

BUSINESS

OVERVIEW

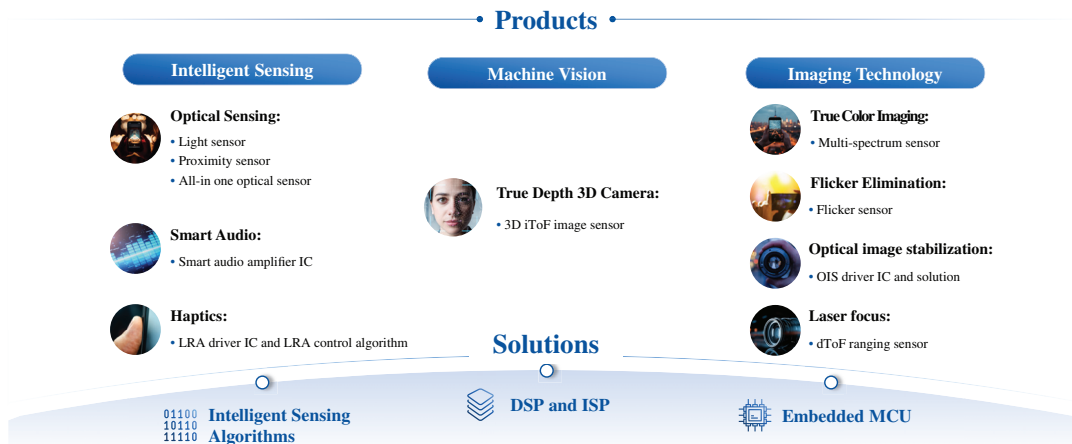
We are a provider of intelligent sensing, machine vision, and imaging technology solutions integrating high-performance mixed-signal integrated circuit (ICs) and optimization algorithms, supporting smart devices to achieve precise sensing, imaging, and intelligent upgrades. Our solutions provide critical driving forces for high-growth scenarios in consumer electronics including smartphones, smart wearables, and tablets, contributing to improvements in interaction efficiency and imaging experiences. In addition, we are actively expanding our footprint to other emerging growth areas, including robotics, digital twins and automotive electronics. Leveraging a top intelligent sensing technology platform combined with advanced precision actuation technologies, our solutions have formed synergies between sensing, decision, and actuation. By combining multi-modal sensing with precise actuation, we enable smart devices to overcome sensing limitation in complex environments, facilitating smart device upgrades and the commercialization of sensing and imaging technologies.

Our Product Matrix

Relying on continuous technological advancement and development, we have successfully expanded our sensing technology to a technology platform integrating intelligent sensing, machine vision, and imaging technologies. Our presence in these three core areas helped us establish a product matrix comprising sensing and actuator IC products. Coupled with intelligent algorithms, our products enjoy optimized performance, and are widely applied in consumer electronics including smartphones, smart wearables, and tablets. Additionally, we are actively expanding into emerging growth areas including robotics, digital twins and automotive electronics to bring intelligent sensing functions to a wider range of scenarios.

Our commercialized product lines include light sensors, proximity sensors, all-in-one optical sensors, smart audio amplifier ICs and LRA driver ICs and LRA control algorithm under intelligent sensing category, 3D iToF image sensors under machine vision category, and multi-spectral sensors, flicker sensors, OIS driver ICs and dToF ranging sensors under imaging technology category.

The following diagram demonstrates our product matrix comprising our commercialized solutions as of the Latest Practicable Date:



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Intelligent Sensing: Connecting the Physical and Digital Worlds

Intelligent sensing captures environmental signals — light, sound, temperature, vital signs, and motion — to enable interactive responses. By integrating neural processing unit (NPU), microcontroller unit (MCU), and digital signal processor (DSP) units into sensors and actuators, these components gain real-time edge processing functions. This reduces the burden on the main processor and cloud reliance, enabling low-power, low-latency, and privacy-preserving interactions. Driving devices from “sensing” to “understanding,” the approach effectively enhances the accuracy, immediacy, and immersion of human-machine interaction. Intelligent sensing serves as a fundamental element that supports the development of “active sensing” and edge intelligence.

In the field of intelligent sensing, we offer a comprehensive product portfolio:

- Creating intelligent sensing solutions that integrate miniaturization, low power consumption, and instant response:
 - Optical sensing solutions, which integrate small-size, low-power consumption, and accurate detection, covering a range of requirements from entry-level to advanced stage; and
 - All-in-one optical sensors, supporting penetration of CoE OLED screens with a minimum transmittance of 0.5% and capable of capturing black frames during PWM wave of screen light, and supporting OLED Lux/CCT algorithm by frame refresh synchronization mode, providing a natural and comfortable visual experience under different lighting conditions.
- Providing interactive response with strong performance and intelligentization, offering precise control and immersive experience:
 - Smart audio amplifier ICs, integrating accurate sensor protection and self-developed audio algorithms to deliver clear, delicate, and naturally immersive auditory experiences to users while achieving low power consumption, low noise and high efficiency; and
 - LRA driver ICs, with fast response, accurate F0 detection and advanced control algorithms, delivering millisecond-level precision haptic feedback and enhancing the realism of interaction.

Our intelligent sensing technology has entered the core supply chains of major smart device and IoT device manufacturers. We are a global supplier of intelligent sensing solutions with cumulative shipment volume of approximately 664.6 million units of optical sensing ICs, 872.3 million units of smart audio amplifier ICs, and 63.9 million units of LRA driver ICs during the Track Record Period.

Machine Vision: Building Multi-dimensional Spatial Computing and Object Recognition

Machine vision, through active optical detection and multi-spectral sensing technologies, endows smart devices with accurate 3D modeling, material composition analysis, and dynamic environment understanding functions, overcoming the limitations of traditional 2D imaging. Its core functions enable devices to “understand the real world” through cognitive intelligence by integrating 3D sensing, spectral analysis, and intelligent algorithms. This allows for spatial quantification, material recognition, and scene semantic analysis, thereby achieving enhanced environmental sensing, decision-making, and intelligent interaction. Machine vision promotes the deep integration of virtual and reality, providing technological support for the next generation of intelligent interactive forms and expanding the boundaries of spatial intelligence.

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We have built solutions covering short- to long-range sensing and visible to infrared spectra, integrating intelligent processing kernels. For example, our 3D iToF image sensor, focuses on accurate short-range sensing to achieve industry leadership in quantum efficiency, low power consumption, and high sensitivity, providing accurate measurement for facial recognition, 3D modeling, AR/VR interaction, and machine vision while ensuring long battery life.

According to CIC, we are a leading provider in China with a complete portfolio of ToF sensors, recognized by leading customers in multiple application areas. In terms of mobile smart devices, we are a leading domestic supplier of 3D iToF image sensors, successfully entering the core supply chains of leading smart device manufacturers with cumulative shipment volume of 6.0 million units during the Track Record Period. As machine vision accelerates its penetration into the robotics, digital twins, and automotive electronics markets, we will adopt our technologies to various scenarios support multi-type sensing combinations, continuously expanding the global influence of the machine vision ecosystem.

Imaging Technology: Creating Authentic and Immersive Imaging Experience

Imaging technology is improving the entire imaging chain — spanning from photon capture to image output — through chip-level improvements and system-level integration. Our solutions deliver professional-grade imaging for smartphones, action cameras, and beyond, systematically addressing challenges such as color distortion, motion blur, telephoto shake, low-light focusing, and noise in complex environments. By embedding intelligent processing units directly into SoCs, we enable devices to sense and understand their environment with greater precision, empowering a more realistic, immersive, and intelligent digital-image world.

Based on a comprehensive deconstruction of the imaging chain, we have developed all-scenario solutions covering both foundational correction and advanced imaging:

- Multi-spectral sensors with multi-channel spectral detection and proprietary algorithms for accurate spectral analysis and restoration, enabling cameras to show lifelike color reproduction in complex conditions;
- Flicker sensors that detect high-frequency signals to eliminate flicker stripes, ensuring image clarity;
- OIS driver ICs, with integrated DSP and MCU, delivering quick response, maintaining stabilization and low static power consumption for stable, blur-free images; and
- dToF ranging sensor, our early-stage commercialized products at the design-in phase, featuring on-chip low-power MCU and proprietary algorithms for fast, accurate focusing and depth detection which has received initial small-scale orders from customers for design-in validation purposes.

Our technologies are already recognized by top-tier customers:

- Multi-spectral and flicker sensors are embedded in flagship mainstream smart mobile devices, with cumulative shipments of approximately 81.3 million of units during the Track Record Period;
- OIS driver ICs have been adopted by leading smart device manufacturers, have commenced mass production by the end of 2025; and
- dToF ranging sensors at the early commercialization stage, with initial small-scale customer orders received for design-in validation purposes.

Relying on a mature supply chain system and cross-platform algorithm architecture, we have achieved rapid scenario implementation through core technology reuse, continuously expanding the global commercial ecosystem, and building an intelligent sensing foundation that connects the physical and digital worlds.

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Our Foundational Technologies

We have built a closely collaborative system of four foundational technologies in the three core areas through long-term independent R&D: (i) intelligent sensing algorithms and system-level solutions; (ii) highly integrated digital processing and embedded systems; (iii) design and process development capabilities of sensor sensing elements; and (iv) analog IC design. These foundational technologies vertically integrate capabilities from physical signal detection to edge data processing, covering all stages of sensing (capturing signals), decision (processing data) and actuation (executing commands). Amid the trend of intelligent edge devices, our foundational technology system continues to empower our intelligent sensing solutions, building differentiated technical barriers and promoting large-scale implementation across multiple scenarios.

- **#1 — *Intelligent sensing algorithms and system-level solutions.*** We develop proprietary algorithms that interpret data captured by our sensors, ranging from underlying algorithms to system design, covering audio processing algorithms (for sound effect and speaker protection), accurate sensor calibration and correction algorithms (to ensure data accuracy), proprietary camera OIS algorithms (to reduce camera shake), and multi-component matching in ToF sensors (to combine and synchronize the 2D and 3D images) with an aim to meet customers’ specific requirements.
- **#2 — *Highly integrated digital processing and embedded systems.*** We possess complete processor development capabilities, covering integration of DSP, RISC-V architecture-based central processing unit (CPU), image signal processor (ISP) and NPU. These processors that act as the “brain” of the device are designed to process data locally on the device (edge computing) with low power consumption.
- **#3 — *Design and process development capabilities of sensor sensing elements.*** This technology relates to the design of the sensor hardware that captures physical environment signals such as light, sound, and others. We have built comprehensive design and process development capabilities in the field of sensor sensing elements, covering optical sensing, magnetic sensing, 3D depth sensing and temperature sensing, achieving accurate signal conversion of multiple physical quantities and laying a precise sensing foundation for smart devices.
- **#4 — *Analog IC design.*** Analog ICs are responsible for power management, analog-digital converter, and signal transmission. We have built full analog IC design capabilities covering driver, signal chain, power management, clock, and electrostatic discharge (ESD) protection. The low noise signal chain design can help the sensors achieve more accurate signal detection with high signal-to-noise ratio (SNR), and low power consumption design can ensure that our high-performance sensors operate stably, saving the battery life.

As the source of core competitiveness, our four foundational technologies have continued to drive technological iteration and product upgrades through deep cross-integration. Exemplified by our machine vision products, we adopt the sensing elements (#3) to measure 3D depth image information of surroundings, which can then be converted to digital signals using the analog signal chain ICs (#4) and processed by our digital processor (#2). The entire flow from sensing to processing is controlled by our system and algorithms (#1), facilitating customers in integrating our products to their system in an efficient manner. Such integration eliminates the needs for customers to source separate components from different suppliers, thereby streamlining their supply chain and optimizing overall system performance and cost structure.

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Our Business Model

During the Track Record Period, we primarily generated revenue from sales of intelligent sensing products, comprising optical sensing, smart audio and haptics products, in the PRC. We are driven by independent in-house R&D across multiple dimensions, including multi-modal fusion sensing, machine vision intelligence, and imaging technology breakthroughs. We have set and delivered scenario-specific technological standards characterized by “optimized performance, low power consumption, high adaptability, and high reliability,” continuously improving user experience and understanding real-time interaction and intelligent sensing. To the best of our knowledge, our products have been adopted by 13 global smartphone manufacturers during the Track Record Period.

Our technology platform, responsiveness, and solution delivery have enabled us to compete effectively. We have entered the supply chains of major global smart device manufacturers and secured support from upstream industry partners.

Throughout our collaboration with clients, we conduct independent and forward-looking R&D, expanding our product matrix and technology scope. We deepen technological cooperation for existing products by engaging at the earliest stages of product definition, enabling rapid iteration and technological development. We also expand our products and solutions to create a product and solution matrix spanning intelligent sensing, machine vision, and imaging technology. In this process, we have supported our smart device customers in achieving various results, while iterating our own technologies and scaling commercial implementation. The achievements set out below have even become *de facto* industry standards. For example:

- We have developed one of the first mass-produced medium-power smart audio amplifier ICs in China in 2020, according to CIC, integrating speaker protection, multi-voltage domain power supply, and low power consumption. Achieving tape-out success and smooth mass production, this has marked an advanced domestic breakthrough in the premium tablet and laptop audio sectors. Its sound quality and cost-effectiveness gained market recognition and led peers to adopt such standard.
- Our self-developed 3D iToF image sensor achieved satisfactory performance in key metrics and completed mass production in domestic wafer foundries. This sensor will be adopted in flagship smartphone models of multiple smart device manufacturers, for their 3D sensing solutions.
- In the field of OIS, previously dominated by Japanese and Korean manufacturers, our first self-developed product was accepted by several smart device manufacturers. This enabled the expansion of our OIS/AF portfolio covering the flagship lens series, supporting smart device manufacturers’ imaging technology development.

These collaborations have enhanced our position in existing sectors and enabled us to build a system covering demand foresight, architecture establishment, and solution delivery. This has enabled us to identify technological trends and market requirements, and convert concepts into mass-producible solutions through architecture-level design and project execution. Our system-level solutions have attracted enterprises in high-growth sectors such as drones, robotics and automotive electronics to work with us as their partner, applying our products across diverse scenarios.

We aim to establish an open and collaborative industrial ecosystem through scenario-centered innovation, technology-based development, product-oriented development and standard-driven expansion, ensuring that we remain aligned with technological advancement and market demand, and achieve mutual value creation with partners.

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Our Industry Opportunities

We are immersed in the midst of a transformation wave where intelligent sensing, machine vision, and imaging technology are profoundly transforming device forms and user experience. The rapidly expanding boundaries of smart devices have been accelerating from smartphones and PC tablets to high-growth emerging fields such as smart vehicles, robots, and drones. The deep penetration of AI is making human-machine interaction and edge intelligence standard features in smart devices. These trends are collectively driving strong and sustainable growth in intelligent sensing, machine vision, and imaging technology, providing us with broad development opportunities.

Intelligent Sensing: Establishing the Perceptual Foundation for Multi-modal Understanding and Immersive Interaction

As human-machine interaction requires continue to evolve towards greater refinement and immersion, intelligent sensing technologies are undergoing rapid iteration and widespread adoption. The market penetration of intelligent sensing technologies has accelerated significantly, while the application boundaries are expanding beyond mature sectors like smartphones into emerging fields such as smart wearables and smart vehicles. According to CIC, the market size of global intelligent sensing ICs is expected to grow from US\$11.6 billion in 2025 to 14.3 billion in 2030 at a CAGR of 6.2% from 2026 to 2030 primarily driven by the growth of global shipment of smart wearables and smart vehicles. Meanwhile, products like high-performance vocal microphones are emerging as significant growth markets, which are expected to reach a global market size of over US\$50 million in 2030 in terms of revenue, according to CIC.

Machine Vision: Unlocking New Dimensions of Spatial and Spectral Information

Machine vision technology is breaking through the physical limitations of 2D sensing, evolving towards high-dimensional intelligent sensing, and becoming as a key technology for unlocking spatial intelligence and material recognition. With smart devices requiring significant advances in environmental adaptability and spatial understanding, machine vision technology is advancing towards real-time processing, high precision, and multi-dimensional coordination. The surge of emerging scenarios such as drones, robots, and digital twins further underscores its critical necessity in complex dynamic scenarios. According to CIC, 3D ToF image sensors, as a core solution for these applications, are experiencing strong growth, with the global market size increasing from US\$ 924.0 million in 2025 to US\$ 1,294.4 million in 2030 in terms of revenue, representing a CAGR of 10.6% from 2026 to 2030 highlighting the trend of machine vision evolving towards high-dimensional sensing.

