the shareholders’ general meeting.

The following matters shall be approved by ordinary resolutions at a shareholders’ general meeting:

- (i) work reports of the Board;
- (ii) profit distribution plans and loss recovery plans formulated by the Board;
- (iii) appointment and dismissal of members of the Board, and the remuneration and method of payment for members of the Board;
- (iv) other matters other than those which are required by laws, administrative regulations, Hong Kong Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association to be approved by a special resolution.

The following matters shall be approved by special resolutions at a shareholders’ general meeting:

- (i) increase or reduction in the registered capital of the Company;
- (ii) division, split-up, merger, dissolution and voluntary liquidation of the Company;
- (iii) amendment to the Articles of Association;
- (iv) the amounts for purchase or disposal of material asset or provision of guarantee to others by the Company within one year exceed 30% of the latest audited total assets of the Company;
- (v) Share Incentive Scheme;

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- (vi) other matters as required by laws, administrative regulations, departmental rules, Hong Kong Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association, and other matters considered to have material impact on the Company by ordinary resolution of the general meeting and approval by special resolution is required.

Shareholders shall exercise voting rights based on the number of shares with voting rights represented by them, and each share shall have one vote, except for shareholders of class shares.

When considering material matters affecting the interests of minority shareholders at a shareholders’ general meeting, the votes of minority shareholders shall be counted separately. The results of separate vote counting shall be publicly disclosed in a timely manner.

No voting right is attached to the shares of the Company held by the Company itself, and such shares shall not be counted in the total number of shares with voting rights represented by shareholders present at a shareholders’ general meeting.

Where a shareholder purchases voting shares of the Company in violation of the provisions of paragraphs 1 and 2 of Article 63 under the Securities Law, such shares in excess of the prescribed proportion are prohibited from exercising voting rights within 36 months after purchase, and they will not be counted in the total number of shares with voting right represented by shareholders present at the shareholders’ general meeting.

The Board of the Company, independent Directors and shareholders holding more than 1% of the shares with voting rights or the investor protection institution established in accordance with laws, administrative regulations or the requirements of the CSRC may solicit voting rights from shareholders. The solicitation of voting rights from shareholders shall fully disclose the specific voting intention and other information to the solicited persons. Solicitation of voting rights from shareholders by way of compensation or otherwise in disguised form of compensation is prohibited. Except under statutory conditions, the Company is forbidden to impose a limit of minimum shareholding ratio on the solicitation of voting rights.

When matters relating to connected transactions are considered at a shareholders’ general meeting, the connected shareholders shall abstain from voting, and the voting shares represented by such connected shareholders shall not be counted into the total number of valid votes. The announcement of the resolutions of the shareholders’ general meeting shall fully disclose the voting results of non-connected shareholders.

Before the shareholders’ general meeting considers matters relating to connected transaction, the Company shall determine the scope of connected shareholders in accordance with the relevant PRC laws and regulations, the securities regulatory rules of the place where the Company’s shares are listed. Connected shareholders or their proxies may attend the shareholders’ general meeting and state their views to the shareholders attending the meeting in accordance with the procedures of the meeting, but shall abstain from voting at the time of voting. When the shareholders’ general meeting considers and votes for any matters relating to connected transaction, the connected shareholders shall take the initiative to abstain from voting. If the connected shareholders fail to take initiative to abstain from voting, other shareholders attending the meeting shall be entitled to request them to abstain from voting.

Upon the abstention of the connected shareholders, other shareholders shall vote based on their voting rights and make corresponding resolutions in accordance with the Articles of Association. The abstaining and voting procedures for connected shareholders shall be notified by the presider of the shareholders’ general meeting and shall be recorded in the minutes of the meeting.

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When a resolution is made at the shareholders’ general meeting on a matter relating to a connected transaction, it shall be approved by a majority or more than two-thirds of the voting rights held by the non-connected shareholders present at the meeting, depending on whether it is an ordinary resolution or the special resolution. In the case of a connected transaction, two proxies of non-connected shareholders shall participate in the counting and scrutiny. The resolutions of the shareholders’ general meeting shall fully disclose the votes of non-connected shareholders.

BOARD

Directors

A Director of the Company shall be a natural person and shall not serve as a Director of the Company under any of the following circumstances:

- (i) He/she has no or limited capacity for civil conduct;
- (ii) He/she is sentenced to a criminal penalty for corruption, bribery, embezzlement, misappropriation of property, or disrupting the order of the socialist market economy, or is deprived of political rights for a crime, and the execution period has not expired for more than five years, or, in the case of suspension of execution, the probationary period has not expired for more than two years;
- (iii) He/she serves as a director, a factory manager or manager of a company or enterprise in bankruptcy or liquidation and is personally liable for the bankruptcy of the company or enterprise, and it has not been more than three years since the date of completion of the bankruptcy or liquidation of the company or enterprise;
- (iv) He/she is the legal representative of a company or enterprise whose business license has been revoked and which has been ordered to close down due to the violation of laws, and he/she is personally liable therefor, and it has not been more than three years since the date when the business license of the company or enterprise was revoked or when it was ordered to close down;
- (v) The individual is listed as dishonest person subject to execution by the People’s Court due to his/her failure to settle a relatively large amount of debts before the due date;
- (vi) He/she has been imposed measures by the CSRC to prohibit entry into the securities market and the prohibition period has not expired;
- (vii) He/she is publicly recognised as unsuitable to serve as a director or senior management officers of listed companies by the stock exchange for a period which has not yet expired;
- (viii) other matters as required by laws, administrative regulations, departmental rules, other normative documents, Hong Kong Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed.

If the election or appointment of Directors violates the above-mentioned provisions, such election, appointment or engagement shall be null and void. If a Director falls under any of the circumstances described in this Article during his/her term of office, the Company shall remove him/her from his/her position and cease his/her performance of duties.

A Director shall be elected or replaced at a shareholders’ general meeting and may be removed from office at a shareholders’ general meeting before the expiration of his/her term of office. A Director shall serve a term of three years and may be re-elected for re-appointment upon expiry of his/her term of office.

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The term of office of a Director shall commence on the date of appointment and end upon the expiry of the term of office of the current session of the Board. If a Director is not re-elected in time after his/her term of office expires, the original Director shall still perform his/her duties as a Director in accordance with the provisions of laws, administrative regulations, departmental rules and the Articles of Association until a Director re-elected takes office.

A Director may be concurrently held by senior management officers, but the number of Directors who concurrently hold the position of senior management officers and Directors who are employee representatives shall not exceed 1/2 of the total number of Directors of the Company

Directors shall abide by the requirements of laws, administrative regulations and the Articles of Association, and have fiduciary duties to the Company. They shall take measures to avoid conflicts between their own interests and the interests of the Company and shall not use their power to seek improper benefits.

Directors have the following fiduciary duties to the Company:

- (i) They shall not misappropriate the Company's property or misappropriate the Company's funds;
- (ii) They shall not deposit the Company's funds in an account opened in their own name or in the name of another individual;
- (iii) They shall not use their power to accept any bribe or other illegal income;
- (iv) They shall not directly or indirectly enter into contracts or transactions with the Company without reporting to the Board or shareholders' general meeting or approval by the Board or shareholders' general meeting by resolutions in accordance with the provisions of the Articles of Association ("**item (IV) of second paragraph Articles 102 of the Articles of Association**");
- (v) They shall not use their position to seek business opportunities that should belong to the Company as personal gain for themselves or others, except where they have already reported to the Board or shareholders' general meetings and were approved by the shareholders' general meetings by resolutions, or the Company is unable to take advantage of the business opportunity according to laws, administrative regulations or the Articles of Association;
- (vi) They shall not operate a business for themselves or others which is of the same type as the Company's business without reporting to the Board or shareholders' general meeting or approval of the shareholders' general meeting by resolutions;
- (vii) They shall not take the commission of transactions between other parties and the Company for personal use;
- (viii) They shall not disclose company secrets without authorization;
- (ix) They shall not use its connected relationships to harm the interests of the Company;
- (x) Other fiduciary obligations stipulated by laws, administrative regulations, departmental regulations, Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Any income derived by a Director in violation of this Article shall belong to the Company; and any loss caused to the Company shall be liable by the Directors for compensation.

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When the close relatives of the Directors and senior management officers, the enterprises directly or indirectly controlled by the Directors and senior management officers or their close relatives, and the connected persons who have other connected relationships with the Directors and senior management officers enter into contracts or conduct transactions with the Company, the provisions in item (IV) of the second paragraph of Article 102 of the Articles of Association shall apply.

Directors shall observe laws, administrative regulations and the Articles of Association to perform their obligations of diligence to the Company. They shall fulfill their obligations with reasonable care generally due to managers in the best interests of the Company.