Image Technology: Experience and System Upgrades in Parallel

Imaging technology has been the most essential differentiating factor for smart device competition. Demand for high-quality imaging continues to increase, with application scenarios rapidly expanding beyond smartphones to diverse mobile imaging devices like action cameras, panoramic cameras, and handheld gimbals. Industrial inspection and smart agriculture are also increasingly reliant on clear and stable visual information, making imaging systems a core focus for technological breakthroughs among smart device manufacturers. According to CIC, the market size of global intelligent imaging IC market is expected to increase from US\$532.3 million in 2025 to US\$1,351.6 million in 2030, at a CAGR of 25.5% from 2026 to 2030. The diversification and complexity of application scenarios pose unprecedented challenges to the imaging system’s imaging quality, real-time computing power, and system energy efficiency, giving rise to two key directions: image sensors and imaging system architecture. The global market size of the relevant emerging submarket is expected to reach US\$632.7 million and US\$120.0 million in 2030, respectively, according to CIC. Smart device manufacturers and consumers have a higher willingness to pay for improved imaging functions and experiences.

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The diversified expansion of smart device forms and the strong trend of intelligent upgrades have jointly created a broad and high-growth addressable market for our three major technology areas. The sensing of devices will become more precise and intelligent, with greater realism and accuracy in capturing and presenting visual information. The driving force behind this transformation is our integrated IC and algorithm solutions. Backed by deep technological expertise and a forward-looking product strategy, we are well positioned to capture current market opportunities and help define the next generation of sensing and imaging standards, continuously unleashing growth momentum.

Financial Performance

We achieved strong performance growth during the Track Record Period. Our revenue increased by 175.4% from RMB242.0 million in 2023 to RMB666.6 million in 2024, and further increased by 28.2% to RMB854.7 million in 2025. In particular, our revenue from intelligent sensing solutions increased from RMB236.5 million in 2023 to RMB573.6 million in 2024 and further increased to RMB708.0 million in 2025, with a CAGR of 73.0% from 2023 to 2025. While achieving rapid business growth, we also successfully narrowed losses at a significant level and achieved profitability in 2024 and 2025. In 2023, our loss for the year was RMB110.1 million. We recorded profit for the year of RMB9.7 million in 2024 and RMB26.5 million in 2025. Our adjusted net (loss)/profit (non-IFRS measure, adjusting (loss)/profit for the year by adding back share-based payments, [REDACTED] expenses and loss on fair value change of financial liabilities at FVTPL) was RMB25.5 million in 2023, and we recorded adjusted net (loss)/profit (non-IFRS measure) of RMB71.1 million and RMB71.4 million in 2024 and 2025, respectively.

OUR COMPETITIVE STRENGTHS

Established expertise in intelligent sensing, machine vision, and imaging technology solutions

Centered around the areas of intelligent sensing, machine vision, and imaging technology, we provide comprehensive solutions combining ICs and intelligent algorithms for consumer electronics applications including mobile smart devices and IoT, and expect to expand into more scenarios such as robotics, digital twins and automotive electronics. Our comprehensive and distinctive product matrix spans 11 product lines, including ten commercialized product lines and one product line that are at the design-in phase. According to CIC, we are:

- The fourth largest among all solution providers in the global optical sensor market and the largest among all solution providers in China, in terms of revenue in 2025;
- The third largest among all solution providers in the global 3D ToF image sensor market and the largest among all solution providers in China, in terms of revenue in 2025;
- The third largest among all solution providers in the global smart audio amplifier IC market, in terms of revenue in 2025;
- The third largest among all solution providers in the global LRA driver IC market, in terms of revenue in 2025; and
- The eighth largest among all solution providers in the global intelligent imaging IC market.

During the Track Record Period and up to the Latest Practicable Date, we had received multiple awards and recognitions for our technologies and innovations from government authorities and industrial organizations. See “— Awards and Recognition” for details.

Building intelligent sensing technology capitalizing on IC and algorithm co-design

We have built differentiated technological barriers through continuous R&D since our inception. Leveraging the deep coupling and long-term iteration of our four foundational technologies — intelligent sensing algorithms and system-level solutions, highly integrated digital processing and

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embedded systems, design and process development capabilities of sensor sensing elements, and analog IC design — we continuously make breakthroughs and develop a series of differentiated technology matrices with optimized performance, low power consumption, and self-adaptability. Such technologies provide our solutions with significant advantages in scenario adaptability and response efficiency, demonstrating strong competitiveness in various complex scenarios.

Our differentiated technological advantages are demonstrated by the following examples:

- In the field of intelligent sensing, we have established notable technological advantages. Our self-developed high sensitivity photodiode technology, anti-OLED interference technology, and optical filter technology enable our sensors to penetrate CoE OLED screens with a minimum transmittance of 0.5%, bringing accurate proximity, ambient light, and color temperature detection. Coupled with self-developed black frame, screenshot, and adaptive frequency domain algorithms, a complete under-display optical sensing solution has been formed. Our smart audio amplifier IC products are known for their precise sensing protection, low power consumption, and high audio quality, and integrate soft-core DSP for on-chip processing. The LRA driver IC offers excellent tactile feedback using fast response, accurate F0 detection, and advanced control algorithms. The cross-domain application of key technologies, such as dynamic boost control, dynamic voltage regulation, and high-voltage protection, further strengthens our platform-based. The advantages above have been successfully implemented and launched in our products, establishing our high position in the intelligent sensing IC market.
- In the field of machine vision, we have forged various key core technologies, greatly developing product performance and user experience. We have adopted an advanced pixel architecture and integrated self-developed signal processing technology to develop a high-resolution, low-power, high signal-to-noise ratio 3D iToF image sensor and its accompanying algorithms. Our technological advancements enable our machine vision solutions to perform excellently in scenarios such as drones and IoT, providing users with efficient and reliable sensing experiences.
- In the field of imaging technology, we have enhanced the imaging experience of mobile devices through deep hardware-software integration. Our dToF ranging sensor has achieved improved performance in ranging accuracy, power consumption control, and anti-ambient light interference capabilities. We have successfully miniaturized professional-grade ambient spectral reproduction capabilities at the chip level, supporting multi-channel spectral analysis at a single point, and breaking through nine channels in array solutions, significantly expanding the dimensions of color and environmental sensing on mobile devices. Flicker sensors offer a broad detection frequency range with sensitivity, and accuracy, effectively solving imaging flicker issue under complex light sources. OIS driver IC technology is based on self-developed magnetic sensors and low-noise signal chain technology to achieve precise control, combined with dynamic voltage regulation technology to achieve the low no-load power consumption. Our core technologies, along with rapid response system tuning capabilities, collectively establish our position in mobile imaging and emerging applications.

We have a strong global R&D team to realize the technological breakthroughs. As of December 31, 2025, our R&D team comprised 206 professionals, all of whom possessed professional academic backgrounds and extensive industry experience. Among them, over 60% held postgraduate degrees or above, while approximately 22.8% were equipped with over five years of extensive industry experience.

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We have also built a strong proprietary intellectual property portfolio. As of the Latest Practicable Date, we had 136 granted patents, including 26 utility model related patents and 110 invention related patents, and 62 integrated circuit layout design registrations in the PRC. As of the same date, we also own 12 copyrights, one trademark and one registered domain name in the PRC for our website.

Collaboration with clients in vertical fields to build strong commercialization framework

We have built robust commercialization framework covering through our forward-looking customer strategy and exceptional technological delivery. Based on our technological capabilities, on-time responsiveness, and fast delivery, we have integrated into the core supply chain systems of multiple enterprises in the mobile smart device and IoT sectors. We have secured stable, strategic partnerships with global smart device manufacturers. The premier smart device companies require rigorous supplier certification, which typically involves a lengthy cycle, encompassing comprehensive verification of technological indicators, delivery stability, and collaborative attitudes. Upon success, this process creates a substantial market entry barrier.

We keep deepening clients’ cooperation stickiness and value potential through our self-developed multi-category product matrix and system-level solutions. Such product capability precisely aligns with the strategic trend of smart device manufacturers to optimize supply chain efficiency and enhance strategic synergy. It also significantly reduces system integration complexity and supply chain management costs, thereby establishing efficient, stable, mutually beneficial, and co-existent long-term partnerships.

Long-term mutual trust and cooperation lay a foundation for sustainable growth. Our cooperation with global smart device manufacturers extends beyond three years, and we continue to be an important partner of intelligent sensing, machine vision, and imaging technology for them. Based on our independent R&D and agile response mechanism, we can efficiently support clients in exploring new scenarios, rapidly transforming solutions into scalable commercial outcomes. Meanwhile, large-scale application verification in the demanding scenarios of key clients continuously feeds back into the maturity and universality of our technology platform and solutions, making them the preferred choice for enterprises in other high-potential vertical sectors to overcome similar challenges, driving our continuous expansion into emerging markets such as robotics, digital twins and automotive electronics.

This deep collaboration model, grounded in technological strength and centered on mutual success with clients, has been a twin engine driving our joint growth with clients. The long-term trust of key clients solidifies the foundation for development, multi-category synergy unleashes the potential value of individual clients, and cross-scenario solution reuse continuously opens up new growth avenues, collectively forging an irreplaceable core commercial competitiveness.

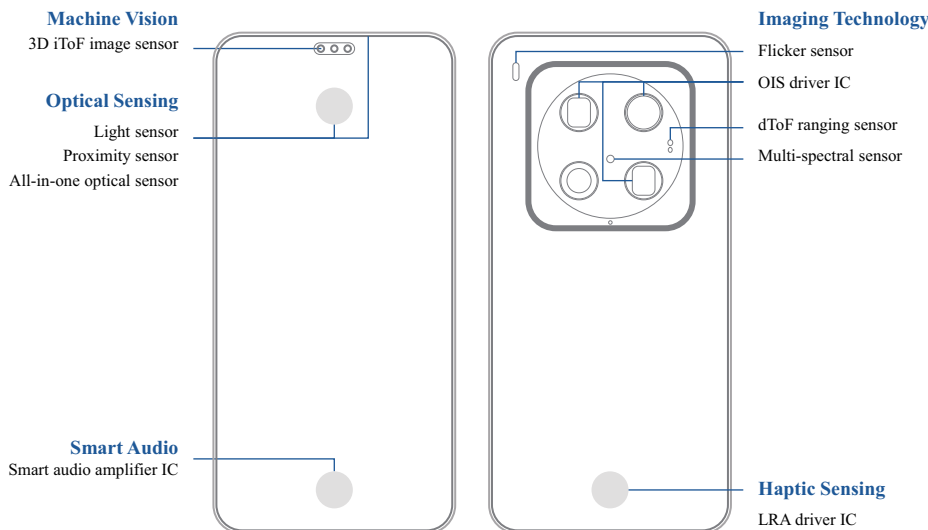
Diversified product matrix empowering rich downstream application scenarios with a large market size

We have established a diversified portfolio of integrated software and hardware solutions in the three core areas. Currently, we have 11 product lines, namely ten commercialized product lines and one product line at the design-in phase, with wide application in mainstream scenarios including mobile smart devices and IoT.

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Taking a mobile phone scenario as an example, our integrated IC and algorithm solutions have empowered core experiences, with products covering key functions such as facial recognition, laser autofocus, audio amplifier, haptic sensing, optical image stabilization, bokeh effect, adaptive screen dimming, health vital signs monitoring, and environmental sensing. According to CIC, the global smartphone shipment volume is expected to grow steadily from 1,246.8 million units in 2025 to 1,338.4 million units in 2030. With the expansion of the downstream market and the continuous category expansion of our solutions, our overall market opportunities in the smartphone sector will be broader and more promising. The following diagram illustrates our commercialized product applications in smartphones as of the Latest Practicable Date.

Our Commercialized Product Applications in a Smartphone



We endeavour to expedite the strategic extension and rapid implementation of our core capabilities in intelligent sensing, machine vision, and imaging technology into three emerging fields: robotics, digital twins, and automotive electronics, to achieve a “sensing-decision-actuation” human-machine interaction in more real-world scenarios, empowering intelligent devices with the ability to actively respond to their environment.

Drones have evolved from simple remote-controlled devices into sophisticated machines equipped with advanced sensors, global positioning system (GPS), and autonomous navigation systems. The integration of machine learning algorithms further enhances the performance of drones, enabling the adaptability to changing environments and more complicated tasks. According to CIC, the global drone shipment volume is expected to increase from 9.0 million units in 2025 to 11.2 million units in 2030, representing a CAGR of 4.1% from 2026 to 2030.

Intelligent robots possess advanced environmental sensing capabilities, allowing autonomous operation and adaptive team collaboration. With breakthroughs in sensing software and hardware technologies, intelligent robots are rapidly gaining popularity in an increasing number of scenarios. According to CIC, the global robot shipment volume is expected to increase from 27.2 million units in 2025 to 55.8 million units in 2030, representing a CAGR of 14.3% from 2026 to 2030.

Smart wearable devices integrate various technologies such as optical technology, computer technology, and sensor technology. With the increasing IC integration and computing power, smart glasses products are turning more diversified in function, gradually becoming the next generation of portable smart device entry points. According to CIC, the global smart wearable device shipment volume is expected to increase from 220.5 million units in 2025 to 320.3 million units in 2029, representing a CAGR of 8.4%.

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The emerging scenarios feature significant technological and supply chain synergy advantages with areas such as mobile smart devices and smart wearables. Assisted by our extensive product portfolio and deep technological expertise, we can swiftly expand into emerging sectors and increase penetration in existing markets, continuously enhancing market competitiveness and ensuring the long-term sustainable development of our business.

Localized global business presence, jointly serving and responding to domestic and overseas supply chains and customers

We have established long-term and stable cooperation with global suppliers, and have built a diversified and flexible global supply chain system. Through multi-resource backup and tiered supply management, we have significantly enhanced our business continuity management (BCM) assurance to withstand sudden risks such as extreme natural disasters, geopolitical events, and industry fluctuations. As a key client of several major suppliers with an average cooperation period exceeding three years, we also firmly believe the strong long-term relationships of mutual trust and cooperation ensure that we can bind production capacity, obtain cost-advantaged product supply, support efficient mass production, and build scale barriers. During the Track Record Period, we maintained a relatively high on-time delivery rate while achieving a CAGR over 85% in revenue from 2023 to 2025.

In terms of the technological collaboration, we engage in deep co-creation with supply chain partners to jointly drive breakthroughs in product performance and high-quality delivery. Through precise collaboration with foundries, we significantly enhance device performance metrics by developing customized Process Design Kits (PDKs) and optimizing specialty processes. In terms of our optical sensing products, our joint customized process platform development with domestic foundries has substantially improved light-capture efficiency and photodetector responsiveness of the products. This not only delivers performance upgrades and cost competitiveness but also accelerates domestic substitution for such product line, securing its top position in the domestic market. In terms of our 3D iToF image sensor products, we conduct joint development and optimization based on the process platform from top-tier foundries in the industry, achieving optimized performance in noise control and sensitivity, and successfully completed the first mass production run on such platform. Furthermore, we actively promote supply chain domestic substitution by collaborating with domestic testing equipment manufacturers to customize and develop testing equipment. Improving efficiency while lowering procurement costs, this achieved the domestic substitution for critical testing equipment and solidifying our competitive barriers through strategic partnerships. Our full-chain joint quality control system is the outcome of this deep collaboration, ultimately achieving an exceptionally high product yield rate. This “joint R&D, production capacity assurance, and value sharing” cooperation model not only strengthens our product competitiveness but also promotes the mutual development of the industrial chain.

We proactively plan for global localized networks to further enhance global synergy and accelerate customer responsiveness. Our R&D center in the Netherlands brings together top European semiconductor talents, collaborating with domestic teams to serve the R&D needs of global customers. Our overseas headquarters in Singapore coordinates international supply chain resources. This full-chain capability spanning “supply resilience, capacity binding, technology co-creation, and global linkage” continuously strengthens our delivery leadership in the intelligent sensing IC sector, ensuring efficient responsiveness and stable supply to meet global customer demands.

Management team with a forward-looking vision and strategic perspective, equipped with extensive industry experience

Our Founder, Mr. Liu, is a leader who keeps faith and persists in constant innovation and transformation. With a distinguished academic and industry experience record, Mr. Liu uses his foresight and understanding of the industry trends and customer needs to guide our technological advancement, product positioning and delivery of solutions. He earned his bachelor’s and master’s degrees in the PRC and overseas, respectively, equipping him with a diversified educational background. He also possesses over 15 years of experience in the semiconductor industry with a

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particular focus on R&D of intelligent sensing solutions. Led by Mr. Liu, our management team on average possesses over 15 years of experience in product development, marketing and branding, enterprise management, and capital markets support.

We have established a comprehensive R&D system and training mechanism to cultivate R&D team from scratch, which has broken through the bottleneck of experienced talents and ensured sustainable supply of talent. Supported by our foundational R&D capabilities and technologies, our product matrix possesses a clear roadmap covering the whole lifecycle from production definition to its end-of-life phase. Over ten years of accumulated expertise in studies, R&D and operation in Europe, outstanding academic backgrounds earned from domestic and overseas top universities and research institutions such as Huazhong University of Science and Technology, University of Science and Technology of China, Technische Universiteit Delft in the Netherlands and Katholieke Universiteit Leuven in Belgium, and extensive experience in mixed-signal IC design gained from working at global IC design companies, our R&D team and product line team are experienced, dedicated, and creative, possessing truly global insights with forward-looking perspectives. Our core R&D members include Dr. Ke Yi and Mr. Quan Rui, who take a lead in system and analog IC design; Mr. Ma Kezheng, who leads a lead in digital IC design and overseas R&D activities; and Mr. Shi Yun, who leads our algorithm and software development. Mr. Kong Fanxiao, Mr. Shi Yipeng and Mr. Long Jie co-head our product line activities, including product strategies and business developments.

OUR STRATEGIES

Increasing investment in R&D to maintain technological leadership

Strong technological research and development is the core strategic foundation of our long-term growth. We will continue to commit resources to R&D and deepen our capabilities in the three core areas of intelligent sensing, machine vision, and imaging technology, continuously improve the performance and scenario adaptability on various smart devices, and solidify our technological position. Additionally, we will strategically plan the development of technologies that are highly synergistic with our core areas, focusing on directions such as breakthroughs in sensor sensing elements and process, mixed-signal ICs, and intelligent sensing algorithms. Through cross-domain technology integration and platform capability building, we will create more competitive intelligent interactive solutions, continuously upgrading the technological depth and breadth of our product portfolio.

Our talent team is fundamental for the continuous development of breakthrough solutions. We will leverage our global R&D platform to establish a global talent recruitment network, actively attracting and gathering top international talent and senior experts, particularly in key areas such as system architecture design, advanced sensor technology, intelligent sensing algorithms, digital SoC, and edge computing. To this end, we will establish and improve internationally competitive compensation and benefits, equity incentive, and long-term development mechanisms, and foster a research environment that stimulates a cross-disciplinary collaboration platform. We are committed to becoming a hub for technology talent, providing the most crucial foundation for continuous technological innovation and leadership.

Approximately [REDACTED]% of our net [REDACTED] from the [REDACTED] will be used to research and development of key technologies in the field of intelligent sensing, machine vision, and imaging technology to strengthen our leadership position and accelerate commercialization of our pipeline products to realize this strategy. See “Future Plans and Use of [REDACTED]” for details.

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Continuous development of products, enrichment of our solution portfolio and expansion of our advantages

We will systematically improve our product lines to provide one-stop solutions covering a wider range of needs, with a focus on products and continuous launching of new-generation high-performance sensors to integrate technologies to accelerate the commercialization of diversified and high-performance products. Our penetration and market share will be continuously deepened in existing advantageous markets such as mobile smart devices and IoT, thereby enhancing our market competitiveness.

We also plan to take initiatives to expand into high-growth emerging scenarios such as robotics, digital twins, and automotive electronics. Equipped with the technological advantages and differentiated solutions accumulated in the three core areas, we will understand new scenario demands, develop more product portfolios, actively seize market opportunities, and open up incremental space for our business.

Leveraging our foundational technologies and robust R&D accumulation, we are currently expanding our product matrix to cover more solutions. As we keep expanding our product portfolio and application scenarios, we will deepen our strategic partnerships with global smart device manufacturers across various sectors. Leveraging our technological capabilities and on-time delivery of solutions, we are able to provide competitive solutions at the early stage when customer put forward their requirements. More cross-selling opportunities will be created across product lines and application scenarios, significantly improving client loyalty and market penetration and opening up new growth areas.

Approximately [REDACTED]% of our net [REDACTED] from the [REDACTED] will be used to research and development of key technologies in the field of intelligent sensing, machine vision, and imaging technology to strengthen our leadership position and accelerate commercialization of our pipeline products to realize this strategy. See “Future Plans and Use of [REDACTED]” for details.

Continued efforts to strengthen our ecosystem establishment to achieve expansion of customer base and business scale

We have been committed to furthering the establishment of an ecosystem with global industry chain partners, accelerating market penetration, and achieving expansion of customer base and business scale. In terms of the existing market, we strive to increase the coverage and loyalty of key clients. Leveraging our full-chain empowerment capability, we precisely identify, understand, and respond to customers’ requirements, significantly increasing the sales proportion and cross-selling capabilities of our solutions to existing customers and consolidating long-term strategic partnerships. Also, we will proactively introduce solutions into high-growth application scenarios not yet covered, such as robotics, digital twins, and automotive electronics, to expand our customer base. By establishing global localized service teams and strengthening the channel partner network, we intend to provide efficient local support, comprehensively enhance market penetration, and achieve continuous business growth. Approximately [REDACTED]% of our net [REDACTED] from the [REDACTED] will be used to expand our global sales and service network, and approximately [REDACTED]% will be used for strategic investments and/or acquisitions to realize this strategy. See “Future Plans and Use of [REDACTED]” for details.

Accelerating our presence of globalized supply chain and localized team

We will further strengthen the global supply chain presence while optimizing systems of production, procurement, and logistics for higher risk resistance and delivery efficiency to achieve dual circulation domestically and internationally, and ensure stable and agile supply in the global market to support sustainable business growth. Establishing overseas R&D centers in technology-leading regions such as Europe, Japan, and South Korea will help us attract top global talent, strengthen collaboration with the international technology ecosystem, and drive continuous development.

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We will strengthen our presence in overseas market and localization capabilities, concentrating investment in strategic regions such as Europe, Japan, and South Korea, hereby broadening our channel network and developing core business partners to accelerate our penetration into growing and high-value markets. At the same time, we will accelerate the deployment of localized services and technical support teams to provide rapid response and deliver customized solutions based on regional market demands, enhancing adaptability to engage more with key smart device manufacturers and build a competitive advantage.

Approximately [REDACTED]% of our net [REDACTED] from the [REDACTED] will be used to expand our global sales and service network to realize this strategy. See “Future Plans and Use of [REDACTED]” for details.

Exploration of strategic investment and cooperation

We will keep seeking high-quality M&A targets through our external investment layout and rapidly expand into advanced technologies, product categories, and market directions through effective integration of industry resources. We may conduct strategic investments in and acquisitions of teams, assets, and companies, with the aim of enhancing our technological capabilities. With a primary focus on targets with strengths in our three core areas, we aim to expand our technology portfolio and product categories through strategic acquisitions and investments, thereby broadening our addressable market, reinforcing our competitive position, and support long-term growth. Approximately [REDACTED]% of our net [REDACTED] from the [REDACTED] will be used for strategic investments and/or acquisitions. See “Future Plans and Use of [REDACTED]” for details.

OUR PRODUCT OFFERINGS

As a provider of intelligent sensing, machine vision and imaging technology solutions, we aim to enhance smart devices with accurate sensing, reliable imaging, and intelligent upgrades through the integration of high-performance analog and mixed-signal ICs with optimized algorithm software. We deliver critical driving forces to global large-scale, leading industry players among high-growth application scenarios in consumer electronics sector, spanning smartphones and IoT, and are expanding our footprints to other emerging growth areas such as robotics, digital twins and automotive electronics. We operate with fabless model, where we focus on the design of ICs and outsource IC manufacturing to trusted third-party foundries. As the semiconductor industry has developed a high degree of division of labor, the fabless model is consistent with the industry norm, according to CIC.

Our diversified product matrix comprised a broad range of sensors and actuators, categorized into ten commercialized product lines as of the Latest Practicable Date. The following table demonstrates each of the commercialized product lines encompassed in the three solutions:

Solution	Product Line
Intelligent sensing	
<i>Optical sensing</i> . . .	Light sensor Proximity sensor All-in-one optical sensor
<i>Smart audio</i>	Smart audio amplifier IC
<i>Haptics</i>	LRA driver IC and LRA control algorithm

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Solution	Product Line
Machine vision	3D iToF image sensor
Imaging technology .	Flicker sensor Multi-spectral sensor OIS driver IC dToF ranging sensor

Besides commercialized products, we have completed the main R&D phase for the products at the design-in phase, and are working with smart device manufacturers to integrate our product candidates into their designs to ensure the features meet market needs. Once our product candidates pass the evaluation and selection process of the smart device manufacturers, we will receive purchase orders from them, and these products become commercialized. See “Design, Research and Development — Product Line at the Design-in Phase” for details of the products at the design-in phase. We are actively diversifying our product portfolio, aiming to cover a broader range of scenarios. See “— Design, Research and Development — Solutions Under Development” for details of the products under development.

Intelligent Sensing Solutions

We have developed a range of intelligent sensing products that integrate optical, smart audio, and haptic sensing with proprietary edge AI algorithms. These products enable responsive, immersive interaction across smart devices. Our intelligent sensing solutions aim to enhance the accuracy, immediacy, and immersion of human-machine interaction by enabling low-power, low-latency, and privacy-preserving interactions of sensors and actuators. Our intelligent sensing products support multimodal sensing scenarios, helping smart devices to capture light information, process sound, detect temperature fluctuations and provide haptic feedback.

As of the Latest Practicable Date, we had developed light sensors, proximity sensors and all-in-one optical sensors under optical sensing solutions, smart audio amplifier ICs under smart audio solutions, and LRA driver ICs and LRA control algorithm under haptics solutions. Our products can be embedded into low-, mid- to high-end smart devices, and are well recognized by mainstream smartphone and IoT device manufacturers. In 2023, 2024 and 2025, we generated revenue of RMB236.5 million, RMB573.6 million and RMB708.0 million, respectively, from the sales of intelligent sensing products.

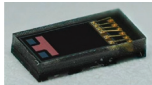
Our intelligent sensing solutions are featured by a diverse range of specialized products and technologies, as detailed below:

Optical Sensing Solutions

Our optical sensing solutions primarily include high-sensitivity pixel and light sensors designed for brightness, proximity, and color temperature detection. They are widely applied in smartphones, wearables, XR, and automotive devices. As of the Latest Practicable Date, all of our light sensors, proximity sensors, and all-in-one optical sensors were commercialized.

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The following table sets forth our commercialized product lines, their respective functions and primary applications, with illustrative pictures:

Product Line	Functions	Primary Applications	Illustrative Picture
Light sensor	Our light sensors offer high sensitivity and supports short-integration black frame capture and screenshot modes. They integrate proximity sensing, ambient light detection, and color temperature measurement under OLED screens to enable a full-screen viewing experience.	Our light sensors adapt properly in smartphones, tablets, in-car large screens, and IoT applications.	
Proximity sensor .	Our proximity optical sensing technology features a pixel structure that greatly improves photosensitivity and signal stability across diverse environments, enabling excellent performance in complex lighting conditions. Integrated with AI algorithms, proximity sensors precisely extract and restore spectral information, enhancing the imaging system’s ambient light sensing and response. The strong ambient light sensing capability enables dynamic real-time screen brightness adjustment in full-screen devices, delivering a natural and comfortable visual experience.	Our proximity sensors are widely used in smartphones, smart watches and bracelets, laptops, drone controllers, tablets, smart rings, and home appliances.	
All-in-one optical sensor	Our all-in-one optical sensors feature a compact size, low power consumption, and high detection accuracy. Designed for LCD screens, they integrate proximity sensing, ambient light detection, and color temperature measurement.	Our all-in-one optical sensors are applicable to smartphones, tablets, in-car large screen, and IoT applications.	

Smart Audio Solutions

Our smart audio solutions primarily consist of smart audio amplifier ICs, DSPs, and NPUs with in-house algorithms for speaker protection, spatial sound, and power optimization, which are ideal for compact and wearable devices. The following table sets forth our commercialized product lines, their respective functions and primary applications, with an illustrative picture:

Product Line	Functions	Primary Applications	Illustrative Picture
Smart audio amplifier IC . .	Our smart audio amplifier ICs intelligently process, amplify audio signals and optimize acoustic quality in complex audio content and noisy environments while enabling real-time temperature and excursion protection for speakers.	Our smart audio amplifier ICs are widely used in smartphones, tablets, laptops, smart wearables, smart home, and in-car audio equipment.	

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Haptics Solutions

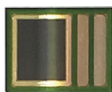
The following table sets forth our commercialized product line, their respective functions and primary applications, with an illustrative picture:

Product Line	Functions	Primary Applications	Illustrative Picture
LRA driver IC . . .	Our LRA driver ICs function together with in-house developed LRA control algorithm, featuring vivid haptic control and fast response.	Our LRA driver ICs are well deployed in smartphones and are expanding to laptops, AR/VR/XR, game controllers, smart home, and smart vehicles.	

Machine Vision Solutions

We offer a comprehensive suite of machine vision solutions that provide smart devices with spatial awareness and visual understanding. Through active optical detection and multi-spectral sensing technologies, our solutions endow smart devices with accurate 3D modeling, material composition analysis, and dynamic environment understanding functions, overcoming the limitations of traditional 2D imaging. Our core products under machine vision solutions, namely 3D iToF image sensors, have broken through the imaging limitations of traditional image sensors, allowing smart device users to perceive 3D image information and obtain information of objects. As one of the few domestic companies with scalable ToF sensor solutions, according to CIC, our machine vision products are widely adopted across multiple industries, highlighting our leadership.

The following table sets forth our commercialized product line, their respective functions and primary applications, with illustrative pictures:

Product Line	Functions	Primary Applications	Illustrative Picture
3D iToF image sensor	Our compact, low-power 3D iToF image sensors are designed for face recognition and gesture interaction.	Our 3D iToF image sensors are applied in smartphones and true depth 3D cameras. Through 3D modeling, these sensors also support 3D navigation and obstacle detection for intelligent robots and AR/VR devices.	

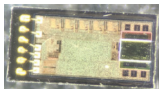
In 2023, 2024 and 2025, we generated revenue of RMB0.8 million, RMB46.4 million and RMB70.7 million, respectively, from the sales of machine vision products.

Imaging Technology Solutions

We have built a strong imaging product portfolio to deliver professional-grade imaging experiences for smart devices. Our imaging technology solutions are aimed at core challenges including color distortion, motion blur, telephoto shake, low-light focusing, and noise in complex environments, resolved by our flicker sensors, multi-spectral sensors, dToF ranging sensors, and OIS driver ICs. These imaging products, empowered by on-chip intelligent processing, optimize the full imaging chain — spanning from photon capture to image output — ensuring vivid and adaptive visuals.

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The following table sets forth our commercialized product lines, their respective functions and primary applications, with illustrative pictures:

Product Line	Functions	Primary Applications	Illustrative Picture
Flicker sensor . . .	Our flicker sensors deliver precise high-frequency flicker detection and accurate ambient color temperature measurement.	Our flicker sensors are applied in smartphones, action cameras, drones, and professional photography.	
Multi-spectral sensor	Our multi-spectral sensors support accurate rendering under complex lighting environments. Combined with AI algorithms, they accurately restore environmental spectral information, identifying light source types and intensities. This enables more precise color reproduction in imaging systems and supports material detection applications.	Our multi-spectral sensors are applied in smartphones, action cameras and panoramic cameras.	
OIS driver IC . . .	Our OIS driver ICs are engineered to mitigate the impact of camera shake and vibration, which can cause blurry images or videos, particularly in low-light environments or when using zoom lenses. By physically adjusting the lens or image sensor, the IC counteracts these movements, ensuring steady, sharp captures. This stabilization feature is especially valuable for minimizing blur caused by shaky hands and enhancing performance in low-light conditions or when using longer focal lengths.	Our OIS driver ICs are applied in smartphones, tablets, personal computers, sports cameras, pan-tilt system, drones, wearable devices like smart glasses, surveillance and security system	
dToF ranging sensors	Our dToF ranging sensors are designed for fast auto focusing in dynamic scenes. Equipped with four partitions, the sensor can detect up to four objects at different distances simultaneously, enabling precise distance measurement and proximity detection of objects.	Our dToF ranging sensor features a compact size, low power, and high accuracy. It is applicable for camera autofocus, presence detection and collision avoidance for low power mobile platforms such as smartphones, tablets, PCs, and IoT devices, etc.	