Directors fulfill the following obligations of diligence to the Company:

- (i) to prudently, conscientiously and diligently exercise the rights granted him or her by the Company, so as to ensure that the commercial acts of the Company comply with state laws, administrative regulations and the requirements of the various economic policies of the state, and that its commercial activities do not exceed the scope of business specified on the business license;
- (ii) to treat all shareholders impartially;
- (iii) to keep informed of the operation and management conditions of the Company;
- (iv) to sign the written confirmation in respect of the regular reports of the Company to assure that the information disclosed by the Company is true, accurate and complete;
- (v) to honestly provide the audit committee with relevant information and data, and not to prevent the audit committee from performing their duties and powers;
- (vi) to fulfill other obligations of diligence stipulated by laws, administrative regulations, regulations of the authorities, Hong Kong listing rules, securities regulatory rules of the place where the shares of the Company are listed, or the Articles of Association.

If a director fails to attend meetings of the Board of Directors, either in person or by authorizing another director on behalf of him or her, for two consecutive meetings, he or she shall be deemed as failing to perform his or her duties.

A director may resign before expiry of tenure, by filing a resignation report in writing to the Board of Directors of the Company, and the resignation will take effect on the day the Company receives the resignation report. The Company shall disclose such resignation within two days. If the resignation of a director causes the number of Board of Directors to be less than the quorum, then the original director shall still perform the duties as director under the applicable laws, administrative regulations, regulations of the authorities and the Articles of Association before the re-elected directors take office.

The Company has a system in place to manage the departure of Directors, which specifies safeguards for pursuing and recovering liability for unfulfilled public commitments and other outstanding matters. When a director's resignation takes effect or his term of service expires, the director shall complete all transfer procedures with the Board of Directors. His/her fiduciary duty towards the Company and the shareholders shall not expire after the end of his term of service and will still be effective for a reasonable period specified by the Articles of Association. The liability that a Director bears during the term of office due to the performance of his/her duties shall not be waived or terminated upon leaving office.

The shareholders' general meeting may remove any director by a resolution, which shall come into effect from the date on which such resolution is made.

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Where a director is removed from office prior to expiration of his/her term of office without justifiable cause, the director may demand compensation from the Company.

No director shall act on behalf of the Company or the Board in his/her personal capacity without the provisions of these Articles of Association or the lawful authority of the Board of Directors. Where a director is acting in his/her personal capacity, he/she shall declare his/ her position and identity in advance where a third party would reasonably believe that he/she is acting on behalf of the Company or the Board of Directors.

Where a Director causes damages to others in the performance of his/her duties for the Company, the Company will be liable for compensation. The Director shall also be liable for compensation if he/she is found to have conducted intentional misconduct or gross negligence.

A director shall be liable for compensation as regards the damages caused to the Company if he/she violates the provisions of laws, administrative regulations, departmental rules and regulations, or these Articles of Association in the performance of his/her duties for the Company.

Board of Directors

The Company shall have a Board of Directors. The Board of Directors consists of 9 directors, one of whom shall be the chairman. The chairman of the Board shall be elected with the approval of more than half of all the directors.

The Board of Directors exercises the following powers:

- (i) convene a shareholders’ general meeting and report work to the shareholders’ general meeting;
- (ii) implement the resolutions of the shareholders’ general meeting;
- (iii) determine the Company’s business plan and investment plan;
- (iv) formulate the Company’s profit distribution plan and loss compensation plan;
- (v) formulate plans for the Company to increase or reduce its registered capital, issue bonds or other securities and for the listing;
- (vi) formulate plans for the Company’s major acquisitions, the Company’s acquisition of the Company’s shares, merger, division, dissolution and change of form of the Company;
- (vii) decide that the Company will external investments, acquisition and disposal of assets, asset mortgage, external guarantees, entrusted wealth management connected transactions, external donations and other matters within the scope of authority of the shareholders’ general meetings;
- (viii) decide on the establishment of the Company’s internal management agencies;
- (ix) decide on the appointment or dismissal of the Company’s manager, secretary to the Board of Directors and other senior management personnel, and determine their remuneration, rewards and punishments; decide on the appointment or dismissal of the Company’s deputy manager, financial controller and other senior management personnel based on the nomination of the general manager and decide on their remuneration and rewards and punishments;
- (x) formulate the Company’s basic management system;
- (xi) formulate a plan to amend the Articles of Association;
- (xii) manage the Company’s information disclosure matters;

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- (xiii) propose to the shareholders’ general meeting to hire or change the accounting firm to audit the Company;
- (xiv) listen to the work report of the manager of the Company and inspect the work of the manager;
- (xv) to consider and approve the handling of the shares held by the domestic shareholders of the Company transferred to overseas investors, or the domestic shareholders of the Company are allowed to transfer their shares to overseas listed shares and list the said shares on overseas stock exchanges; and
- (xvi) laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, securities regulatory rules of the place where the Company’s shares are listed, provisions of these Articles of Association or other powers granted by the shareholders’ general meeting.

Matters beyond the scope of authority of the shareholders’ general meeting shall be submitted to the shareholders’ general meeting for consideration.

The Board of Directors shall give explanations to the shareholders’ general meeting in respect of audit reports with the qualified audit opinions issued by certified public accountants in respect of financial reports of the Company.

The Board of Directors shall formulate the rules of procedures of meetings of the Board of Directors to ensure the implementation of the resolutions of the shareholders’ general meetings, thereby enhancing efficiency and ensuring scientific decision-making.

The Board of Directors shall establish strict review and decision-making procedures by setting the scope of authority for conducting external investment, purchase and sale of assets, asset pledge, external guarantee, entrusted wealth management, connected transactions and external donations, etc. Material investment projects shall be examined by relevant experts and professionals as arranged by the Board of Directors, and shall be submitted to the shareholders’ general meeting for approval.

The Board of Directors shall review the following transactions within the scope of its authority:

- (i) Transactions that meet any of the following thresholds but fall below the review threshold of the shareholders’ general meeting shall be reviewed by the Board of Directors:
 - 1. Total assets involved in the transaction account for more than 10% of the Company’s latest audited total assets . If both book value and appraised value are available for the total assets involved in the transaction, the higher value shall be used as the basis for calculation;
 - 2. Operating revenue arising from the subject matter of the transaction (e .g . equity interest) for the latest fiscal year accounts for more than 10% of the audited operating revenue of the Company for the latest fiscal year, and the absolute amount exceeds RMB1 million;
 - 3. Net profit arising from the subject matter of the transaction (such as equity interest) for the latest fiscal year accounts for more than 10% of the audited net profit of the Company for the most recent fiscal year, and the absolute amount exceeds RMB5 million;
 - 4. Transaction amount (after accounting for debts assumed and expenses incurred) of the transaction accounts for more than 10% of the Company’s latest audited net assets, and the absolute amount exceeds RMB5 million;

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5. If the data involved in the calculation of the above indicators is negative, the absolute value will be adopted, and such calculation shall be performed on a cumulative basis over a consecutive twelve-month period by type of transaction.
- (ii) The Board of Directors shall have the authority to approve the Company's asset mortgage (other than external guarantees), borrowing amounts and bank credit facility applications within 30% of the Company's latest audited total assets. Matters exceeding 30% of the Company's latest audited total assets shall be submitted to the shareholders' general meeting for review.
- (iii) The authority of the Board of Directors to review connected transactions is:

For connected transactions with a transaction amount below RMB2 million between the Company and connected parties, the Board of Directors shall review and approve such transactions;

When the Board of Directors reviews connected transactions, connected Directors shall abstain from voting and shall not exercise voting rights on behalf of other Directors. Such Board meeting may be held with the attendance of a majority of non-connected Directors, and resolutions of the Board meeting shall be passed by a majority vote of non-connected Directors. Where fewer than three non-connected Directors attend the Board meeting, the Company shall submit such transaction to the shareholders' general meeting for review.

The chairman of the Board of Directors exercises the following powers:

- (i) preside over shareholders' meetings and convene and preside over board meetings;
- (ii) to supervise and review the implementation of resolutions passed by the Board of Directors;
- (iii) to exercise other functions and powers conferred by the Board of Directors or laws, administrative regulations and regulatory rules of the place where the Company's shares are listed.

If the chairman of the Board of Directors is unable or fails to perform his/her duties, more than half of the directors shall jointly elect a director to perform such duties.

Board meetings shall be held at least twice a year, and shall be convened by the chairman of the Board of Directors. Written notice shall be given to all directors at least 10 days before the meeting is held.

Shareholders representing more than 1/10 of the voting rights, more than 1/3 of the directors or the Audit Committee may propose to convene an extraordinary meeting of the Board of Directors. The chairman of the Board of Directors shall convene and preside over a board meeting within 10 days after receiving the proposal.