We started the provision of imaging technology solutions in 2023. In 2023, 2024 and 2025, we generated revenue of RMB11.0 thousand, RMB46.5 million and RMB71.2 million, respectively, from the sales of imaging technology products.

Operational Highlights

Our commercialized products have gained wide recognition in the industry, and have been delivered in billions during the Track Record Period, the details of which are set forth below:

	Year ended December 31,						CAGR ⁽¹⁾
	2023		2024		2025		
	<i>Pieces</i> (<i>'000</i>)	%	<i>Pieces</i> (<i>'000</i>)	%	<i>Pieces</i> (<i>'000</i>)	%	
Intelligent sensing products	211,744	100.0	613,418	94.6	775,686	93.7	91.4
<i>Optical sensing products</i>	<i>62,181</i>	<i>29.4</i>	<i>283,159</i>	<i>43.7</i>	<i>319,302</i>	<i>38.6</i>	<i>126.6</i>
<i>Smart audio products</i>	<i>149,536</i>	<i>70.6</i>	<i>309,522</i>	<i>47.7</i>	<i>413,235</i>	<i>49.9</i>	<i>66.2</i>

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	Year ended December 31,						CAGR ⁽¹⁾
	2023		2024		2025		
	<i>Pieces</i> (‘000)	%	<i>Pieces</i> (‘000)	%	<i>Pieces</i> (‘000)	%	
<i>Haptics products</i>	27	– ⁽²⁾	20,737	3.2	43,149	5.2	39.0
<i>Machine vision products</i>	6	– ⁽²⁾	2,357	0.3	3,682	0.4	23.8
<i>Imaging technology products</i>	6	– ⁽²⁾	32,757	5.1	48,579	5.9	89.0
Total	211,756	100.0	648,532	100.0	827,947	100.0	97.7

Notes:

- (1) CAGR only refers to the growth rate from 2023 to 2025.
(2) Less than 0.1%.

Our shipment volume increased significantly during the Track Record Period due to our broadened product lines and increasing adoption of our products by customers. During the Track Record Period, we primarily provided intelligent sensing solutions, which was our primary revenue driving force. We have strategically diversified our solution offerings since 2023, and experienced a robust growth in the sales volume of machine vision and imaging technology products.

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Analysis on Historical Performance

We have achieved rapid business expansion during the Track Record Period, supported by strong customer demand and growing market acceptance of our solutions. In 2023, 2024 and 2025, our revenue was RMB242.0 million, RMB666.6 million and RMB854.7 million, respectively, representing a CAGR of 87.9% from 2023 to 2025. This significant growth was primarily driven by volume ramp-up in our product lines. However, we incurred net loss in 2023, and net cash used in operating activities in 2023 and 2024. We also recorded net liabilities and net current liabilities primarily as of December 31, 2023 and 2024 as a result of the financial liabilities at FVTPL. Our future profitability is uncertain and subject to various factors, including our ability to effectively monetize our solutions and continuously grow revenue in a cost-effective manner by improving our operational efficiency. Despite our continued increase in revenue and gross profit, we may continue to incur net losses and cash outflows, and maintain the net liabilities position in the foreseeable future. See “Risk Factors — Risks Relating to Our Business and Industry — Our historical growth may not be indicative of our future growth. If we are unable to manage our growth or execute our business strategies effectively, our results of operations and business prospects may be materially and adversely affected.”

Strategies to Improve Profitability

Continuous profitability is crucial to our success and long-lasting business operations. We recorded loss for the year in 2023 of RMB110.1 million and afterwards achieved breakeven in 2024 with profit for the year of RMB9.7 million, which further increased to RMB26.5 million in 2025. We plan to continuously putting in efforts to increase our revenue and profit level through the following approaches:

Expand Customer Base and Increase Sales Volume

We target to continuously dive into the vertical sectors of smart devices and IoT devices, penetrate into emerging sectors, and continue to increase sales volume and enlarge our market share. Specifically, we plan to:

- *Increase the sales to existing customers from smart device and IoT sectors.* We will continue to generate revenue and enlarge the market share from our existing customers from our current areas of expertise, namely the mobile smart device and IoT sectors. In

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addition to increasing the sales from the current product types that we offer to our existing customers, we plan to continue to, leveraging our recognized R&D capabilities and quality product and solution offerings, introduce new product types or product lines to our existing customers. As it generally takes the leading customers in these sectors six to nine months to verify a key component product and qualify such supplier, as advised by CIC, it is more advantageous for us to leverage our qualified supplier status to increase sales to existing customers by diversifying the product types and product lines. By doing so, we believe our customer stickiness will be further enhanced. For instance, by successfully expanding our product portfolio with Customer E, we increased revenue contribution from this customer from RMB59.0 million in 2023, and doubled it to RMB119.0 million in 2024. In 2025, we continued to generate significant revenue of RMB131.9 million from Customer E. This growth trajectory demonstrates our ability to deepen customer relationships and capture greater value from top-tier clients through continuous product diversification.

- *Expand the customer base through various means.* We aim to obtain new customers from our current areas of expertise and other emerging sectors, such as robotics, digital twins and automotive electronics. Specifically, we target to secure new direct sale customers who are globally leading industry players. We will continue to leverage available channels for customer acquisition, including word-of-mouth referrals by business partners, introducing our products and technologies on exhibitions and forums, and connecting through business partners. From time to time when the needs for qualified suppliers so arise, these leading industry players may source us through their marketing departments, and invite us to participate in the supplier selection process. We encourage our distributors covering mass markets to cultivate R&D capabilities, receive trainings and expand their downstream customer base. We will incentivize our distributors as appropriate. For example, we plan to provide performance-based incentives to distributors for each of the additional downstream customers they acquire. The number of our sales and marketing members covering smart device and IoT sectors grew from 26 in 2023 to 47 in 2025, and the number of our sales and marketing members covering emerging sectors grew from nil in 2023 to eight in 2025, indicating our efforts and investment into customer acquisition and marketing initiatives.

Increase the Contribution from Higher-margin Products

In 2023, 2024 and 2025, our gross profit margin of intelligent sensing products was 24.3%, 23.0% and 21.3%, respectively, and our gross profit margin of machine vision products was negative 115.2%, 12.0% and 25.6%, respectively. In 2024 and 2025, our gross profit margin of imaging technology products was 40.3% and 49.6%, respectively. Going forward, we target to increase the contribution from higher-margin products of each business line to improve our overall margin level:

- *Intelligent sensing products.* We plan to maintain the contribution of relatively lower-margin products as to the current level, while continuously launching high-end products with relatively high margins to improve the overall gross profit margin of intelligent sensing products.
- *Machine vision products.* Since the mass production in the second half of 2024, our machine vision products experienced a relatively low gross profit margin due to the high purchase price from Supplier A and our competitive pricing strategies. We have gradually increased our purchase of wafers from Supplier B for the fabrication of our machine vision products, which has a more competitive pricing than Supplier A and thus reducing the supply chain costs.

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- *Imaging technology products.* Our imaging technology products are primarily tailor-made to meet our customers’ needs. Future new, customized products with upgrades of technological innovation will have a higher gross profit margin, which will improve the overall margin level of imaging technology products as the revenue contribution of these high-margin products increases.

Innovate and Iterate Solutions and Technologies

To maintain our competitiveness and prevent our products from being obsolete, we will continuously innovate our foundational technologies to cater to the latest market trends and iterate our solutions and product lines to meet a broader range of application scenarios. See “— Design, Research and Development” for details.

Improve Operational Efficiency and Optimize Cost Structure

In addition to actively broadening revenue source, we will further enhance our profit and margin level by improving operational efficiency and optimizing cost structure. Specifically, we plan to:

- *Manage supply chain cost level.* We rely on trusted foundries to manufacture our designs and qualified chip packaging and testing service providers to package and test our products. We have maintained a good relationship with our two major foundry partners, Supplier A and Supplier B, for almost eight and nine years, respectively. We have also maintained a good relationship with our major chip packaging and testing service providers for at least three years. In light of our long-term and stable relationship with major suppliers, we are able to negotiate an annual discount on the prices, which help us reduce annual costs by 2% to 3%.
- *Efficient project management.* We plan to continuously design our products at the platform-level and use reusable modules to improve operational efficiency, thereby avoiding redundant R&D investment and improving R&D efficiency. We will also, while fulfilling customers’ requirements, optimize product designs by simplifying designs to the extent probable and focusing on the core needs of customers, which in turn helps us improve the success rate.
- *Refine the management of operational expenses.* We plan to refine the management of operational expenses. For example, we plan to reduce unnecessary trips and at the same time improve online communication efficiency. We also enter into agreements with our frequently partnered hotel vendors to reduce per-person annual travel expenses by 7% to 10%. In addition, we choose to lease properties for office use with convenient locations over top-tier office buildings, and negotiate with property owners for competitive prices.

Secure Sufficient Working Capital

Sufficient working capital is essential to maintain our sustainable operation and we have placed importance on sourcing working capital through different means. In addition to the working capital generated from our operating activities, as of December 31, 2025, we had committed unutilized banking facilities of RMB100.0 million. Additionally, as of the same date, we had cash and cash equivalents of RMB717.3 million. Besides, we expect to receive net [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] million, based on the low-end [REDACTED] of HK\$[REDACTED] per Share.

Favorable Market Potential

We observe a favorable growth in the markets we penetrate into. According to CIC, the market size of global intelligent sensing ICs grew from US\$10.4 billion in 2021 to US\$11.6 billion in 2025, at a CAGR of 2.8%, and is expected to reach US\$14.3 billion by 2030 at a CAGR of 6.2% from 2026 to 2030. The market size of global 3D ToF image sensors grew from US\$661.5 million in 2021 to US\$924.0 million in 2025, representing a CAGR of 8.7%, and is anticipated to boost to reach

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US\$ 1,294.4 million by 2030 at a CAGR of 10.6% from 2026 to 2030. The market size of global intelligent imaging ICs grew from US\$ 310.0 million in 2021 at a CAGR of 14.5% to US\$532.3 million in 2025, and is anticipated to grow steadily to US\$ 1,351.6 million by 2030 at a CAGR of 25.5% from 2026 to 2030. We believe that we are well positioned to benefit from this growth as our solutions serve as key components to enhance end-users’ viewing, audio, and haptic experience. With a track record of stable and rapidly growing delivery to major global smart device and IoT device manufacturer customers, broad coverage of mainstream smart mobile device use scenarios, and continuous advanced product design and iteration, we are equipped to capture the boosting market demands and emerging opportunities, capitalizing on our accumulated R&D capabilities and expertise across the sectors.

Near-term Profitability Outlook

We incurred net losses of RMB110.1 million in 2023, and reached breakeven and recorded net profit of RMB9.7 million in 2024. Our net profit was further improved to RMB26.5 million in 2025. Our net current liabilities increased from RMB592.8 million as of December 31, 2023 to RMB621.8 million as of December 31, 2024, primarily due to a continuous increase in financial liabilities at FVTPL. We turned from net current liabilities of RMB621.8 million as of December 31, 2024 to net current assets of RMB981.4 million as of December 31, 2025, primarily due to a decrease of RMB1,053.3 million in financial liabilities at FVTPL from RMB1,053.3 million as of December 31, 2024 to nil as of December 31, 2025 as certain special rights of our Pre-[REDACTED] Investors were terminated on July 31, 2025. Our operating cashflow was also improved during the Track Record Period. We recorded net operating cash outflow of RMB190.1 million and RMB184.8 million for the years ended December 31, 2023 and 2024, respectively, then recorded an operating cash inflow for the year ended December 31, 2025 of RMB270.2 million. All of these represent a positive outlook of our business operations and financial conditions.

As our revenue continued to grow and operating leverage improved, we expect to achieve an increased net profit of the year. Our expectation to achieve and sustain profitability is based on reasonable assumptions, including (i) continued increase in sales volume, (ii) no material disruption to our business operations, and (iii) no material adverse change in the macroeconomic, regulatory, or competitive environment. We firmly believe that our proven business model, diverse and full solution coverage and R&D capabilities provide a clear and credible path to long-term profitability.

DESIGN, RESEARCH AND DEVELOPMENT

We consider that we possess sufficient knowledge of the technical specifications, features, functionalities and applications of the sensor and driver products under our three core solutions, based on which we perform day-to-day design and R&D activities. Our design and R&D of products are market-driven, and are carried out as a group effort in close collaboration between our different teams. Our sales and marketing team provides the anticipated features and functionalities of products desired by downstream markets as well as the expected purchase volume that fulfill customers’ requirements. Our production team formulates production plans according to the expected purchase volume from downstream customers, and communicate with trusted foundries for manufacturing of products. Our engineering team is responsible for tape-out and verification of ICs upon completion of design.

In 2023, 2024 and 2025, our R&D expenses amounted to RMB81.5 million, RMB77.1 million and RMB90.4 million. Our R&D staff cost was RMB40.5 million, RMB45.8 million and RMB50.5 million, respectively, in 2023, 2024 and 2025. The growing trend of R&D staff cost during the Track Record Period showcases our continuous investment in our R&D personnel, which is a critical force driving the growth of our R&D activities.

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Our Technologies

After years of technological accumulation and deep penetration into the industry, we have developed in-house core technologies, covering intelligent sensing algorithms and system-level solutions, highly integrated digital processing and embedded systems, design and process development capabilities of sensor sensing elements, and analog IC design. These aspects are fundamental to our operations, empowering our products with strong technologies and competitive advantages.

Intelligent sensing algorithms and system-level solutions: We have developed capabilities from underlying algorithms to upper-layer applications, focusing on three core areas. We continuously develop and optimize key technologies such as optical sensing, machine vision, haptic sensing, smart audio, and imaging technology. We have system-level design and scenario-based optimization capabilities across light sources, lenses, sensors, actuators, algorithms and software. These capabilities are integrated to form system-level solutions that enhance product performance and provide precise, fast, and smart sensing for various smart devices.

Highly integrated digital processing and embedded systems: Our processors include RISC-V CPUs, custom instruction set DSPs, and high-performance NPUs. Through chip-level heterogeneous integration, we integrate these with sensing/driving ICs to build edge intelligent embedded MCUs. For example, by integrating DSP and RISC-V CPU, we achieve real-time gyroscope data processing for stabilization precision. Our NPU supports offline speech recognition and multi-language keyword wake-up. We will continue to strengthen processor and sensor integration, and explore lightweight model deployment and in-memory computing to provide low-power intelligent engines for edge devices.

Design and process development capabilities of sensor sensing elements: We have built comprehensive design and process development capabilities for sensor sensing elements, with a focus on optical sensing. Through independently developed high-sensitivity pixel technology, low-power photogate pixel technology, and miniaturized SPAD devices, we have achieved efficient wide-spectrum response from visible light to near-infrared with low power consumption and miniaturization. Using our micro-nano optical design platform and wafer-level optical coating technology, we have achieved precise spectrum detection across wide spectral bands. Our manufacturing process integrates back-illumination, 3D stacking, near-infrared enhancement, deep trench isolation, and heterogeneous packaging. We have also expanded to magnetic sensing and MEMS. For example, our high sensitivity Hall elements achieve precise OIS control, improving photography quality in low light. Through the integration of these technology.

Analog IC design: We have built analog IC design capabilities covering driver, signal chain, power management, clock, and ESD protection, achieving independent full-process development from circuit design to layout verification. Through multi-level power consumption optimization, our OIS driver IC has achieved one of the industry’s lowest no-load power consumption, according to CIC. Our dynamic self-adaptive power management technology addresses signal integrity challenges under voltage fluctuations, and our signal chain design has improved signal resolution in complex environments. These capabilities provide low power consumption, anti-interference, and environmental adaptability for intelligent sensing devices.

Looking ahead, we are developing an edge intelligence fusion architecture by embedding lightweight model inference into the device sensing layer to enhance real-time decision-making and privacy protection. Through integration of lightweight model deployment, in-memory computing, and analog IC technologies, we will empower smart devices to achieve autonomous sensing, spatial intelligence, and real-time processing. We aim to build a precise, low-power, integrated next-generation intelligent sensing technology system, promoting edge computing to become a value creation engine.

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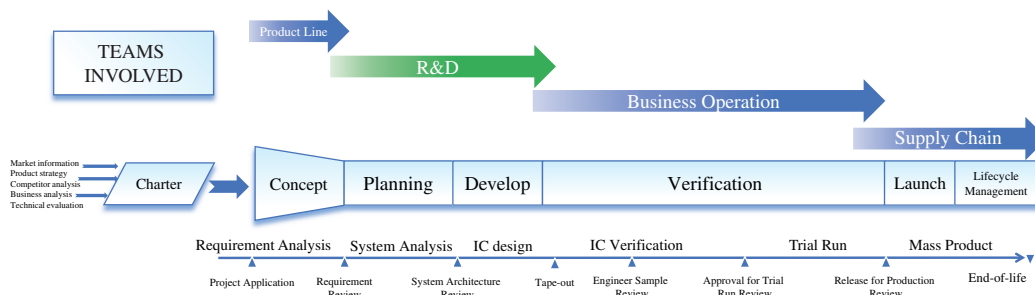
Our Design Activities

Our design activities start with project planning, followed by system and IC design, testing and verification, and tape-out.

- *Project planning.* At the commencement of a project, we formulate a project plan setting out details of the project, including the background and definition of the underlying products, delivery schedule, requirement analysis, and R&D goals, among others.
- *System and IC design.* Once the project planning phase is completed, we allocate our internal resources properly to carry out design activities, covering system and architecture establishment, IC design, and development of software and algorithms.
- *Testing and verification.* After the system and IC design phase, we conduct product sample testing and verification to ensure the designed IC fulfills the requirements as set out in the project plan.
- *Tape-out.* Upon completion of our design, we send it to foundries for tape-out, which is the final stage of the design process before manufacturing. A successful tape-out does not usually happen when the design is fabricated for the first time. Upon a successful tape-out, we place orders to third-party foundries for manufacturing, which typically takes up to three months.

Typically, the development cycle of complicated products is around 12 to 18 months, and the development cycle of fast iterated products is about six to nine months. After the wafer is produced, we send it to third-party service providers for packaging and testing, which takes one to two additional months. Different products vary in the length of production time.

The following chart illustrates the process of our design activities and summarizes the key phases from the commencement of an IC design to the completion of its production.



Product Line at the Design-in Phase

As of the Latest Practicable Date, one of our product lines, i.e. our 3D dToF image sensors product line, was at the design-in phase. Designed for LiDAR and autonomous driving, our 3D dToF image sensors enable accurate long-range detection up to 40 meters, and deliver clear imaging performance. Our 3D dToF image sensors are robust for drones, robots, and autonomous navigation. The sensors have passed our major customers’ verification. We have completed the main R&D phase for these products, and are working with smart device manufacturers to integrate our products into their designs to ensure the features meet market needs. Once our products pass the appraisal and selection process of the smart device manufacturers, we typically will receive purchase orders from them, and these products become commercialized.

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Solutions Under Development

We are actively expanding the sensing dimension, developing multi-modal sensing scenarios such as temperature sensing, health sensing, and high-performance vocal microphones, and plan to integrate with NPU to create next-generation sensing nodes with powerful edge intelligence. Meanwhile, we are accelerating the R&D of products such as audio codecs, audio DSPs and voice NPUs to deepen the integration with DSPs, NPUs and intelligent algorithms to create low-latency, self-adaptive intelligent interactive response solutions. Leveraging our deep system understanding and integrated software-hardware collaborative design capabilities, we are devoted to building a multi-modal synergistic “sense-decision-actuation” network to comprehensively enhance the performance, user experience, and adaptability to a wide range of scenarios for smart devices such as smartphones and IoT devices.

We are also developing advanced technologies such as SWIR hyper-spectral sensors to expand the sensing dimension of machine vision to material composition identification and state analysis. Combined with existing 3D sensing technology, we aim to build a “space + composition” multi-dimensional sensing network, empowering scenarios such as industrial quality inspection and smart agriculture. With our self-developed sensors and intelligent algorithms, we continuously drive the transition of machine vision from passive imaging to active cognition, empowering smart devices to understand and respond to the real world more accurately. By continuously expanding the sensing dimension and decision intelligence, we have laid the technological foundation for next-generation autonomous systems and human-machine interaction, opening up broad application prospects for spatial intelligence.

Besides, we are advancing next-generation imaging technologies, including photon counting imaging sensors, enhanced multi-spectral imaging sensors, imaging co-processors, and imaging PMICs. By combining sensing, computation and energy efficiency, we are driving restoration of real-world scenes while achieving low power consumption, high efficiency, and strong adaptability.

Based on the three core areas, we will continuously develop solutions through deep integration of intelligent computing (including MCU, NPU, and DSP) at the chip level, and accelerate our expansion into high-growth emerging scenarios such as robotics, digital twins, and automotive electronics. These areas form a deep technological resonance with existing mobile smart devices and IoT — the spatial modeling capability of 3D sensing provides a spatial cognitive basis for robot navigation; the material detection capability of multi-spectral sensing technologies empowers machine vision; and intelligent OIS driver IC empowers drone gimbal stabilization and multi-domain actuator control.

The following table sets forth our products under development, their latest status and expected commercialization timeline as of the Latest Practicable Date:

Product Under Development	Major R&D	Latest Status	Expected Commercialization Timeline
Audio DSP . . .	Audio DSPs are designed to be applied in smartphones and tablets, tackling pain points such as edge computing power and power consumption.	We have completed the development of DSPs and are making optimizations as necessary. We are discussing with key potential customers on product definition of audio DSPs.	Tape-out of the audio DSPs is expected to take place by the end of 2026, with anticipated commercialization taking place in 2027.

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Product Under Development	Major R&D	Latest Status	Expected Commercialization Timeline
Voice NPU . . .	We aim to address the ADSP computing power limitations at the platform level in the AI era. Voice NPUs are used for scenarios such as wake-up and noise reduction. We expect to deploy voice NPUs in smartphones, tablets and smart home devices.	We have aligned with key potential customers on their requests, and completed the initial product definition. The products are under the early stage of development.	Tape-out of the voice NPUs is expected to take place in the first half of 2027.
Audio codec . .	Audio codecs enable the conversion between digital and analog audio signals, and perform encoding, decoding, processing and control of audio data. We expect to use audio codecs in laptops, televisions and tablets.	We have aligned with key potential customers on their requests, and completed the initial product definition. The products are under the early stage of development.	Tape-out of the audio codecs is expected to take place in the first half of 2026, with anticipated commercialization taking place by the end of 2026.
High-performance vocal microphone .	The high-performance vocal microphones are suitable for complex scenarios and long-distance voice pickup in mobile devices, including smartphones and conference equipment.	We have aligned with key potential customers on their requests. The products are under the early stage of development.	Tape-out of the high-performance vocal microphones is expected to take place in 2027, with anticipated commercialization taking place in 2028.
Optical navigation sensor	The optical navigation sensors are used in human-machine interaction, primarily designed for smart watches.	The products are under the early stage of development.	Tape-out of the optical navigation sensors was completed in March 2026, with anticipated commercialization taking place in the second half of 2026.
Magnetic sensor	The magnetic sensors, primarily including Hall sensors, are used in all short-range detection scenarios, including consumer electronics, industrial automation applications and automotive electronics.	We have completed the verification of Hall sensors.	Tape-out of the Hall sensors is expected to take place in the second half of 2026, with anticipated commercialization taking place in 2027.
SWIR hyper-spectral sensor	The SWIR hyper-spectral sensor is a spectral sensor covering the short-wave infrared band from visible light to 1700nm, containing specialized spectra of many substances. It can be used for substance detection in robotic vacuum cleaners.	The products are under the preliminary research stage, including data collection and analysis, and feasibility assessment.	Commercialization is anticipated to take place in 2027.

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Product Under Development	Major R&D	Latest Status	Expected Commercialization Timeline
Camera PMIC .	Camera PMICs are designed for camera modules, addressing the issues of high power consumption, large footprint, complex peripheral circuitry, and large ripple during dynamic voltage adjustment.	We have aligned with key potential customers on their requests, and completed the initial product definition. The products are under the early stage of development.	Tape-out of the camera PMICs is expected to take place by the end of 2026, with anticipated commercialization taking place in 2027.
Imaging co-processor .	Imaging co-processors are used for multi-channel algorithm processing for OIS, dynamic voltage adjustment, and interaction and collaborative processing with camera data and algorithms.	The products are under the early stage of development.	Tape-out of the imaging co-processors was completed in January 2026, with anticipated commercialization taking place in 2027.
Multi-spectral imaging sensor	We strive to extend the functionality of traditional single-point multi-spectral imaging sensors to high-resolution imaging capabilities, enabling spatial spectral identification.	We are discussing with potential customers on product definition, including product details and specifications, system modeling and simulation.	We expect to complete the design of multi-spectral imaging sensors by the end of 2026, with anticipated commercialization taking place in 2027.
Photon counting imaging sensor	By leveraging the high sensitivity of SPAD single-photon avalanche diodes, we expect to miniaturize the photon counting imaging sensors to enable high-resolution imaging to provide high dynamic range and high sensitivity image sensors for scenarios including security, automotive electronics and robotics.	The products are under the early stage of development.	Commercialization is anticipated to take place in 2028.

Our R&D Team

We primarily perform our R&D and operational activities in our headquarters in Wuhan, China, and we have also established R&D centers in the Netherlands and Suzhou, China. We manage our R&D centers in an integrated manner, that is, each R&D center functions as an integral component of one R&D team and may participate in any R&D program with other R&D centers as needed. As a result, we generally tend to establish R&D centers where sufficient suitable talent candidates are accessible. We maintain and manage our R&D team following a “matrix” model. Horizontally, we maintain four R&D groups, each focusing on one set of foundational technologies and a particular R&D field. Vertically, we select engineers from each R&D group to form project teams, focusing on the design and development of specific product lines. As the products of the same product line possess similarities in technology, we conduct design reviews among different products of the same product line collaboratively to exchange views and allocate resources, thereby enhancing efficiency.

Our design and R&D capabilities enable us to possess solid foundational technologies, an integrated IC design platform, a science-oriented and rigorous R&D management system, and an ability to develop, upgrade and iterate existing and new products. As of December 31, 2025, our

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R&D team consisted of 206 experienced, expert-level engineers, over 60% of whom possess postgraduate degrees or above, while approximately 22.8% have over 5 years of extensive industry experience. For more details of our dedicated R&D team, see “— Competitive Strengths — Building intelligent sensing technology capitalizing on IC and algorithm co-design.”

SALES AND MARKETING

We market our products through our sales and marketing team, which is responsible for identifying suitable potential markets and customers. Our dedicated sales and marketing team is responsible for formulating and coordinating marketing activities and promotion campaigns. Our sales and marketing members are equipped with knowledge and expertise about our products, and are able to identify the requests of customers and provide technical support. They stay abreast of emerging products and technologies that appeal to our existing and potential customers and provide our customers with pre-sale consultations and recommendations tailored to their needs. Our established sales and marketing team spreads among China. As of December 31, 2025, our sales and marketing team consisted of 55 members, working closely with our customers to execute our marketing strategies.

Pricing Strategy

We determine the pricing of our products by evaluating a combination of internal cost structures and external market conditions. This approach allows us to remain competitive while capturing the value of our technological advancements. The key factors influencing our pricing include:

- (i) product performance: we price our next-generation products to reflect their enhanced functional specifications and performance improvements, which typically command a price premium over established product. Correspondingly, existing products are typically subject to price erosion as next-generation products are introduced, in line with the industry development cycle;
- (ii) competitive pricing strategy: to defend and strengthen our market share while driving overall sales volume growth, we selectively adopted a competitive pricing strategy for certain established product lines rather than our full product portfolio, such as optical sensing and smart audio products, both of which operate in highly competitive market segments. Our haptics, machine vision and imaging technology products were generally not subject to such competitive pricing reductions, as these product lines are characterized by relatively moderate competitive intensity;
- (iii) periodic price adjustments for key customers: we implement periodic price adjustments for key customers with significant procurement volumes, primarily to maintain long-term strategic partnerships. Unlike the broader competitive pricing strategy applied at the product line level, these price adjustments highly reflect to the specific individual commercial arrangements, rather than being a reaction to general market-wide competition;
- (iv) customer and market factors, including (a) purchase volume: customers with large annual purchase volumes typically receive more competitive pricing, (b) customer’s bargaining power: customers with multiple supplier options often have stronger bargaining power and can secure more favorable prices, and (c) market competition and strategic objectives: to enter new markets or respond to competition, we may offer competitive price to specific customers, where pricing is driven primarily by market objectives; and
- (v) dynamic cost structure: our pricing may be affected by the periodic fluctuations in raw material and processing fees including packaging, testing and coating fees related to our cost of sales.

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Our Sales Channels

During the Track Record Period, our products are sold offline primarily through distribution and to a lesser extent through direct sales. We recognize revenue when a performance obligation is satisfied, namely, at a point in time when the products are delivered to the specified location designated by or accepted by our distributors and direct customers and thus the control of products is transferred to them. See “Financial Information — Material Accounting Policies, Judgments and Estimates — Performance Obligations for Contracts with Customers and Revenue Recognition Policies — Sales of Sensor and Driver Products under Intelligent Sensing, Machine Vision and Imaging Technology.” The table below sets forth a breakdown of revenue contribution by sales channels for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Distribution	181,271	74.9	466,625	70.0	573,140	67.1
Direct sales	60,777	25.1	199,955	30.0	281,564	32.9
Total	242,048	100.0	666,580	100.0	854,704	100.0

The increase in the proportion of direct sales revenue during the Track Record Period was primarily attributable to our continuous effort to maintain stable relationship with direct sales customers, as well as the strategic shift requested by several downstream customers, who were also seeking for a gradual transition from distribution models to direct sales models among their domestic suppliers which can provide direct and customized service with more competitive prices. In alignment with such initiative, we gradually adopted the direct sales model.

Distribution

During the Track Record Period, we primarily sold and marketed our products through third-party distributors. We sell our products to our distributors according to the terms in our distribution agreements. The purchase volume and amount is specified in the purchase orders based on the demand of our distributors. After purchasing the products from us, our distributors are responsible for onward sales to their respective customers. In 2023, 2024 and 2025, our sales generated from distributors amounted to RMB181.3 million, RMB466.6 million and RMB573.1 million, respectively, accounting for 74.9%, 70.0% and 67.1%, respectively, of our revenue for the corresponding periods. The increasing revenue attributable to our distributors during the Track Record Period demonstrated our efforts in expanding our sales network and business operations. Historical revenue generated by our distributors were generally recurring in nature. Our distributor customers primarily engage in distribution of semiconductor components, electronic components and modules. For details, see “— Our Customers.”

According to CIC, engagement of distributors is in line with the industry norm in the intelligent sensing, machine vision and imaging technology solution industries. With expertise in sales and marketing of IC products and solutions, our distributors help us expand sales channels, enhance market penetration, and provide timely market insights. The distribution model streamlines our operations, strengthens customer relationships across various scenarios, optimizes our trade receivable collection and improves our financial flexibility. By utilizing distributor resources, we can focus on R&D and design for our products, further optimizing our technological capabilities.

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The relationships between distributors and us are categorized as seller-buyer relationships — they buy our products from us and then resell the products to their respective downstream customers. Under such model, the ownership of our products is transferred to our distributors upon delivery to the specified location designated by, or accepted by, the distributors. Our distributors independently manage their downstream customer relationships and retain discretion over their customer selection decisions. Nevertheless, we maintain communications with our distributors in the ordinary course of business, from which we become aware of key downstream customers engaged by our distributors and a general picture of the downstream applications of our products from time to time, to the extent our distributors can share with us. Our distributors are independently responsible for their own inventory management, any risks arising from which will be taken by our distributors at their own cost. We do not stipulate pricing policy for our distributors, but provide suggestions on the range of pricing based on our knowledge of the recent market trends. We typically do not prohibit our distributors to appoint sub-distributors. During the Track Record Period, to the best of our knowledge, we identified that one of our distributors made onward sales of our products to two sub-distributors. We did not enter into sub-distribution agreements with, nor did we have any control over, such sub-distributors. Except for this, as of the Latest Practicable Date and to the best of our knowledge, we did not identify any sub-distributors.

The number of our distributors increased as of December 31, 2024 compared to as of December 31, 2023, primarily driven by the growth in our sales volume and the expansion of our business operations. As of December 31, 2025, the number of our distributors decreased compared to December 31, 2024, mainly because we established direct commercial relationships with several downstream customers that were previously served through our distributors. This shift allows us to get closer to the market needs of downstream customers and gain deeper market intelligence. See “— Sales and Marketing — Our Sales Channels” for explanation of the increase in the proportion of direct sales revenue during the Track Record Period. The following table sets forth the movement in the number of our distributors during the years indicated.