The methods of notification for the extraordinary Board meeting of the Board of Directors are: personal delivery or fax, email, or registered mail. The notification time limit is: no fewer than five days prior to the meeting.

A notice of a meeting of the Board of Directors shall include the following particulars:

- (i) the date and venue of the meeting;
- (ii) the duration of the meeting;
- (iii) the reasons for holding the meeting and the topics to be discussed thereat;
- (iv) the date of issuance of the notice.

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Board meetings shall be attended by more than half of the directors. Resolutions made by the Board of Directors shall be approved by more than half of all directors.

Voting on resolutions of the Board of Directors is based on one person, one vote.

If Directors are related to the corporates or individuals involved in the matters resolved at the Board meeting, such Directors shall promptly report in writing to the Board of Directors. The Directors with connected relationship may not exercise voting rights on the resolution, nor may they exercise voting rights on behalf of other directors. The Board meeting may be held if more than half of the unrelated directors are present, and resolutions made at the Board meeting shall be passed by more than half of the unrelated directors. If the number of unrelated directors present at the meeting of the Board of Directors is less than 3, the matter shall be submitted to the shareholders’ general meeting for review.

Special Committees under the Board of Directors

The Board of Directors of the Company shall establish an Audit Committee to exercise the functions and powers of the supervisory committee as required by the Company Law.

The Audit Committee comprises 3 members, which shall be directors who are not senior management of the Company. Among which, 2 members shall be independent Directors, and the accounting professionals among such independent Directors shall serve as the convener.

The Audit Committee is responsible for reviewing the financial information of the Company and its disclosure, supervising and evaluating internal and external audit work and internal control. The following matters shall be submitted to the Board of Directors for consideration after being approved by more than half of all members of the Audit Committee:

- (i) Disclosure of financial information in financial accounting reports and periodic reports, as well as internal control evaluation reports;
- (ii) Hiring or dismissing the accounting firm engaged to carry out the audit of the listed company;
- (iii) Appointment or dismissal of the Company’s financial controller;
- (iv) Changes in accounting policies, accounting estimates or corrections of material accounting errors for reasons other than changes in accounting standards;
- (v) Other matters provided for by laws, administrative regulations, provisions of the CSRC and the Articles of Association.

The Audit Committee shall hold at least one meeting each quarter. An extraordinary meeting may be held when it is proposed by two or more members, or when it is deemed necessary by the convener. Meeting of the Audit Committee shall be held only if more than two-thirds of the members are present.

The resolutions made by the Audit Committee shall be passed by more than half of the members of the Audit Committee.

Voting on the resolutions of Audit Committee shall be one person, one vote.

Minutes shall be prepared for the resolutions of the Audit Committee as required and shall be signed by the members of the Audit Committee present at the meetings.

The Board of Directors shall be responsible for formulating work procedures for the Audit Committee.

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The Board of Directors of the Company has established the Strategic Committee, the Nomination Committee, the Remuneration and Appraisal Committee and other special committees to perform their duties in accordance with the Articles of Association and the authorization of the Board of Directors, and the proposals of the special committees shall be submitted to the Board of Directors for review and decision. The Board of Directors is responsible for formulating work procedures for special committees.

The Nomination Committee is responsible for formulating the criteria and procedures for selection of Directors and senior management, selecting and reviewing the candidates for Directors and senior management and their qualifications, and making recommendations to the Board of Directors on the following matters:

- (i) Nomination or appointment and removal of Directors;
- (ii) Appointment or dismissal of senior management;
- (iii) Other matters as stipulated by laws, administrative regulations, regulations of the CSRC and the Articles of Association.

If the Board of Directors does not adopt or does not fully adopt the recommendations of the Nomination Committee, it shall record the opinion of the Nomination Committee and the specific reasons for its non-adoption in a resolution of the Board of Directors and disclose the same.

The Remuneration and Appraisal Committee is responsible for the formulation of standards for appraising and conducting evaluation of Directors and senior management, and the formulation and review of the remuneration decision mechanisms, decision-making processes, payment and cessation of payment recovery arrangements, and other remuneration policies and plans for Directors and senior management, and making recommendations to the Board of Directors on the following matters:

- (i) the remuneration of Directors and senior management;
- (ii) the formulation or amendment of equity incentive schemes and employee stock ownership plans, and the granting of rights to incentive recipients and the achievement of conditions for the exercise of such rights by incentive recipients;
- (iii) the arrangement of stock ownership plans for Directors and senior management in the event of a proposed spin-off of a subsidiary;
- (iv) other matters stipulated by laws, administrative regulations, regulations of the CSRC and the Articles of Association.

If the Board of Directors does not adopt or does not fully adopt the recommendations of the Remuneration and Appraisal Committee, it shall record the opinion of the Remuneration and Appraisal Committee and the specific reasons for its non-adoption in a resolution of the Board of Directors and disclose the same.

MANAGER AND OTHER SENIOR MANAGEMENT

The Company has a manager, who is appointed or dismissed by the Board of Directors.

The Company has deputy managers, who are appointed or dismissed by the Board of Directors.

The circumstances under which a person may not serve as a director and the provisions concerning the management system for resignations as mentioned in the Articles of Association shall also apply to senior management.

The directors' duty of loyalty and the directors' duties of diligence as mentioned in the Articles of Association shall also apply to senior management.

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Any person who takes administrative position other than a director or supervisor in the controlling shareholder of the Company shall not act as senior management of the Company.

The Company's senior management are only paid by the Company and are not paid by the controlling shareholder on behalf of the Company.

The manager is elected for a term of three years, and may be re-appointed.

The manager is responsible to the Board of Directors and exercises the following powers:

- (i) preside over the Company's production, operation and management work, organize the implementation of Board resolutions, and report work to the Board of Directors;
- (ii) organize and implement the Company's annual business plan and investment plan;
- (iii) formulate a plan for the establishment of the Company's internal management organization;
- (iv) formulate the Company's basic management system;
- (v) formulate specific regulations of the Company;
- (vi) request the Board of Directors to appoint or dismiss the Company's deputy manager and financial controller;
- (vii) decide on the appointment or dismissal of management personnel other than those who shall be appointed or dismissed by the Board of Directors;
- (viii) other powers granted by the Articles of Association or the Board of Directors. The manager attends Board meetings.

The manager shall formulate the working rules of the manager and submit them to the Board of Directors for approval before implementation.

The working rules of the manager shall include the following:

- (i) the conditions and procedures for convening, and participants of the manager meetings;
- (ii) the specific duties and responsibilities of the manager and other members of the senior management;
- (iii) the use of funds and assets of the Company, the authority to enter into material contracts and the systems for reporting to the Board of Directors;
- (iv) other matters deemed necessary by the Board of Directors.

The manager may resign prior to the expiry of his/her term of office. The specific procedures and methods for the manager's resignation shall be stipulated in the employment contract between the manager and the Company.

The Company, according to its own circumstances, shall stipulate in its Articles of Association the appointment and removal procedures for deputy managers and the relationship between deputy managers and the manager, and may also stipulate the powers and responsibilities of the deputy managers.

The Company shall have secretary(ies) to the Board of Directors, who shall be responsible for the preparation of the shareholders' general meetings of the Company and meetings of the Board of Directors, the custody of documents, the management of the information of the Company's shareholders, and the handling of information disclosure matters.

APPENDIX V

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The secretary to the Board of Directors shall comply with the relevant provisions of laws, administrative regulations, departmental rules and the Articles of Association.

The Company shall be liable for any damages caused to others by senior management in the performance of their duties for the Company, and the senior management shall also be liable for any damages caused by intent or gross negligence.

Where a senior management violates any laws, administrative regulations, departmental rules, Hong Kong Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association in executing his/her office in the Company, causing losses to the Company, he/she shall be liable for compensation.

Senior management members of the Company shall faithfully perform their duties and safeguard the best interests of the Company and all shareholders.

Where a senior management of the Company fails to perform his/her duties faithfully or violates the fiduciary duty, causing damage to the interests of the Company and the public shareholders, he/she shall be liable for compensation in accordance with law.

FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTION AND AUDITING

Financial and Accounting Systems

The Company shall develop its financial and accounting systems pursuant to laws, administrative regulations and the requirements of the competent authorities of China.

The Company shall prepare its annual financial and accounting report within four months after the end of each fiscal year and its interim financial and accounting report within two months from the end of the first half of each fiscal year. The above financial and accounting reports were prepared and disclosed in accordance with relevant laws, administrative regulations, departmental rules, Hong Kong Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed.

The Company shall not establish other accounting books except for the statutory accounting books. The funds of the Company shall not be deposited in any account opened in the name of any individual.