	Year ended December 31,		
	2023	2024	2025
Distributors at the beginning of year	9	10	16
Addition of new distributors	3	8	1
Termination of existing distributors	2	2	4
Distributors at the end of year	10	16	13

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our distributors were Independent Third Parties. To the best of our knowledge, other than the distribution arrangements during the ordinary course of business with us, there is no other relationship between the distributors and each of our Company, our subsidiaries, our Shareholders who own 5% or more of the total issued Shares, Directors or senior management or any of their respective associates. There are no other past or present relationships (including, without limitation, business, employment, family, trust, financing, shareholding or otherwise) between each distributor and our Group, including their respective shareholders, directors, senior management or associates of our Group.

Salient Terms of Distribution Agreements

During the Track Record Period, we typically entered into distribution agreements with each of our distributors, the salient terms of which include the following:

- *Purchase.* The purchase volume and total amount is specified in subsequent purchase orders. We do not impose minimum purchase volume or purchase targets on our distributors. However, our different products are packaged in different minimum quantities, and purchase orders shall contain requests as an integer multiple of the minimum packaging volume.
- *Selling price and credit terms.* The distributors shall follow our pricing policy, which specifies purchase price by the distributors and selling price to their respective downstream customers. We typically grant a credit term of 0 to 90 days to our distributors.

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- *Distribution.* We typically grant non-exclusive distribution rights to our distributors. The distributors warrants that they shall comply with all applicable laws and regulations, including but not limited to export control and sanctions related laws and regulations.
- *Warranty on product quality.* We provide warranties on product quality. The distributor may return or replace our products in case of quality issues within the warranty period. We typically give a warranty period of 12 or 24 months. During the Track Record Period and up to the Latest Practicable Date, we did not have any material product returns.
- *Confidentiality.* Each party shall keep confidential the trade secrets, technologies and proprietary rights of the other party, unless otherwise required by laws and regulations.
- *Term, termination and renewal.* The agreement usually lasts one year, and will be automatically terminated at its expiration date unless renewed upon consent by both parties 60 days before the agreement expires. The sales agreement may be terminated (i) upon mutual consent of both parties; (ii) by the non-defaulting party in the event of a material breach; and (iii) in the event of failure to perform due to business deterioration or regulatory punishments by either party, or *force majeure*.
- *Export control and sanctions.* We typically include standard provisions on permitted distribution regions and require distributors to comply with applicable export control and sanctions laws and regulations.
- *Dispute resolution.* Any disputes arising out of the performance of the sales agreements shall be negotiated amicably. If an agreement cannot be reached, the issue will be submitted for resolution by a court.

Management of Distributors

Our distributor management covers criteria for selection, pricing mechanisms, return and replacement policies, and inventory management systems.

- *Selection criteria.* We normally cooperate with distributors with an established sales network, strong customer relationships, and demonstrated capabilities in market management and sales operations. Prior to appointing a new distributor, we typically conduct a review of the prospective distributor's business background, sales network, customer relationships, market management capabilities, corporate governance, business reputation and financial stability. We also consider factors including corporate governance, business reputation and financial stability. Additionally, we take into consideration the type of downstream customers or markets they specialize in. Typically, we establish business with distributors that focus on different downstream customers.
- *Sales and inventory management.* We typically hold regular meetings on a weekly basis to communicate with them and exchange ideas of market information, downstream demand forecast, and competition of our products, among others. We usually discuss with our distributors regarding their general inventory levels and anticipated purchase demand on a monthly basis. Although we do not directly manage our distributors' inventory levels or have real-time access to their inventory systems, when a distributor's reported inventory level exceeds what we consider to be a reasonable range relative to market demand, we proactively work with the distributor to adjust the shipment schedule as appropriate.
- *Return and replacement.* The distributor may return or replace our products in case of quality issues within the warranty period, which is typically 12 or 24 months.
- *Anti-cannibalization management.* First, we have implemented measures to manage competition among our distributors and mitigate potential cannibalization. Specifically, we require our distributors to confirm with us that their intended scope of business relating to specific product lines does not conflict with existing arrangements with our other distributors, thereby reducing conflicts among distributors and protecting the interests of our distribution network. In our regular communication with distributors, we also review feedback from distributors that may indicate the competition among our distributors, and take steps to address any such issues as they arise. In addition, we monitor the market conditions, pricing mechanisms and customer requirement changes of the downstream industries in which the distributor is authorized to sell our products. This enables us to identify potential overlaps and take corrective action when necessary.

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- *Anti-channel stuffing management.* We typically maintain regular communication with our distributors, and require them to send us periodic sales summary reports so we can learn about their inventory level and near term sales targets. We do not allow our distributors to return any unsold products to us, nor do we give any sales rebates to distributors. During the Track Record Period and up to Latest Practicable Date, we did not have any channel stuffing issues.
- *Channel diversion management.* We typically maintain regular communication with our distributors and monitor sales performance and order patterns to identify unusual activity. We verify distributor sales information and conduct periodic reviews to detect potential unauthorized sales. Where suspected channel diversion is identified, we conduct a review with the relevant distributor and may take appropriate measures depending on the circumstances. During the Track Record Period and up to the Latest Practicable Date, we did not identify any material channel diversion incidents.

Direct Sales

Direct sales enables us to precisely understand and respond to customer requirements, allowing us to offer customized solution that meet our customers’ specific needs. Our direct sale customers primarily engage in design, R&D or manufacturing of smartphones, optical components and electronic devices. We directly acquire new direct sale customers primarily through (i) customer referrals, (ii) attending activities, exhibitions and conferences, and (iii) direct marketing efforts.

At the commencement of establishing a new business relationship with a direct sale customer, we generally require the customer to enter into a non-disclosure agreement to protect our technical and commercial data and information. We conduct internal review, prepare benchmarking response and make quotation according to our customer’s end product specification requirements, and perform several rounds of sample product delivery for the customer’s verification purpose. Once our product undergoes verification, passes the customer’s qualification inspection and is accepted by the customer, we negotiate and enter into direct sales agreement or framework sales agreements with the customer, and prepare for production and delivery. Direct sale customers typically provide to us their forecasts indicating their expected purchases for the next six to 12 months, and then place purchase orders specifying the description of the purchase products, quantity, price, payment term and delivery term.

In 2023, 2024 and 2025, our sales generated from direct sale customers amounted to RMB60.8 million, RMB200.0 million and RMB281.6 million, respectively, accounting for 25.1%, 30.0% and 32.9%, respectively, of our revenue for the corresponding years. The increasing revenue contribution from our direct sale customers during the Track Record Period demonstrated our efforts in direct sales with existing customers and marketing activities, as a result of which, we established new business relationship with downstream customers. For details of the principal businesses of our major direct sale customers during the Track Record Period, see “— Our Customers.” After purchasing the products from us, our direct sale customers may perform packaging and testing procedures with a target of producing their self-branded ICs and sell to their respective customers, or directly use our ICs in their own final products.

Our direct sale customer retention rate* in 2023, 2024 and 2025 was 33.3%, 77.8% and 73.3%. The following table sets forth the movement in the number of our direct sale customers during the years indicated:

	Year ended December 31,		
	2023	2024	2025
Direct sale customers at the beginning			
of year	3	9	15
Addition of new direct sale customers . . .	8	8	8
Termination of existing direct sale			
customers	2	2	4
Direct sale customers at the end			
of year	9	15	19

* Direct sale customer retention rate is calculated by subtracting the number of new direct sale customers from the number of direct sale customers at the end of year/period, divided by the number of direct sale customers at the beginning of the given year/period, multiplied by 100%.

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We consider it critical to diversify our revenue stream and plan to deepen our collaboration with existing direct sale customers and attract and establish long-term business relationship with new direct sale customers in the near future. See “— Our Strategies — Continued efforts to strengthen our ecosystem establishment to achieve expansion of customer base and business scale.” We are constantly making efforts in broadening our direct sale customer base. For example, we expect to use our net [REDACTED] to establish regional sales and technical support teams in China, Singapore, South Korea and Europe, and invest in international marketing and promotional activities to attract more direct sale customers. See “Future Plans and Use of [REDACTED] — Use of [REDACTED].”

Salient Terms of Framework Sales Agreements

During the Track Record Period, we typically entered into framework sales agreements with each of our direct sales customers, the salient terms of which include the following:

- *Purchase.* The purchase volume and total amount is specified in subsequent purchase orders. Purchase orders shall contain requests exceeding the minimum packaging volume.
- *Selling price and credit terms.* The selling price is determined upon negotiation by both parties, and may be adjusted subject to the changing market conditions. The customers settle with us the sales amount every month, usually grant a credit term of 60 days to our direct sales customers.
- *Warranty on product quality.* We provide warranties on product quality, including the fulfillment of our customer’s quality requirements. The customer may return or replace our products in case of quality issues. We typically give a warranty period of no more than 24 months.
- *Confidentiality.* Each party shall keep confidential the trade secrets, technologies and proprietary rights of the other party, unless otherwise required by laws and regulations.
- *Term, renewal and termination.* The sales agreement does not specify a fixed term, and remains effective unless either party intends to terminate by written notice. The sales agreement may be terminated (i) upon mutual consent of both parties; (ii) by the non-defaulting party in the event of a material breach; and (iii) in the event of failure to perform due to business deterioration or regulatory punishments by either party, or *force majeure*.
- *Dispute resolution.* Any disputes arising out of the performance of the sales agreements shall be negotiated amicably. If an agreement cannot be reached, the issue will be submitted for resolution by a court or an arbitration tribunal.

Marketing and Branding

Our sales and marketing team is responsible for enhancing our brand awareness and promoting our new and existing products. We have built a strong brand reputation and industry influence through sustained collaboration with top-tier companies across diverse application areas. By adopting tailored strategies for different industries, we allocate substantial resources to business development in emerging high-growth applications such as consumer electronics, industrial and IoT and robotics. In addition, we have implemented a comprehensive customer strategy that spans the entire process from acquisition to product delivery, further strengthening our market position. By maintaining close engagement with customers, we gain insights into their evolving needs and competitive market dynamics. This understanding enables us to strategically position our products, foster co-development opportunities, swiftly resolve technical challenges during production, and provide exceptional after-sales support.

We promote our brand and new solutions through various channels. We participate in industry exhibitions, conduct media campaigns, and organize workshops to showcase our latest solutions to potential customers. Additionally, we implement targeted marketing initiatives, and engage in collaborative development projects to universities and research institutions. We also share our insights through public speaking engagements. These initiatives are undertaken to enhance our brand recognition and strengthen our relationships with our customers.

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Backlog

The following table sets forth the movement of our backlog value of our main products during the Track Record Period.

	Year ended December 31,		
	2023	2024	2025
	(RMB'000)	(RMB'000)	(RMB'000)
Intelligent sensing products			
Opening value of backlog as of the beginning of the year .	5,228	76,285	82,703
Add: contract value of new orders	307,545	579,975	753,030
Less: revenue recognized during the current year	236,487	573,557	708,004
Ending value of backlog as of the end of the year	76,285	82,703	127,730
Machine vision products			
Opening value of backlog as of the beginning of the year .	–	411	53,934
Add: contract value of new orders	1,162	99,958	28,829
Less: revenue recognized during the current year	751	46,434	70,724
Ending value of backlog as of the end of the year	411	53,934	12,039
Imaging technology products			
Opening value of backlog as of the beginning of the year .	–	298	10,338
Add: contract value of new orders	309	56,541	68,770
Less: revenue recognized during the current year	11	46,501	71,192
Ending value of backlog as of the end of the year	298	10,338	7,916
Total			
Opening value of backlog as of the beginning of the year .	5,228	76,994	146,975
Add: contract value of new orders	309,016	736,474	850,629
Less: revenue recognized during the current year	237,250	666,492	849,920
Ending value of backlog as of the end of the year	76,994	146,975	147,685

The following table sets forth the movement of our backlog volume of our main products during the Track Record Period.

	Year ended December 31,		
	2023	2024	2025
	('000)		
Intelligent sensing products			
Opening volume of backlog as of the beginning of the year	5,183	68,719	99,508
Add: contract volume of new orders	275,280	644,208	809,306
Less: volume delivered during the current year	211,744	613,418	775,686
Ending volume of backlog as of the end of the year	68,719	99,508	133,127
Machine vision products			
Opening volume of backlog as of the beginning of the year	–	4	2,844
Add: contract volume of new orders	10	5,196	1,808
Less: volume delivered during the current year	6	2,357	3,682
Ending volume of backlog as of the end of the year	4	2,844	970
Imaging technology products			
Opening volume of backlog as of the beginning of the year	–	97	7,662
Add: contract volume of new orders	103	40,321	44,993

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	Year ended December 31,		
	2023	2024	2025
		(‘000)	
Less: order delivered during the current year	6	32,757	48,579
Ending volume of backlog as of the end of the year	97	7,662	4,076
Total			
Opening volume of backlog as of the beginning of the year	5,183	68,819	110,013
Add: contract volume of new orders	275,393	689,725	856,107
Less: order delivered during the current year	211,756	648,532	827,947
Ending volume of backlog as of the end of the year	68,819	110,013	138,174

* Less than 100

OUR CUSTOMERS

We provide our products to direct sales customers that engage in R&D, manufacturing and sales of smartphones, electronic devices and components, as well as distributors in these industries. During the Track Record Period, revenue contributed from our five largest customers for each year accounted for 90.5%, 78.3% and 82.2% of our total revenue in 2023, 2024 and 2025, respectively, while the largest customer for each year contributed 25.0%, 26.4% and 37.0% of our total revenue, respectively, for the same years. During the Track Record Period, we primarily sold our products to our top five customers and may be susceptible to concentration risk. See “Risk Factors — Risks Relating to our Business and Industry — A significant proportion of our revenue was derived from certain customers during the Track Record Period. Any decrease in sales from, or loss of, one or more of our major customers would have negative impacts on our results of operations.”

The following tables set out the details of our five largest customers in each year based on their revenue contribution during the Track Record Period:

For the year ended December 31, 2023

Ranking	Customer	Major products or services sold	Year of commencement of business relationship with us	Credit terms	Payment method	Revenue	Percentage of total revenue
						(RMB‘000)	
1. . . .	Customer F ⁽⁶⁾	Smart audio amplifier ICs, light sensors and all-in-one optical sensors	2022	Payment upon delivery	Bank transfer	60,482	25.0%
2. . . .	Customer E ⁽⁵⁾	Smart audio amplifier ICs, light sensors and software development services	2019	60 days	Bank transfer	59,033	24.4%
3. . . .	Customer D ⁽⁴⁾	Smart audio amplifier ICs, light sensors and all-in-one optical sensors	2022	30 days	Bank transfer	41,723	17.2%
4. . . .	Customer C ⁽³⁾	Smart audio amplifier ICs, light sensors and all-in-one optical sensors	2021	30 days	Bank transfer	33,761	13.9%
5. . . .	Customer A ⁽¹⁾	Smart audio amplifier ICs and all-in-one optical sensors	2020	30 days	Bank transfer	24,129	10.0%
	Total					<u>219,128</u>	<u>90.5%</u>

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For the year ended December 31, 2024

Ranking	Customer	Major products or services sold	Year of commencement of business relationship with us	Credit terms	Payment method	Revenue (RMB'000)	Percentage of total revenue
1. . . .	Customer D	Smart audio amplifier ICs, light sensors, all-in-one optical sensors, LRA driver ICs and flicker sensors	2022	30 days	Bank transfer	175,740	26.4%
2. . . .	Customer G ⁽⁷⁾	Smart audio amplifier ICs, light sensors, all-in-one optical sensors, LRA driver ICs and multi-spectral sensors	2024	3 days	Bank transfer	119,105	17.9%
3. . . .	Customer E	Smart audio amplifier ICs, light sensors, all-in-one optical sensors and LRA driver ICs	2019	60 days	Bank transfer	119,039	17.9%
4. . . .	Customer A	Smart audio amplifier ICs, light sensors, all-in-one optical sensors and flicker sensors	2020	30 days	Bank transfer	68,767	10.3%
5. . . .	Customer F	Smart audio amplifier ICs, light sensors and all-in-one optical sensors	2022	Payment upon delivery	Bank transfer	38,559	5.8%
Total						521,210	78.3%

For the year ended December 31, 2025

Ranking	Customer	Major products or services sold	Year of commencement of business relationship with us	Credit terms	Payment method	Revenue (RMB'000)	Percentage of total revenue
1. . . .	Customer G	Smart audio amplifier ICs, light sensors, all-in-one optical sensors, LRA driver ICs, multi-spectral sensors and flicker sensors	2024	3 days	Bank transfer	316,151	37.0%
2. . . .	Customer E	Smart audio amplifier ICs, light sensors, all-in-one optical sensors and LRA driver ICs	2019	60 days	Bank transfer	131,852	15.4%
3. . . .	Customer A	Smart audio amplifier ICs, light sensors, all-in-one optical sensors and flicker sensors	2020	30 days	Bank transfer	96,398	11.3%
4. . . .	Customer I ⁽²⁾	Smart audio amplifier ICs, light sensors, all-in-one optical sensors and flicker sensors	2024	30 days	Bank transfer	93,462	10.9%
5. . . .	Customer H ⁽⁸⁾	3D iToF image sensors	2024	60 days	Bank transfer	65,242	7.6%
Total						703,105	82.2%

Notes:

- (1) Customer A is a private company founded in 2019 and headquartered in Hong Kong, China, engaging in the distribution of electronic components and modules.
- (2) Customer I is a Shenzhen Stock Exchange-listed company founded in 2014 and headquartered in Shenzhen, China, engaging in the distribution of semiconductor components. Customer I recorded revenue of approximately RMB7.0 billion in 2024.
- (3) Customer C is a private company founded in 2013 and headquartered in Hong Kong, China, engaging in the distribution of electronic components and modules.
- (4) Customer D is a private company founded in 2014 and headquartered in Shenzhen, China, engaging in the distribution of electronic components and modules.

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- (5) Customer E is a private company founded in 2003 and headquartered in Guangdong, China, engaging in the manufacturing and sales of smartphones and electronic devices.
- (6) Customer F is a private company founded in 2019 and headquartered in Hubei, China, engaging in the sale of electronic components, computer hardware, and communication equipment.
- (7) Customer G is a private company founded in 2011 and headquartered in Shenzhen, China, engaging in the distribution of semiconductor components.
- (8) Customer H is a company listed on the Stock Exchange founded in 1991 and headquartered in Zhejiang, China, engaging in the designing, researching and developing, manufacturing and selling of optical and optical related products and scientific instruments. Customer H recorded revenue of approximately RMB38.0 billion in 2024.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest customers in each year during the Track Record Period were Independent Third Parties. To the best of our Directors’ knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest customers in each year as of the Latest Practicable Date.

During the Track Record Period and up to Latest Practicable Date, we did not have any material disputes with, nor did we receive any material complaints from, our customers.

Concentration of Customers

During the Track Record Period, we primarily sold our products and solutions to a limited number of customers. In 2023 and 2024 and 2025, our revenue generated from the five largest customers were RMB219.1 million, RMB521.2 million and RMB703.1 million, respectively, accounting for 90.5%, 78.3% and 82.2% of our total revenue for the corresponding years. Given the significant revenue contribution by our major customers in aggregate during the Track Record Period, any decrease in sales from, or loss of, one or more of our major customers would harm our business, financial condition and results of operations. See “Risk Factors — Risks Relating to our Business and Industry — A significant proportion of our revenue was derived from certain customers during the Track Record Period. Any decrease in sales from, or loss of, one or more of our major customers would have negative impacts on our results of operations.”

Our five largest customers in each year comprising the Track Record Period were different. These major customers remain stable relationships with us, and continuously make purchases from us with different purchase amounts in each year. The shuffling of our five largest customers in each year comprising the Track Record Period was primarily due to a change in our customers’ downstream demand which, according to CIC, is in line with the industry norm. Besides, the changes in the ranking of our top five customers in each year during the Track Record Period were not due to the loss of key accounts, but rather as a result of our successful acquisition of new major customers (such as Customers G, H and I) and the organic growth of existing relationships (such as Customer E). Notably, Customer A has remained one of our top five customers throughout the entire Track Record Period, evidencing the stability and stickiness of our business relationships.

We do not believe that we are mutually dependent on any of our five largest customers in each year comprising the Track Record Period, because (i) there was no single largest customer in multiple years during the Track Record Period; (ii) the revenue contribution of our five largest customers decreased from 90.5% in 2023 to 82.2% in 2025, demonstrating our ability to eliminate the reliance on our five largest customers and maintain a more balanced revenue structure; (iii) the shuffling of our five largest customers in each year comprising the Track Record Period showcased our ability to cover multiple downstream market players in the competitive smart device and IoT sectors with significantly fluctuating market share, thereby eliminating the market risks of relying on a single brand.

Our Directors are of the view that the risk of termination or material and adverse change of our relationship with any of our major customers is relatively low, based on the above and also considering that (i) we have maintained a relationship with a majority of our five largest customers

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in each year comprising the Track Record Period for more than three years, and currently there is no indication or sign from any of them that they will alter their existing relationship with us in any aspect in the near future; (ii) during the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with any of our major customers; (iii) there had not been any incidents of failure to renew or early termination of agreements with our major customers during the Track Record Period and up to the Latest Practicable Date; and (iv) there had not been any reduction, delay or cancellation of orders from our major customers during the Track Record Period and up to the Latest Practicable Date.

PROCUREMENT AND SUPPLY

Raw Materials and Procurement

We operate with a fabless model in order to optimize our IC design functions. Fabless is a typical operation model adopted by many IC design companies. Unlike the IDM model where companies perform design, manufacturing, packaging and testing of IC products, companies operating with a fabless model focus on the design process, and outsource the IC manufacturing to foundries. The fabless model allows us to maximize our design resources and functions with limited and efficient capital commitment. During the Track Record Period, we primarily procured from third parties (i) foundry-manufactured silicon wafers with completed built-on ICs designed by us, and (ii) packaging and testing services.

Our procurement team is primarily responsible for formulating procurement plans based on the anticipated sales, the manufacturing lead time, inventory levels and production schedules. Pursuant to the procurement plans, our procurement team places purchase orders to our foundry suppliers. The foundry suppliers then manufacture and deliver the products to our warehouses. We arrange subsequent IC packaging and testing with our packaging and testing partners. Upon completion, our packaging and testing partners deliver the finished products to us for sale.

Our Suppliers

We typically engage reputable suppliers to ensure the quality of our products. During the Track Record Period, our suppliers mainly included foundries and chip packaging and testing service providers. We outsourced 100% of the chip packaging and testing to qualified third-party suppliers. Costs paid to our foundry suppliers are recorded as purchase of raw materials, and costs paid to packaging and testing service providers are recorded as fees for services rendered.

Once the foundry suppliers complete the fabrication process of our products, we are responsible for the arrangement of third-party logistics service providers to pick up the products and deliver them to our chip packaging and testing service providers. The chip packaging and testing service providers, upon completion of packaging and testing of our products, are primarily responsible for the arrangement of logistics service providers to ship the products to our customers. To a lesser extent, the chip packaging and testing service providers ship the products back to our warehouse in Wuhan, after which we deliver the products to our customers.

As of the Latest Practicable Date, we engaged four wafer foundry suppliers and nine packaging and testing suppliers.

Supplier Selection and Management

We consider a comprehensive set of factors when selecting suppliers, which mainly include technological expertise, product quality, production capacity, pricing, after-sales service, responsiveness and delivery speed. We have implemented a comprehensive supplier management system that defines the admission of suppliers, management of qualified suppliers and termination of unqualified suppliers to ensure the efficiency of our supplier management. We carry out performance assessments on the suppliers and conduct examinations on the deliverables to ensure the consistency of the high quality of our products. We also collaborate with multiple suppliers and conduct comprehensive and regular evaluations of supplier qualifications to ensure the suppliers' supply capacity and maintain the stable supply. In addition, we also implement measures to continuously monitor the final product quality. See “Quality Control — Product Quality and Safety” for further details.

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Salient Terms of Framework Purchase Agreements

We typically enter into framework purchase with our foundry suppliers, which set forth the general terms and conditions of purchase.

- *Purchase.* Our purchase includes a trial run before quality certification, and official production of the wafers. We provide a forecast of our purchase to our foundry suppliers, and set out the details, including among others, the quantity and specifications, in separate purchase orders.
- *Purchase price.* The purchase price of products are set out in separate purchase orders, subject to negotiation by the parties. Factors that affect the purchase price include market prices, payment methods, and purchase quantities, among others. We bear all costs of components for the manufacturing of products.
- *Warranty on product quality.* The foundry suppliers provide warranties on product quality. We may return or replace the products in case of quality issues within the warranty period. The foundry suppliers typically give a warranty period of 12 months.
- *Confidentiality.* Each party shall keep confidential the trade secrets, technologies and proprietary rights of the other party, unless otherwise required by laws and regulations.
- *Term, termination and renewal.* The agreement normally has a term of three to five years. The agreement may be terminated (i) upon mutual consent of both parties; (ii) by the non-defaulting party in the event of a material breach; and (iii) in the event of failure to perform due to business deterioration or regulatory punishments by either party, or *force majeure*. There is typically no renewal clause.
- *Dispute resolution.* Any disputes arising out of the performance of the framework purchase agreements shall be negotiated amicably. If an agreement cannot be reached, the issue will be submitted for resolution by a court.

Relationship with Packaging and Testing Suppliers

We diversify our packaging and testing partners to reduce reliance risks. Our multi-supplier strategy across packaging and testing segments ensures continuity of supply. Our regular capability assessments are conducted on potential alternative suppliers, covering their technical qualifications, production capacity, quality management systems, and delivery performance. In addition, our ongoing communication with backup suppliers is maintained, and periodic trial runs are conducted to validate their ability to meet our specifications and volume requirements. Our Directors believe that the risk of supply chain disruption in packaging and testing is low. In the event of termination of our relationship with any major supplier, we believe we are able to identify and transition to alternative suppliers.

As of the Latest Practicable Date, we have engaged nine packaging and testing suppliers. We already take quality control measures that include: (i) detailed quality control protocols requiring incoming material inspection, in-process monitoring, and final product testing; (ii) monitoring mechanisms such as real-time data exchange with suppliers, periodic on-site inspections, and third-party quality certifications; and (iii) contingency plans covering emergency supplier switches, inventory buffers, and alternative sourcing arrangements. We conduct regularly business reviews with major suppliers to assess performance against key metrics including yield rates, defect rates, on-time delivery, and responsiveness to technical issues.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material changes in our business relationships with packaging and testing suppliers that resulted in adverse impacts on our business operations, financial condition, or results of operations. We believe our diversified supplier base, supplier management policies, and the availability of qualified alternative suppliers in the market provide us with sufficient flexibility to manage supplier relationships effectively and minimize potential disruptions to our operations.

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Major Suppliers

In 2023, 2024 and 2025, purchases from our five largest suppliers for each year amounted to RMB292.5 million, RMB639.8 million and RMB529.5 million, respectively, accounting for 90.4%, 89.7% and 83.1% of our total purchases in the same years. For the same years, purchases attributable to our largest supplier for each year amounted to RMB136.1 million, RMB265.6 million and RMB312.5 million, respectively, accounting for 42.1%, 37.2% and 49.0% of our total purchases. During the Track Record Period, we primarily procured raw materials from our top five suppliers and may be susceptible to concentration risk. See “Risk Factors — Risks Relating to our Business and Industry — We partner with third-party wafer foundry and packaging and testing service providers. We are exposed to supplier concentration risk due to our reliance on such major suppliers.” During the Track Record Period, we maintained multiple suppliers to avoid overreliance on any of the existing suppliers.

The following table sets forth the details of our five largest suppliers in each year during the Track Record Period based on purchases from them:

For the year ended December 31, 2023

Ranking	Supplier	Products or services purchased	Year of commencement of business relationship with us	Credit terms	Payment method	Purchase amount	Percentage of total purchase
(RMB'000)							
1. . . .	Supplier A ⁽¹⁾	Silicon wafers	2017	100% down payment before delivery	Bank transfer	136,142	42.1%
2. . . .	Supplier B ⁽²⁾	Silicon wafers	2016	50% prepayment, 50% telegraphic transfer within 30 days from billing date	Bank transfer	66,091	20.4%
3. . . .	Supplier E ⁽⁵⁾	Chip packaging and testing services	2022	30 days	Bank transfer	63,177	19.5%
4. . . .	Supplier C ⁽³⁾	Chip packaging and testing services	2019	30 days	Bank transfer	14,214	4.4%
5. . . .	Supplier F ⁽⁶⁾	Chip coating services	2021	30 days	Bank transfer	12,841	4.0%
Total						<u>292,465</u>	<u>90.4%</u>

For the year ended December 31, 2024

Ranking	Supplier	Products or services purchased	Year of commencement of business relationship with us	Credit terms	Payment method	Purchase amount	Percentage of total purchase
(RMB'000)							
1. . . .	Supplier B	Silicon wafers	2016	30% prepayment, 70% telegraphic transfer within 30 days from billing date	Bank transfer	265,643	37.2%
2. . . .	Supplier A	Silicon wafers	2017	100% down payment before delivery	Bank transfer	156,000	21.9%
3. . . .	Supplier E	Chip packaging and testing services	2022	30 days	Bank transfer	134,529	18.9%
4. . . .	Supplier C	Chip packaging and testing services	2019	30 days	Bank transfer	49,740	7.0%
5. . . .	Supplier F	Chip coating services	2021	30 days	Bank transfer	<u>33,869</u>	<u>4.7%</u>

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Ranking	Supplier	Products or services purchased	Year of commencement of business relationship with us	Credit terms	Payment method	Purchase amount (RMB'000)	Percentage of total purchase
Total						639,781	89.7%

For the year ended December 31, 2025

Ranking	Supplier	Products or services purchased	Year of commencement of business relationship with us	Credit terms	Payment method	Purchase amount (RMB'000)	Percentage of total purchase
1. . . .	Supplier B	Silicon wafers	2016	30% prepayment, 70% telegraphic transfer within 30 days from billing date	Bank transfer	312,548	49.0%
2. . . .	Supplier E	Chip packaging and testing services	2022	30 days	Bank transfer	105,057	16.5%
3. . . .	Supplier C	Chip packaging and testing services	2019	30 days	Bank transfer	41,260	6.5%
4. . . .	Supplier D ⁽⁴⁾	Chip packaging and testing services	2020	30 days	Bank transfer	35,710	5.6%
5. . . .	Supplier A	Silicon wafers	2017	100% down payment before delivery	Bank transfer	34,946	5.5%
Total						529,521	83.1%

Notes:

- (1) Supplier A is a New York Stock Exchange-and Taiwan Stock Exchange-listed company founded in 1987 and headquartered in Taiwan, China, engaging in the provision of semiconductor foundry services. Supplier A recorded revenue of approximately US\$90.0 billion in 2024.
- (2) Supplier B is a Hong Kong Stock Exchange-and Shanghai Stock Exchange-listed company founded in 2000 and headquartered in Shanghai, China, engaging in the provision of semiconductor foundry services. Supplier B recorded revenue of approximately US\$8.0 billion in 2024.
- (3) Supplier C is a Shenzhen Stock Exchange-listed company founded in 1994 and headquartered in Jiangsu, China, engaging in the manufacturing of telecommunications and other electronic equipment. Supplier C recorded revenue of approximately RMB23.9 billion in 2024.
- (4) Supplier D is a Shenzhen Stock Exchange listed-company founded in 2003 and headquartered in Gansu, China, engaging in the manufacturing of telecommunications and other electronic equipment. Supplier D recorded revenue of approximately RMB14.5 billion in 2024.
- (5) Supplier E is a private company, founded in 1998 and headquartered in Guangdong, China, engaging in the manufacturing of telecommunications and other electronic equipment.
- (6) Supplier F is a Shenzhen Stock Exchange-listed company founded in 2002 and headquartered in Zhejiang, China, engaging in the manufacturing of telecommunications and other electronic equipment. Supplier F recorded revenue of approximately RMB6.3 billion in 2024.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers, or delay in delivery of our orders from our suppliers.

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To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest suppliers in each year during the Track Record Period were Independent Third Parties. To the best of our Directors’ knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers in each year as of the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with our suppliers.

Relationship with Supplier A and Supplier B

During the Track Record Period, we primarily procured silicon wafers from two leading foundries, namely Supplier A and Supplier B. These silicon wafers are produced by foundries and embedded with our designs of ICs. In 2023, 2024 and 2025, our purchases from Supplier A were RMB136.1 million, RMB156.0 million and RMB34.9 million, respectively, accounting for 42.1%, 21.9% and 5.5% of our total purchases for the corresponding years. During the same periods, our purchases from Supplier B were RMB66.1 million, RMB265.6 million and RMB312.5 million, respectively, accounting for 20.4%, 37.2% and 49.0% of our total purchases for the corresponding years. The portion of our purchases from Supplier A decreased along with the increase of that from Supplier B during the Track Record Period, which was mainly due to (i) our efforts to minimize the impacts of geopolitics; (ii) more flexible and customized manufacturing processes offered by Supplier B; (iii) more ample production capacity of Supplier B than Supplier A, as Supplier A fulfills the manufacturing needs of global clients; and (iv) lower costs of Supplier B than Supplier A.