In distributing its current-year after-tax profits, the Company shall allocate 10% of its profit to its statutory reserve. Allocations to the Company’s statutory reserve may be waived once the cumulative amount of statutory reserve reached 50% or more of the Company’s registered capital.

Where the statutory reserve is not sufficient to cover losses made by the Company in the previous years, the current year’s profit shall be used to cover such loss before any allocation is made to the statutory reserve pursuant to the preceding paragraph.

After an allocation to the statutory reserve has been made from the after-tax profit of the Company, and subject to the adoption of a resolution by the shareholders’ general meeting, an allocation may be made to the discretionary reserve fund.

After the Company has covered its losses and made allocations to the reserves, any remaining after-tax profit shall be distributed to the shareholders in proportion to their respective shareholdings unless otherwise stipulated in the Articles of Association.

Where the shareholders’ general meeting, in violation of the Company Law, distributes profits to the shareholders, the profits so distributed shall be returned to the Company. If the Company suffers losses, the shareholders and responsible directors and senior management shall be liable for compensation.

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Profits shall not be distributed for the shares held by the Company itself.

The distribution of dividends (or shares) shall be completed within two months after the profit distribution plan has been resolved at the shareholders’ general meeting of the Company or the Board of Directors of the Company formulates a specific plan in accordance with the conditions and cap for the following year’s interim dividend approved by the annual general meeting.

The Company’s reserves shall be used to cover Company’s losses, expand production and operations, or be converted to increase the Company’s registered capital.

Where the reserve of the Company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions.

After converting statutory reserve into the increase of registered capital, the amount remaining in the statutory reserve will be no less than 25% of the Company’s registered capital before such conversion.

The Company values reasonable returns on investment for shareholders, and the Company shall adopt a continuous and steady profit distribution policy with an emphasis on providing reasonable investment return to its shareholders and maintaining the sustainable development of the Company which is in compliance with the relevant laws and regulations. The Company may distribute dividends in the form of cash or shares. Where the Company has distributable profits, the Board of Directors of the Company may, depending on its business and financial conditions, make a cash distribution dividend scheme and/or a share distribution dividend scheme.

Internal Audit

The Company implements an internal audit system, which specifies the leadership system, responsibilities and authorization, staffing, financial security, use of audit results and accountability for internal audit work.

The internal audit system of the Company shall be implemented after being approved by the Board of Directors and shall be disclosed to the public.

The Company’s internal audit institution shall supervise and inspect the Company’s business activities, risk management, internal controls, financial information, and other matters.

The internal audit institution shall be accountable to the Board of Directors.

During the supervision and inspection of the Company’s business activities, risk management, internal controls, and financial information, the internal audit institution shall accept the supervision and guidance of the Audit Committee. If the internal audit institution discovers relevant major issues or clues, it shall report directly to the Audit Committee immediately.

The specific organization and implementation of the Company’s internal control evaluation shall be the responsibility of the internal audit institution. The Company shall issue an annual internal control evaluation report based on the evaluation report and relevant materials issued by the internal audit institution and reviewed by the Audit Committee.

When the Audit Committee communicates with external audit units such as accounting firms and national audit institutions, the internal audit institution shall actively cooperate and provide necessary support and collaboration.

The Audit Committee shall participate in the evaluation of the person in charge of internal audit.

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Appointment of Accounting Firm

The Company shall employ an accounting firm that complies with the provisions of the Securities Law and Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's shares are listed to conduct accounting statement audit, net asset verification and other related consulting services. The employment period is one year, and can be renewed.

The appointment and dismissal of an accounting firm by the Company shall be decided by the shareholders' general meeting. The Board of Directors shall not appoint any accounting firm prior to the approval of the shareholders' general meeting.

The Company shall guarantee to provide the accounting firm it employs with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting materials, and shall not refuse, conceal or make false statements.

The auditing fees payable to the accounting firm shall be determined by the shareholders' general meeting.

The Company shall notify the accounting firm ten days in advance when dismissing or no longer renewing the accounting firm. The accounting firm shall be allowed to state its opinions when the shareholders' general meeting votes on dismissing the accounting firm.

If the accounting firm proposes to resign, it shall explain to the shareholders' general meeting whether the Company has any improper situation.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

The merger of the Company may take the form of either merger by absorption or merger by establishment of a new entity.

One company absorbing another company is merger by absorption, and the Company being absorbed shall be dissolved. Merger of two or more companies through establishment of a new company is merger by establishment of a new entity, and the parties to the merger shall be dissolved.

If the consideration paid for the merger does not exceed 10% of the Company's net assets, it may be implemented without a resolution of the shareholders' general meeting, except as otherwise provided in the Articles of Association.

Where a merger is effected without a shareholders' general meeting resolution in accordance with the preceding paragraph, it shall be subject to a resolution of the Board of Directors.

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and schedules of assets. The companies shall within ten days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers or on the National Enterprise Credit Information Publicity System within thirty days.

A creditor may, within thirty days of receipt of the notification, or within forty-five days of the date of the announcement if he/she has not received the notification, request the Company to settle any outstanding debts or provide relevant guarantees.

In case of a merger, the claims and debts of the merging parties shall be assumed by the surviving or the new company.

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In case of a division, the Company's assets shall be divided accordingly.

In case of a division, a balance sheet and a schedule of assets shall be prepared. When a resolution regarding the Company's division is approved, the Company should notify all its creditors within ten days of the date of passing such resolution and publicly announce the division in newspapers or through the National Enterprise Credit Information Publicity System within thirty days.

The liabilities of the Company which have accrued prior to the division shall be jointly borne by the divided companies, unless an agreement in writing is reached with creditors before the Company's division in respect of the settlement of debts.

The Company will prepare a balance sheet and a schedule of assets when it reduces its registered capital.

The Company shall, within ten days of the date of passing the resolution approving the reduction of the registered capital at the shareholders' general meeting, notify its creditors and publicly announce the reduction in newspapers or through the National Enterprise Credit Information Publicity System within thirty days. A creditor may, within thirty days of receipt of the notification, or within forty-five days of the date of the announcement if he/she has not received the notification, request the Company to settle any outstanding debts or provide relevant guarantees.

When reducing its registered capital, the Company shall reduce the capital contribution or shares held by shareholders in proportion to their shareholdings, unless otherwise provided by law or the Articles of Association.

Dissolution and Liquidation

The Company may be dissolved for the following reasons:

- (i) the term of business operation as stipulated by the Articles of Association expires or other circumstances for dissolution as stipulated by the Articles of Association arise;
- (ii) the shareholders' general meeting resolves to dissolve the Company;
- (iii) dissolution is necessary as a result of the merger or division of the Company;
- (iv) the business license is revoked or it is ordered to close down or it is deregistered according to law;
- (v) serious difficulties arise in the operation and management of the Company and its continued existence would cause material loss to the interests of the shareholders and such difficulties cannot be resolved through other means, in which case shareholders holding 10% or more of the voting rights of the Company may petition a People's Court to dissolve the Company.

If any of the causes for dissolution mentioned in the preceding paragraph arises, the Company shall publicize such cause for dissolution through the National Enterprise Credit Information Publicity System within ten days.

The Company may continue in existence by amending the Articles of Association or upon a resolution of the shareholders' general meeting under any of the circumstances prescribed in item (i) or (ii) of previous article and it has not distributed the assets to its shareholders. Any amendment to the Articles of Association or resolution of the shareholders' general meeting under the preceding paragraph shall be subject to the consent of shareholders with two-thirds or more of the voting rights present at the shareholders' general meeting.

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Where the Company is to be dissolved pursuant to items (i), (ii), (iv) and (v) of the previous article, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation committee to commence the liquidation process within fifteen days from the date when the event of dissolution occurs.

The liquidation committee shall be composed of the directors, unless it is otherwise provided for in the Articles of Association or otherwise elected by the shareholders’ general meeting.

The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner, and thus any loss is caused to the Company or the creditors.

During the liquidation period, the liquidation committee shall exercise the following functions and powers:

- (i) to sort out the Company’s assets and prepare a balance sheet and a list of property respectively;
- (ii) to issue to creditors the notice or announcements;
- (iii) to deal with any outstanding businesses of the Company relating to the liquidation;
- (iv) to pay outstanding taxes as well as taxes arising in the course of liquidation;
- (v) to settle claims and debts;
- (vi) to distribute the remaining assets of the Company after the repayment of debts;
- (vii) to represent the Company in civil proceedings.

Within ten days of the establishment of the liquidation committee, the creditors shall be notified and an announcement shall be published in newspapers or through the National Enterprise Credit Information Publicity System within sixty days. Creditors shall file their claims with the liquidation committee within thirty days of receiving the notice, or within forty-five days of publication of the notice if any such creditor does not receive the notice.

In filing their claims, creditors shall provide all relevant details relating thereto and provide supporting materials. The liquidation committee shall make records of such claims.

The liquidation committee shall not pay out on any creditors’ claims while such claims are still being filed.

After identifying the Company’s assets and preparing the balance sheet and schedule of assets, the liquidation committee shall prepare a liquidation plan, which shall be submitted to the shareholders’ general meeting or the People’s Court for ratification.

After paying all liquidation expenses, staff wages, social insurance expenses and statutory compensation, outstanding taxes, and the Company’s debts, the remaining assets shall be distributed to the shareholders in proportion to their respective shareholdings.

During the liquidation, the Company shall continue to exist, but shall not carry out business activities irrelevant to the liquidation.

The property of the Company shall not be distributed to any shareholder before full payments have been made out of the property in accordance with the preceding paragraph.

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Where the liquidation committee, after identifying the Company’s assets and preparing the balance sheet and schedule of assets, discovers that the Company does not have sufficient assets to repay the Company’s debts in full, the liquidation committee shall file a bankruptcy liquidation with the People’s Court in accordance with law.

After the People’s Court accepts the application for bankruptcy, the liquidation committee shall turn over matters regarding the liquidation to the bankruptcy administrator designated by the People’s Court.

Upon closure of liquidation of the Company, the liquidation committee shall prepare a liquidation report, which shall be submitted to the shareholders’ general meeting or the People’s Court for confirmation, and be submitted to the company registration authority to apply for cancellation of the Company’s registration and announce the termination of the Company.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company will amend the Articles of Association in any of the following circumstances:

- (i) after amendments are made to the Company Law, other relevant laws, administrative regulations, Hong Kong Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed, the Articles of Association run counter to the said amendments;
- (ii) the conditions of the Company have changed, and such change is not covered in the Articles of Association;
- (iii) the shareholders’ general meeting has resolved to amend the Articles of Association.

Where the amendments to the Articles of Association passed by the shareholders’ general meetings need the examination and approval of the competent authorities, these amendments shall be submitted thereto for approval. Where the amendment of the Articles of Association involves registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

The Board of Directors shall amend the Articles of Association in accordance with the resolution of the shareholders’ general meeting on amendment to the Articles of Association and the examination and approval opinions from relevant competent authorities.

Amendments to the Articles of Association are information required to be disclosed by laws and regulations and shall be announced in accordance with such requirements.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Establishment of Our Company

Our Company was incorporated as a limited liability company under the laws of the PRC on December 14, 2018 and was converted into a joint stock company with limited liability on August 31, 2023. Our registered address and principal place of business is at 321 Taibo Road, Sinomags Technology Industrial Park, Zone C, Sensor Valley, Economic Development Zone, Bengbu City, Anhui Province, PRC.

We have established a place of business in Hong Kong at 40/F, Dah Sing Financial Centre, No. 248 Queen’s Road East, Wanchai, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on August 29, 2025. Ms. Lin Sio Ngo, our joint company secretary, is the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong under Part 16 of the Companies Ordinance. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices IV and V to this document.

2. Changes in the Share Capital of Our Company

For details on the changes in the share capital of our Company, see “History, Development and Corporate Structure.”

On December 14, 2018, our Company was established as a limited liability company with a registered capital of RMB10,000,000.

On August 31, 2023 our Company was converted into a joint stock company with limited liability with a registered capital of RMB115,218,724 divided into 115,218,724 Shares with a nominal value of RMB1.00 each.

Save as disclose above, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document.

3. Changes in the Share Capital of our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants’ Report, the text of which is set out in Appendix I. The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this document:

Wuxi Este Magnetic On April 30, 2025, the registered capital of Wuxi Este Magnetic increased from RMB23,333,334 to RMB27,887,794

On February 26, 2025, the registered capital of Wuxi Este Magnetic increased from RMB20,000,000 to RMB23,333,334

On January 5, 2024, the registered capital of Wuxi Este Magnetic increased from RMB6,000,000 to RMB20,000,000

Wuxi Este Magnetic was incorporated on August 29, 2023 with a registered capital of RMB6,000,000

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Anhui Xinst Anhui Xinst was incorporated on November 20, 2023 with a registered capital of RMB100,000,000

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this document.

4. Resolutions of our Shareholders

At the general meeting of the Shareholders held on July 25, 2025, the following resolutions, among others, were duly passed:

- (1) the issue by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares be [REDACTED] on the Stock Exchange;
- (2) that the number of H Shares to be issued shall not be more than [REDACTED]% of the total issued share capital of our Company as enlarged by the [REDACTED] (before the exercise of the [REDACTED] and the [REDACTED]), and the grant to the [REDACTED] (or their representatives) of (i) the [REDACTED] of not more than [REDACTED]% of the number of H Shares issued pursuant to the [REDACTED]; and (ii) the [REDACTED] of not more than [REDACTED]% of the number of H Shares issued pursuant to the [REDACTED] (after the exercise of the [REDACTED]);
- (3) subject to the completion of the [REDACTED], the revised Articles of Association be approved and adopted, which shall become effective on the [REDACTED] and the Board has been authorized to amend the Articles of Association in accordance with any legal or statutory requirements, or any comments from any governmental or regulatory authorities;
- (4) subject to the result of the CSRC filing, upon completion of the [REDACTED], [REDACTED] Unlisted Shares held by [REDACTED] Shareholders will be [REDACTED] into H Shares on a one-for-one basis; and
- (5) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the [REDACTED] and the issue and [REDACTED] of H Shares on the Stock Exchange.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this document and are or may be material:

- (a) the land use rights transfer contract (國有建設用地使用權出讓合同) dated January 6, 2025, entered into between Shenste and Wuxi Municipal Natural Resources and Planning Bureau (無錫市自然資源和規劃局) (the “Bureau”), pursuant to which Shenste agreed to acquire and the Bureau agreed to transfer the rights to use a parcel of state-owned land located in Wuxi Municipal, Jiangsu Province, the PRC at a consideration of RMB14,470,000; and
- (b) [REDACTED].

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

2. Our Material Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we considered to be material to our business:

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1.	希 磁 科 技	9	Ningbo Sinomags	PRC	12387750	September 14, 2014	September 13, 2034
2.	SINOMAGS	9	Ningbo Sinomags	PRC	12387730	September 14, 2014	September 13, 2034
3.	希 磁 科 技	9	Ningbo Sinomags	PRC	85995371	January 28, 2026	January 27, 2036
4.	希 磁 科 技	35	Ningbo Sinomags	PRC	85976969	January 21, 2026	January 20, 2036
5.		9	Sensitex GmbH	Japan	1292928	June 2, 2015	June 2, 2035
6.		09, 40	Sensitex GmbH	European Union	1292928	June 2, 2015	June 2, 2035
7.		09, 40	Sensitex GmbH	Egypt	1292928	June 2, 2015	June 2, 2035
8.		09, 40	Sensitex GmbH	Turkey	1292928	June 2, 2015	June 2, 2035
9.		09, 40	Sensitex GmbH	Switzerland	1292928	June 2, 2015	June 2, 2035
10.		09, 40	Sensitex GmbH	Morocco	1292928	June 2, 2015	June 2, 2035
11.		09, 40	Sensitex GmbH	United States	1292928	June 2, 2015	June 2, 2035
12.		9, 09, 40	Sensitex GmbH	PRC	1292928	June 2, 2015	June 2, 2035
13.		09, 40, 41, 42	Sensitex GmbH	Germany	3020140085879	April 23, 2015	December 31, 2034
14.		42	Sensitex GmbH	Brazil	909463301	October 3, 2017	October 3, 2027
15.		11	Sensitex GmbH	Brazil	909463220	October 3, 2017	October 3, 2027

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No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
16.		41	Sensitec GmbH	Brazil	909463255	October 3, 2017	October 3, 2027
17.		07	Sensitec GmbH	Brazil	909463123	October 3, 2017	October 3, 2027
18.		09	Sensitec GmbH	Brazil	909463182	October 3, 2017	October 3, 2027
19.		07, 09, 37, 40, 41, 42	Sensitec GmbH	Taiwan	01809601	December 1, 2016	November 30, 2026
20.	SENSITEC	07, 09, 42	Sensitec GmbH	Europe	001241322	April 16, 2004	July 14, 2029
21.	SENSITEC	09, 40, 41, 42	Sensitec GmbH	United Kingdom	00901241322	April 16, 2004	July 14, 2029
22.	 SENSITEC MAGNETORESISTIVE SENSORS	09, 41, 42	Sensitec GmbH	Europe	018456100	September 4, 2021	April 20, 2031
23.	 SENSITEC MAGNETORESISTIVE SENSORS	09, 41, 42	Sensitec GmbH	United Kingdom	00003633318	November 19, 2021	April 27, 2031
	 SENSITEC MAGNETORESISTIVE SENSORS						
24.	 SENSITEC MAGNETORESISTIVE SENSORS	09, 41, 42	Sensitec GmbH	Switzerland	802668	September 1, 2023	April 20, 2031
25.	 SENSITEC MAGNETORESISTIVE SENSORS	09, 41, 42	Sensitec GmbH	Japan	6746437	October 19, 2023	October 19, 2033

(b) Patents

As of the Latest Practicable Date, we had registered the following patents which we considered to be material to our business:

No.	Patent	Patentee	Place of registration	Registration number	Registration date
1.	A current sensor (一種電流傳感器)	Ningbo Sinomags	PRC	201810391926.6	December 27, 2024
2.	PCB-based current detection device (基於PCB的電流檢測裝置)	Ningbo Sinomags	PRC	201910190635.5	December 6, 2024
3.	A magnetic identification device, method, system, and magnetically encoded object under test (一種磁性識別裝置、方法及系統和帶有磁編碼的被測物)	Ningbo Sinomags	PRC	202011488965.1	May 23, 2025

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No.	Patent	Patentee	Place of registration	Registration number	Registration date
4.	Device structure with DC and arc current detection, sensor and processing system (具有直流及拉弧電流檢測的器件結構、傳感器及處理系統)	Ningbo Sinomags	PRC	202011596876.9	December 31, 2024
5.	A sensor capable of simultaneously detecting DC and arc current (一種可同時檢測直流及拉弧電流的傳感器)	Ningbo Sinomags	PRC	202011596871.6	January 3, 2025
6.	A tunnelling magnetoresistance and its manufacturing method, tunnelling magnetic device (一種隧道磁電阻及其製造方法、隧道磁器件)	our Company	PRC	202011583511.2	August 5, 2025
7.	A tunnelling magnetoresistance and its manufacturing method, tunnelling magnetic device (一種隧道磁電阻及其製造方法、隧道磁器件)	our Company	PRC	202011596850.4	August 5, 2025
8.	A tunnelling magnetoresistance and its manufacturing method (一種隧道磁電阻及其製造方法)	our Company	PRC	202011596848.7	August 5, 2025
9.	A tunnelling magnetoresistance and its manufacturing method (一種隧道磁電阻及其製造方法)	our Company	PRC	202011596972.3	August 5, 2025
10.	A magnetoresistance module and magnetic sensor (一種磁電阻模塊及磁傳感器)	our Company	PRC	202011596987.X	May 27, 2025
11.	Magnetic field detection component positioning method for current sensor, system and sensor (電流傳感器的磁場檢測部件位置確定方法、系統及傳感器)	Ningbo Sinomags	PRC	202011596878.8	December 3, 2024
12.	A chip packaging structure (一種晶片封裝結構)	our Company	PRC	202111672032.2	January 24, 2025
13.	A current sensor (一種電流傳感器) . .	our Company	PRC	202210122258.3	January 20, 2023
14.	A current sensor (一種電流傳感器) . .	Ningbo Sinomags	PRC	202210304846.9	January 20, 2023
15.	A magnetic sensor chip testing device (一種磁傳感器晶片測試裝置)	our Company	PRC	202211640294.5	September 27, 2024

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No.	Patent	Patentee	Place of registration	Registration number	Registration date
16.	Single resistor testing device and system for Wheatstone bridge (一種惠斯通電橋中單電阻測試裝置及系統) . . .	Ningbo Sinomags	PRC	202211683217.8	July 5, 2024
17.	High-low temperature dynamic testing system and method (一種高低溫動態測試系統以及方法)	Ningbo Sinomags	PRC	202211710639.X	October 18, 2024
18.	Sensor error detection with an additional channel	Sensitec GmbH, Analog Devices Global	United States	US10309803B2	June 4, 2019
19.	Sensor error detection with an additional channel	Sensitec GmbH, Analog Devices International Unlimited Company	Germany	DE102016102927B4	November 16, 2017
20.	Sensor error detection with an additional channel	Sensitec GmbH, Analog Devices International Unlimited Company	United Kingdom	GB2538342B	October 16, 2019
21.	Sensor error detection with an additional channel	Sensitec GmbH, Analog Devices Global	PRC	CN105910637B	October 19, 2018
22.	Arrangement for scanning a linear or circular measuring rod made of ferromagnetic material.	Sensitec GmbH	Europe	EP2158453B1	March 3, 2017
23.	Arrangement for scanning a linear or circular measuring rod made of ferromagnetic material.	Sensitec GmbH	United States	US8836324B2	August 27, 2014
24.	Assembly for measuring at least one component of a magnetic field	Sensitec GmbH	Europe	EP2396666B1	June 21, 2013
25.	Assembly for measuring at least one component of a magnetic field	Sensitec GmbH	United States	US8957679B2	January 27, 2015
26.	Sensor for measuring a periodic signal comprising several harmonics	Sensitec GmbH	Europe	EP2602593B2	March 21, 2017

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No.	Patent	Patentee	Place of registration	Registration number	Registration date
27.	Sensor assembly and method for determining a spatial position of a first part relative to a second part . .	Sensitec GmbH and Carl Zeiss Industrielle Messtechnik GmbH	Europe	EP2603773	January 8, 2020
28.	Magnetic field sensing device.	Sensitec GmbH	Europe	EP2671091B1	September 3, 2014
29.	Arrangement for measuring current. . .	Sensitec GmbH	Europe	EP2867684B1	August 8, 2018
30.	Magnetic field sensor device	Sensitec GmbH	United States	US9903920B2	February 7, 2018
31.	Sensor arrangement for eddy-current testing of electrically conductive objects to be measured	Sensitec GmbH and Bundesanstalt für Materialforschung u.-prüfung (BAM)	Europe	EP3146324B8	May 28, 2020
32.	Magnetoresistive wheatstone measuring bridge and angle sensor having at least two such measuring bridges.	Sensitec GmbH	PRC	CN107003364B	August 20, 2019
33.	Magnetoresistive wheatstone measuring bridge and angle sensor having at least two such measuring bridges.	Sensitec GmbH	Europe	EP3224639B1	June 22, 2018
34.	Magnetoresistive wheatstone measuring bridge and angle sensor having at least two such measuring bridges.	Sensitec GmbH	Japan	JP6570634B2	July 8, 2019
35.	Magnetoresistive wheatstone measuring bridge and angle sensor having at least two such measuring bridges.	Sensitec GmbH	United States	US10557725B2	January 22, 2020
36.	Method and apparatus for manufacturing a magnetic field sensor device, and corresponding magnetic sensor device	Sensitec GmbH	Germany	DE102014116953B4	March 16, 2022

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No.	Patent	Patentee	Place of registration	Registration number	Registration date
37.	Method and apparatus for manufacturing a magnetic field sensor device, and corresponding magnetic sensor device	Sensitec GmbH	Europe	EP3221904B1	September 28, 2021
38.	Method and apparatus for manufacturing a magnetic field sensor device, and corresponding magnetic sensor device	Sensitec GmbH	PRC	CN107003365B	May 15, 2020
39.	Method and apparatus for manufacturing a magnetic field sensor device, and corresponding magnetic sensor device	Sensitec GmbH	Japan	JP6516843B2	March 28, 2019
40.	Method and apparatus for manufacturing a magnetic field sensor device, and corresponding magnetic sensor device	Sensitec GmbH	United States	US10151806B2	November 20, 2018
41.	Multicomponent magnetic field sensor	Sensitec GmbH	Europe	EP3025162B1	February 17, 2017
42.	Multicomponent magnetic field sensor	Sensitec GmbH	Japan	JP6220971B2	August 30, 2017
43.	Multicomponent magnetic field sensor	Sensitec GmbH	PRC	CN105408756B	May 29, 2018
44.	Multicomponent magnetic field sensor	Sensitec GmbH	United States	US9714989B2	July 3, 2017
45.	Multicomponent magnetic field sensor	Sensitec GmbH	Republic of Korea	KR101826188B1	December 29, 2017
46.	Magnetic field sensor device for measuring the current flowing through a current-carrying conductor	Sensitec GmbH	Europe	EP3248019B1	October 8, 2018
47.	Magnetic field sensor.	Sensitec GmbH	Europe	EP3721244B1	April 26, 2023
48.	Magnetic field sensor.	Sensitec GmbH	PRC	CN111630403B	August 30, 2022
49.	Magnetic field sensor.	Sensitec GmbH	United States	US11307269B2	March 30, 2022
50.	Interference field-compensated angle sensor device and method for interference field-compensated angle determination	Sensitec GmbH	Europe	EP3601955B1	November 3, 2020

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No.	Patent	Patentee	Place of registration	Registration number	Registration date
51.	Multiphase current measuring device and method for multiphase current measurement	Sensitec GmbH	Germany	DE102018100689B4	May 13, 2022
52.	Multiphase current measuring device and method for multiphase current measurement	Sensitec GmbH	United States	US11467187B2	September 21, 2022
53.	Multiphase current measuring device and method for multiphase current measurement	Sensitec GmbH	PRC	CN111542758B	June 24, 2022
54.	Multiphase current measuring device and method for multiphase current measurement	Sensitec GmbH	Japan	JP6961823B2	September 29, 2021
55.	Absolute encoder	Sensitec GmbH	Europe	EP3803278B1	March 1, 2023
56.	Absolute encoder	Sensitec GmbH	Japan	JP7097462B2	May 30, 2022
57.	Absolute encoder	Sensitec GmbH	PRC	CN112166303B	July 1, 2022
58.	Absolute encoder	Sensitec GmbH	Republic of Korea	KR102550704B1	April 27, 2023
59.	Wear monitoring device and ball screw drive	Sensitec GmbH	Europe	EP3814717B1	February 10, 2022
60.	Wear monitoring device and ball screw drive	Sensitec GmbH	United States	US11846347B2	November 29, 2023
61.	Wear monitoring device and ball screw drive	Sensitec GmbH	Japan	JP7068552B2	April 8, 2022
62.	Wear monitoring device and ball screw drive	Sensitec GmbH	PRC	CN112352136B	June 7, 2022
63.	Arrangement of adjacent layer structures for a magnetoresistive magnetic field sensor, magnetoresistive magnetic field sensor and method for producing same	Sensitec GmbH	PRC	CN113383243B	March 21, 2025
64.	Arrangement of adjacent layer structures for a magnetoresistive magnetic field sensor, magnetoresistive magnetic field sensor and method for producing same	Sensitec GmbH	Japan	JP7314287B2	June 29, 2023

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No.	Patent	Patentee	Place of registration	Registration number	Registration date
65.	Arrangement of adjacent layer structures for a magnetoresistive magnetic field sensor, magnetoresistive magnetic field sensor and method for producing same	Sensitec GmbH	United States	US11506734B2	November 2, 2022
66.	Arrangement of adjacent layer structures for a magnetoresistive magnetic field sensor, magnetoresistive magnetic field sensor and method for producing same	Sensitec GmbH	Europe	EP3918356	September 13, 2022
67.	Device for determining the angular position of a rotary element.	Sensitec GmbH	Germany	DE102021106095B8	June 22, 2023
68.	Magnetic field-based current sensor for frequency-compensated measurement of alternating currents .	Sensitec GmbH	Germany	DE102019124391B4	February 20, 2021
69.	Magnetic field-based current sensor for frequency-compensated measurement of alternating currents .	Sensitec GmbH	Europe	EP4010714B1	January 19, 2023
70.	Magnetic field-based current sensor for frequency-compensated measurement of alternating currents .	Sensitec GmbH	PRC	CN114144684B	December 17, 2024
71.	Magnetic field-based current sensor for frequency-compensated measurement of alternating currents .	Sensitec GmbH	United States	US11493537B2	October 19, 2022
72.	Current measuring device	Sensitec GmbH	Germany	DE102021121810B4	September 28, 2023
73.	Apparatus for detection of the gradient of a magnetic field, and method for production of the apparatus.	Sensitec GmbH	United States	US7495624B2	February 4, 2009
74.	Device for galvanically isolated measurement of the electrical power consumption of a two-pole	Sensitec GmbH	Germany	DE102007040399B4	August 4, 2012
75.	Magnetoresistive angle sensor.	Sensitec GmbH	Germany	DE202018102785U	May 29, 2018
76.	Magnetoresistive angle sensor.	Sensitec GmbH	Germany	DE202018103038U1	June 6, 2018
77.	Electrical component	Sensitec GmbH	Germany	DE202020104187U1	July 31, 2023

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(c) *Domain names*

As of the Latest Practicable Date, we had registered the following domain name which we considered to be material to our business:

No.	Domain name	Registered owner	Registration Date
1.	magsens.cn	our Company	July 24, 2025
2.	lertech.com	Wuxi Lertech	August 22, 2019
3.	sensitec.com.	Sensitec GmbH	April 22, 2025
4.	sensitec.de	Sensitec GmbH	November 4, 2021

Save as disclosed above, as at the Latest Practicable Date, there were no other intellectual property rights which were material in relation to our Group’s business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests of our Directors and Chief Executive

Immediately following the completion of the [REDACTED] and [REDACTED] of Unlisted Shares into H Shares, the interests and/or short positions (as applicable) of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares, underlying Shares or debentures of any of the Company’s associated corporations (within the meaning of Part XV of the SFO) which (1) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

(a) *Interests in our Company*

Name of Director or Chief Executive	Nature of Interest	Number and Description of Shares held upon completion of the [REDACTED] ⁽¹⁾	Approximate percentage of shareholding in the total issued share capital of our Company immediately upon completion of the [REDACTED] ⁽²⁾
Dr. Wang	Interest in controlled corporation	[REDACTED] H Shares	[REDACTED]%
	Beneficial owner	[REDACTED] H Shares	[REDACTED]%

Notes:

(1) All interests stated are long positions.

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- (2) The calculation is based on the total number of [REDACTED] H Shares in issue immediately after the completion of the [REDACTED] (without taking into account the H Shares to may be issued upon the exercise of the [REDACTED] and [REDACTED]) and the [REDACTED] of Unlisted Shares into H Shares.

2. Substantial Shareholders

Save as disclosed in the section headed “Substantial Shareholders” in this document and below, immediately following the completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] and the [REDACTED], our Directors or chief executive are not aware of any other person (other than a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

Member of our Group	Name of substantial shareholder	Approximate % held by the substantial shareholder
Wuxi Este Magnetic	Anhui Guosheng	38.93%
Anhui Xinst	Anhui Guokong Lingang Industry Fund Partnership Enterprise (Limited Partnership) (安徽國控臨港產業基 金合夥企業(有限合夥))	30.00%

3. Particulars of Directors’ Contracts and Appointment Letters

Each of our executive Directors has entered into a service contract with our Company on [•], and we have issued letters of appointment to each of our non-executive Directors and each of our independent non-executive Directors. The service contracts with each of our executive Directors and the letters of appointment with each of our non-executive Directors are for an initial fixed term of three years commencing from [•]. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

4. Remuneration of Directors

See “Directors and Senior Management” and note 13 to the Accountants’ Report in Appendix I to this document for the remuneration or benefits in kind paid to our Directors for each of the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2025.

During the Track Record Period, no fees were paid by our Group to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office.

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5. Disclaimers

Save as disclosed in this Appendix and in sections headed “Directors and Senior Management” and “Substantial Shareholders” in this document:

- (a) none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are [REDACTED] on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (c) none of our Directors nor any of the persons listed in “E. Other Information — 4. Qualifications and Consents of Experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors nor any of the persons listed in “E. Other Information — 4. Qualifications and Consents of Experts” below is materially interested in any contract or arrangement with our Group subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;
- (e) save in connection with [REDACTED], none of the persons listed in “E. Other Information — 4. Qualifications and Consents of Experts” below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and
- (g) save as contemplated under the [REDACTED], none of our Directors or their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company’s five largest customers and five largest suppliers.

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D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on our Company or its subsidiaries.

2. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an [REDACTED] on behalf of our Company to the Stock Exchange for the [REDACTED] of, and permission to [REDACTED], the H Shares to be issued pursuant to the [REDACTED] and the H Shares to be [REDACTED] from the Unlisted Shares upon completion of the [REDACTED]. All necessary arrangements have been made to enable our H Shares to be admitted into [REDACTED].

The Sole Sponsor satisfies satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive an aggregate fee of [REDACTED] for acting as the sponsor for the [REDACTED].

4. Qualifications and Consents of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this document:

Name	Qualification
China Securities (International) Corporate Finance Company Limited.....	Licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
BDO Limited.....	Certified Public Accountants and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
T&C Law Firm	Legal adviser to our Company as to PRC Law
Deloitte Legal Rechtsanwaltsgesellschaft mbH	Legal adviser to our Company as to German Law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Stephen Peepels	Legal adviser to our Company as to International Sanctions laws

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Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

5. Promoters

Information of our promoters as of the time of our Company’s conversion into a joint stock limited company on August 31, 2023 is as follows:

No.	Name
1.	Wang Jianguo (王建國)
2.	Future Industry Investment Fund II (先進製造產業投資基金二期(有限合夥))
3.	Bengbu Lesi Technology Center (Limited Partnership) (蚌埠樂思科技中心(有限合夥))
4.	Bengbu Huarui Technology Center (Limited Partnership) (蚌埠華瑞科技中心(有限合夥))
5.	Beijing Haiju Zhuli Entrepreneurship Investment Center (Limited Partnership) (北京海聚助力創業投資中心(有限合夥))
6.	Xiamen Huiyou Haojia Equity Investment Partnership (L.P.) (廈門市惠友豪嘉股權投資合夥企業(有限合夥))
7.	Sun Yiqiang (孫義強)
8.	Shenzhen Maison Haoyu Equity Investment Fund Partnership (L.P.) (深圳市麥星灝昱股權投資基金合夥企業(有限合夥))
9.	Ningbo Saibao Venture Capital Partnership Enterprise (Limited Partnership) (寧波賽寶創業投資合夥企業(有限合夥))
10.	Huijia No.1 New Energy Industry Investment Fund Partnership Enterprise (Limited Partnership) (徐州匯嘉壹號新能源產業投資基金合夥企業(有限合夥))
11.	Zhuhai Juntai Yingfeng Investment Center (Limited Partnership) (珠海君泰盈豐投資中心(有限合夥))
12.	Anhui High Tech Cyber Electronic Information Industry Investment Fund (Limited Partnership) (安徽高新賽伯樂電子信息產業投資基金(有限合夥))
13.	Bengbu Xinda Technology Center (Limited Partnership) (蚌埠芯達科技中心(有限合夥))
14.	Xuzhou Huijia No.2 New Energy Industry Investment Fund Partnership Enterprise (Limited Partnership) (徐州匯嘉貳號新能源產業投資基金合夥企業(有限合夥))
15.	Hainan Jintai Venture Capital Partnership Enterprise (Limited Partnership) (海南錦泰投資合夥企業(有限合夥))
16.	Zhai Jingli (翟京麗)
17.	Bengbu Huajing Technology Center Partnership (Limited Partnership) (蚌埠華晶技術中心合夥企業(有限合夥))
18.	Qingdao Jinyue Huazhang Venture Capital Fund Partnership (Limited Partnership) (青島錦岳華章創業投資基金合夥企業(有限合夥))
19.	Wuhu Jishi Yitian Xinchuang Equity Investment Partnership Enterprise (Limited Partnership) (蕪湖基石逸添信創股權投資合夥企業(有限合夥))
20.	Hangzhou Saizhi Wentao Equity Investment Partnership (Limited Partnership) (杭州賽智聞濤股權投資合夥企業(有限合夥))
21.	Zibo Huijia Huisheng Equity Investment Fund Partnership Enterprise (Limited Partnership) (淄博匯嘉匯盛股權投資基金合夥企業(有限合夥))

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No.	Name
22.	Hefei Saizhi Fangxing Equity Investment Partnership Enterprise (Limited Partnership) (合肥賽智方興股權投資合夥企業(有限合夥))
23.	Qingdao Jinyue Venture Capital Fund Partnership (Limited Partnership) (青島錦岳助力創業投資基金合夥企業(有限合夥))
24.	Xiamen Nuoyan Baoying Investment Partnership (Limited Partnership) (廈門諾延保贏投資合夥企業(有限合夥))
25.	Wuxi Xichuanglian Industrial Investment Partnership (Limited Partnership) (無錫希創聯產業投資合夥企業(有限合夥))
26.	Hainan Yujun Equity Investment Partnership (Limited Partnership) (海南與君股權投資合夥企業(有限合夥))
27.	Hefei Renyuan Investment Management Center (Limited Partnership) (合肥仁元投資管理中心(有限合夥))
28.	Hefei Renchuang Investment Management Center (Limited Partnership) (合肥仁創投資管理中心(有限合夥))
29.	Hefei Saizhi No. 1 Venture Capital Center Partnership (Limited Partnership) (合肥賽智壹號創業投資中心合夥企業(有限合夥))
30.	Qingdao Jinyue Hesheng Venture Capital Fund Partnership (Limited Partnership) (青島錦岳合盛創業投資基金合夥企業(有限合夥))
31.	Qingdao Jinghui Venture Capital Fund Partnership (Limited Partnership) (青島璟匯創業投資基金合夥企業(有限合夥))
32.	Dingwei Lede Intelligent Manufacturing Industry Investment Fund Partnership Enterprise (Limited Partnership) (南京鼎為樂德智造產業投資基金合夥企業(有限合夥))
33.	Ningbo Zhenhai Huizhi Angel Investment Partnership Enterprise (Limited Partnership) (寧波市鎮海匯智天使投資合夥企業(有限合夥))
34.	Shenzhen Hefeng Venture Capital Enterprise (Limited Partnership) (深圳市合豐創業投資企業(有限合夥))
35.	Shanghai Hushan Puxin Venture Capital Center (Limited Partnership) (上海湖杉浦芯創業投資中心(有限合夥))
36.	Ningbo Saizhi Yunsheng New Materials Venture Capital Partnership (Limited Partnership) (寧波賽智韻升創業投資合夥企業(有限合夥))
37.	Zibo Huijia Huili Equity Investment Fund Partnership (Limited Partnership) (淄博匯嘉匯利股權投資基金合夥企業(有限合夥))
38.	Zhejiang Electric Drive Innovation Center Co., Ltd. (浙江電驅動創新中心有限公司)
39.	Nanjing Haiju Zhuli Entrepreneurship Investment Center (Limited Partnership) (南京海聚助力創業投資中心(有限合夥))
40.	Hefei Renci Equity Investment Partnership (Limited Partnership) (合肥仁磁股權投資合夥企業(有限合夥))
41.	Bengbu Hua'an Technology Center (Limited Partnership) (蚌埠華安科技中心(有限合夥))

Within the two years immediately preceding the date of this document, no cash, securities, amount or benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [REDACTED] or the related transactions described in this document.

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6. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer is effected on the H Share register of members of our Company, including in circumstances where such transaction is effect on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

7. Preliminary Expenses

We have not incurred any material preliminary expenses.

8. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since September 30, 2025.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

This document is written in the English language and contains a Chinese translation for information purpose only. Should there be any discrepancy between the English language of this document and the Chinese translation, the English language version of this document shall prevail.

11. Miscellaneous

Save as disclosed in this document:

- (a) within the two years immediately preceding the date of this document:
 - (i) neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) save as in connection with the [REDACTED], no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
 - (iv) no commission has been paid or payable (except commission to [REDACTED]) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
 - (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and

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- (vi) there is no arrangement under which future dividends are waived or agreed to be waived.
- (b) our Directors confirm that:
 - (i) since September 30, 2025 (being the date on which the latest audited consolidated financial statements of our Group were made up), there has been no material adverse change in our financial or trading position or prospects;
 - (ii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document;
 - (iii) our Company has no outstanding convertible debt securities or debentures; and
 - (iv) there are no treasury shares held by our Company or our subsidiaries or through our agents or nominees.

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (i) a copy of each of the material contracts referred to in “Statutory and General Information — B. Further Information about our Business — 1. Summary of Our Material Contracts” in Appendix VI; and
- (ii) the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 4. Qualifications and Consents of Experts” in Appendix VI.

B. DOCUMENTS AVAILABLE ON DISPLAY

Electronic copies of the following documents will be available on display on the website of our Company at <http://www.magsens.cn/> and on the website of the Stock Exchange at www.hkexnews.hk during a period of 14 days from the date of this document:

- (i) the Articles of Association;
- (ii) the Accountants’ Report prepared by BDO Limited, the text of which is set out in Appendix I;
- (iii) the audited consolidated financial statements of our Group for the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2025;
- (iv) the report prepared by BDO on the unaudited [REDACTED] financial information of our Group, the texts of which are set out in Appendix II;
- (v) the industry report issued by Frost & Sullivan referred to in “Industry Overview”;
- (vi) the PRC legal opinions issued by T&C Law Firm, our PRC Legal Advisor, in respect of certain general corporate matters of our Group under PRC law;
- (vii) the material contracts referred to in “Statutory and General Information — B. Further Information about our Business — 1. Summary of Our Material Contracts” in Appendix VI;
- (viii) the service contracts and appointment letters referred to in “Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders — 3. Particulars of Directors’ Service Contracts and Appointment Letters” in Appendix VI;
- (ix) the written consents referred to in “Statutory and General Information — E. Other Information — 4. Qualifications and Consents of Experts” in Appendix VI; and
- (x) the PRC Company Law, the Securities Law, and the Trial Measures, together with unofficial English translations thereof.