Our substantial purchases from Supplier A and Supplier B during the Track Record Period were primarily attributable to the quality products, comprehensive services, and high reputation of these two top-tier foundries. According to CIC, it is in line with industry norm for IC design companies like us to rely on a limited number of foundry partners to ensure consistently quality products and centralized management of manufacturing needs.

We are not an exclusive customer of Supplier A or Supplier B. Due to the material reliance we had on Supplier A and Supplier B given the substantial purchases from them during the Track Record Period, any interruption to the supplies from, or loss of, any of our major foundry suppliers would have negative impacts on our results of operations. See “Risk Factors — Risks Relating to Our Business and Industry — We partner with third-party wafer foundries and packaging and testing service providers. We are exposed to supplier concentration risk due to our reliance on such major suppliers.” Considering the operational scale of Supplier A and Supplier B and our immaterial revenue contribution, we are not mutually dependent on either of them. However, we consider ourselves to be a valuable customer of Supplier A and Supplier B considering our substantial historical purchases from them and an expected increase in future purchases brought by our growing business scale.

Our Directors are of the view that the risk of termination or material and adverse change of our relationship with Supplier A or Supplier B is relatively low, considering that (i) our foundry service agreement with Supplier A is automatically renewed upon expiration unless either party gives a notice of termination; our latest foundry service agreement with Supplier B has a term of eight years, and we had previously made two successful renewal of our agreement with Supplier B; (ii) we have maintained a long-term and stable partnership with Supplier A and Supplier B since 2017 and 2016, respectively, and currently there is no indication or sign from Supplier A or Supplier B that either of them will alter its existing relationship with us in any aspect in the near future; (iii) we did not have any material disputes with Supplier A or Supplier B during the Track Record Period and up to the Latest Practicable Date; (iv) there had not been any incidents of failure to renew or early termination of agreements during the Track Record Period and up to the Latest Practicable Date; and (v) there had not been any reduction, delay or cancellation of our orders during the Track Record Period and up to the Latest Practicable Date.

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We strive to diversify our foundry partners to mitigate such reliance risks. According to CIC, there are approximately five foundries in the market that offer products at similar terms and quality, and have compatible operational scale, possess necessary manufacturing technologies and production capacities. Besides, we believe the export control and sanctions laws and regulations currently do not have material impacts on our business operations and financial performance directly or indirectly. See “— Implications of International Sanctions.” Therefore, our Directors believe that the risk of supply chain disruption is relatively low, and we believe we are able to find alternative foundry suppliers in the event of a termination of relationship with Supplier A or Supplier B. As of the Latest Practicable Date, we have entered into the foundry service agreements with two additional foundry suppliers, including one in South Korea and the other in Zhejiang, China. Our foundry supplier base has facilitated our capability of delivering quality products to global clients, and is proved to be effective measures to cope with the reliance risks.

Use of Customs Brokers

In connection with our sales to overseas customers, we have engaged third-party customs brokers to facilitate the execution of our sales (the “**Customs Brokers**”). The Customs Brokers primarily facilitate us with the logistics and customs clearance of products exported from the PRC to Hong Kong, thereby expediting the execution of our sales to overseas customers and enhance capital efficiency, and reducing labor costs that may be incurred to retain qualified personnel with respect to these matters. The Customs Brokers are selected based on their relevant qualifications, compliance track record and operational capabilities, and are required to comply with all applicable laws and regulations, including export control and sanctions related requirements. According to CIC, it is in line with industry practice to use customs brokers to facilitate companies’ sales to overseas customers, as industry players typically do not have the relevant qualifications to handle the logistics and customs clearance matters involved in the export of products, and it is therefore common practice to engage third-party customs brokers to facilitate such processes. Our revenue attributable to transactions involving the Customs Brokers amounted to RMB100.1 million, RMB238.4 million and RMB222.4 million for 2023, 2024 and 2025, respectively, representing 41.4%, 35.8% and 26.0% of our total revenue for the corresponding years.

Contract Arrangements

To make a sale (the “**Sale**”) to our overseas customers, we enter into purchase agreements with third-party customs brokers in the PRC (the “**PRC Customs Brokers**”), who then, after facial check and acceptance procedures, deliver our products to their entities in Hong Kong (the “**Hong Kong Customs Brokers**”), who then onsell (the “**Onward Sale**”) the same products with no markup to our subsidiary in Hong Kong, SI Hong Kong, pursuant to purchase agreements between SI Hong Kong and the Hong Kong Customs Brokers. During the process, the PRC Customs Brokers and Hong Kong Customs Brokers are responsible for the logistic arrangements and customs clearance. Despite the legal form of sales and purchase agreements, for accounting purposes at the Group level, the Customs Brokers were assessed only as agents to the Group.

Flow of Funds

With respect to the Sales and Onward Sales, SI Hong Kong pays the Hong Kong Customs Brokers after receiving payment from the overseas customers, and the PRC Customs Brokers typically makes the payment to us on the same day. The Customs Brokers earn service fees, which is typically calculated based on the value of the goods being exported, for handling the logistic arrangements, customs clearance, and do not assume inventory or market risk in connection with these arrangements.

Legal Basis

The use of the Customs Brokers and the contractual arrangements as described above comply with the following applicable laws and regulations:

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- (i) According to our PRC Legal Advisors, such use of the Customs Brokers and the arrangements comply with the applicable PRC laws and regulations, including (a) the PRC foreign exchange control laws and regulations, because both of the Customs Brokers and us have registered with the relevant authorities supervising the foreign exchange payment and receipt activities according to the applicable regulations, and there was no violation of foreign exchange control laws and regulations during the Track Record Period; and (b) the PRC anti-money laundering laws and regulations, the funds involved were derived from genuine purchases of customers with legal sources, and there was no violation of anti-money laundering laws and regulations during the Track Record Period.
- (ii) According to our legal advisors as to local Hong Kong laws, such use of the Customs Brokers and the arrangements comply with the applicable Hong Kong laws and regulations, (a) there are no foreign exchange controls or restrictions in Hong Kong that affect SI Hong Kong; (b) funds transferred from SI Hong Kong to the Hong Kong Customs Brokers relate to genuine transactions purchasing from the Hong Kong Customs Brokers, and such fund flow arrangement does not violate any applicable anti-money laundering laws and regulations in Hong Kong; and (c) there are no laws in Hong Kong prohibiting the use of customs brokers which are independent third party.

Accounting Treatment

At the Group level, as the Customs Brokers were assessed only as agents to the Group, apart from the necessary transaction costs and handling charges, our sales to and purchases from the Customs Brokers would be fully eliminated, while balances of the transactions would be gross settled according to credit terms as stipulated in the separate sales and purchase agreements with the Customs Brokers, respectively. Accordingly, any unsettled balances would result in other receivables from and other payables to the Customs Brokers at the Group level.

SEASONALITY

We experience seasonal fluctuations in our revenue and results of operations. We have historically experienced, and expect to continue to experience, accelerated revenue generation in the second half of a particular year as compared to the first half of that year. The accelerated revenue generation in the second half of a year is primarily because our major customers, who primarily engage in smart mobile devices sector, typically launch new product models in the second half of a year. According to CIC, this is an industry norm as major global smartphone and consumer electronics brands generally schedule annual flagship and mass-market product launches in the third and fourth quarters, evidenced by a 10% more shipment volume in the second half of 2024 than in the first half of the same year of the global market. This has resulted in a larger purchase volume of our products during such period. The seasonal trends we have experienced in the past may not apply to, or be indicative of, our future operating results. See “Risk Factors – Risks Relating to Our Business and Industry – Our results of operations are subject to seasonal fluctuations.”

QUALITY CONTROL

Product Quality and Safety

We have established a rigorous and well-structured quality management system that integrates industry-leading standards and best practices to ensure product reliability and customer satisfaction. Our overall quality framework is built upon the ISO9001:2015 standards and the Joint Electron Device Engineering Council (JEDEC) standards.

From product design to production, quality is embedded throughout our entire product lifecycle. We employ rigorous validation and verification processes to ensure reliability and compliance with industry standards, with all R&D workflows and project documentation managed

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through an IT-backed system for consistency and traceability. We identify and take record of defective products, find out the reasons for the defectiveness and formulate precaution and mitigating measures. Defective products that are scrapped shall be stored and disposed of properly. For any defective products returned by our customers, we identify them separately, take record, and form an analysis.

We outsource chip packaging and testing to third-party service providers, and require them to strictly follow the industry standards and quality requirements. In addition, we work closely with customers to ensure compliance with their specific product development, manufacturing, and shipping requirements while conducting thorough contract reviews to align expectations. Our customer feedback mechanisms allow us to promptly address concerns and drive continuous improvement.

Product Returns and Warranty

The warranty for our products vary depending on the characteristics of the products sold. We maintain cordial communication with our customers after sales and proactively work with them to resolve any quality issues.

We typically do not allow customers to return or exchange products except for defective products due to our faults. In isolated cases, we may coordinate product exchanges for customers to accommodate their adjustments in product designs, product processes and product promotion and marketing arrangements. 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.

LOGISTICS AND INVENTORY

Logistics

We engage qualified third-party logistics service providers for the delivery of all finished goods from our warehouse to locations specified by our customers. We set strict standards for the transportation of our products and conduct regular evaluations to ensure compliance and efficient delivery. As of the Latest Practicable Date, we had not experienced any significant delay or inappropriate handling of goods that materially and adversely affected our business operations.

Inventory Management

Our inventories consist of raw materials, work in progress and finished goods. We attach great importance to our inventory health, assigning dedicated staff to provide management with regular reports on the status of inventory. To ensure effective inventory management, we implement various policies, including the first-in, first-out method, maintaining safety stock to address demand fluctuations or supply delays, and tracking inventory flow through our warehouse management system. We take inventory level into consideration when formulating procurement plans.

INTELLECTUAL PROPERTY

We regard our patents, trademarks, know-how, domain names and other intellectual property rights as critical to our competitiveness and success. As of the Latest Practicable Date, we had 136 granted patents, including 26 utility model related patents and 110 invention related patents, and 62 integrated circuit layout design registrations in the PRC. As of the same date, we also own 12 copyrights, one trademark and one registered domain name in the PRC for our website. We are also in the process of applying for over 150 pending patent applications in the PRC and have five pending PCT applications. See “Statutory and General Information — B. Further Information about Our Business — 2. Our Intellectual Property Rights” in Appendix V for more information.

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We rely primarily on a combination of patents, trademarks, trade secrets, and unfair competition laws and contractual rights, such as confidentiality agreement, to protect our intellectual property rights. We generally state all rights and obligations regarding the ownership and protection of intellectual properties in employment confidentiality agreements and some commercial agreements we enter into. In addition, we have taken the following key measures to protect our intellectual property rights: (i) implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights, (ii) deploying a special team to guide, manage, supervise and monitor our daily work regarding intellectual properties, (iii) timely registration, filing and application for ownership of our intellectual properties, (iv) actively tracking the registration and authorization status of intellectual properties and take action in a timely manner if any potential conflicts with our intellectual properties are identified, and (v) engaging professional intellectual property service providers.

We have entered into agreements with confidentiality clause with all of our employees, and agreements with non-competition clause with our senior management and other employees who have access to trade secrets or confidential information about our business. The confidentiality clause has an unlimited term and the non-competition clause has a term of two years. Our standard confidentiality and intellectual property rights agreement, which we use to manage our employees who have access to trade secrets or confidential information about our business for work-performing purposes, contains an assignment clause, under which we own all the rights to all inventions, utility models, technology, know-how and trade secrets derived during the course of such employee’s work. We also seek to preserve the integrity and confidentiality of our data and trade secrets related to EDA software tools and IP library by maintaining physical security of our premises and physical and electronic security of our information technology systems.

Except as disclosed in “— Legal Proceedings and Compliance,” as of the Latest Practicable Date, we had not been subject to any material disputes or claims for infringement upon third parties’ intellectual property rights in the PRC and, to the best knowledge of our Directors and senior management, they are not aware of any such disputes. Although we have adopted measures to protect our intellectual properties, we may be unable to adequately protect them due to certain reasons. See “Risk Factors — Risks Relating to Our Business and Industry — We may be unable to adequately protect our proprietary rights, which may impact our ability to compete effectively.”

DATA PRIVACY AND INFORMATION SECURITY RISK MANAGEMENT

In the course of our business, we collect, store and process business data and transaction data. As we only make transactions with enterprises, we do not collect or process personal data.

We pay close attention to risk management relating to our IT system, as storage and protection of corporate data and related information is critical to us. To ensure data security, we have adopted a rigorous encrypted algorithm to store sensitive data and strictly execute a data accessing and transmitting policy to ensure the confidentiality of our data. We have also developed strict internal control and data accessing mechanisms and detailed approval and operation procedures regarding data storage and processing. We have established a set of internal protocols on data security, which set forth detailed, strict requirements in relation to the use, disclosure and protection of confidential information. Among other things, such internal protocols provide limited authorization to our employees holding specific positions at specific levels to access and process corporate data on a need-to-know basis, who shall use such data only for the purposes of performing their work assignment. Our internal control measures are primarily set forth in policy documents: (i) the Information System Security Management Policy, which requires system administrators to promptly analyze network anomalies, develop response plans, record incidents in the network operation log, monitor external access, and address security issues; and (ii) the Employee Handbook, which requires all employees to comply with confidentiality rules and policies.

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All of our employees are required to sign a confidentiality agreement with us, which prohibits them from disclosing any confidential information relating to their work without our consent. We have a comprehensive data backup system to encrypt and store data on servers in different locations in order to minimize the risk of data loss. We also conduct data restoration tests to examine the status of the backup system on a regular basis.

The types of data transmitted from the PRC to overseas consist solely of R&D data generated during our business operations. Our employees and employees of SI Netherlands with data access privileges upload R&D data to their respective proprietary servers and subsequently synchronise such data via software. Pursuant to our collection policy, SI Netherlands collects only R&D-related data necessary for its designated purposes and is not authorised to collect other types of data. The transmitted data is sent solely to SI Netherlands and will not be transmitted to any other parties. Important materials, documents and data are encrypted, stored and backed up using appropriate technical measures. As cross-border data transmission does not involve personal information, we have not established a data deletion policy. During the Track Record Period and up to the Latest Practicable Date, SI Netherlands transmitted solely R&D data to us. Such data will not be transmitted to any other parties. The retention and destruction policies for such data are consistent with those applicable to data transmitted from the PRC to overseas.

In addition, we have established a remote disaster recovery system for our server by setting up multiple storage for the same information and data of long time dimension on the cloud, local and remote locations. Even if the server is damaged due to the highest level of disasters such as earthquakes, mudslides and other irresistible natural disasters, we believe that it can safeguard and guarantee that the service and data can be completely restored within 24 hours.

Our PRC Legal Advisors are of the view that we have been in compliance with the relevant PRC laws, rules and regulations relating to cybersecurity and data protection in all material aspects during the Track Record Period and up to the Latest Practicable Date on the basis that (i) we do not collect or process personal data as we do not conduct business directly with individuals, (ii) we have implemented comprehensive cybersecurity and data protection policies, procedures, and measures to ensure secured storage and transmission of data, prevent unauthorized access or use of data and respond to network security incidents, (iii) we have not been subject to any material fines or administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities for violation of cybersecurity and data protection laws, rules and regulations, (iv) there have been no material cybersecurity and data protection incidents or infringement upon the rights of any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of the knowledge of our Directors, threatened against or relating to us, and (v) we have not experienced any material leakage of data, any breach of confidential business data or violation of cybersecurity and data protection and privacy laws, rules and regulations which will have a material adverse impact on our business operations.

AWARDS AND RECOGNITION

During the Track Record Period, we received awards and recognitions in respect of our Company, products and technologies, the details of which are set forth below:

Award year	Award/Recognition	Awarding Institution/Authority
2025	Wuhan “Future Eagle” Enterprise (武漢市 “未來之鷹”企業)	Wuhan Municipal Bureau of Economy and Information Technology (武漢市經濟和信息化局)
2025	National Specialized and Innovative “Little Giant” Enterprise (國家級專精特新“小巨人”企業)	MIIT

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Award year	Award/Recognition	Awarding Institution/Authority
2024	High-tech Enterprise (高新技術企業)	Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance and Hubei Provincial Tax Service of the State Taxation Administration (湖北省科學技術廳、湖北省財政廳及國家稅務總局湖北省稅務局)
2024	Key Specialized and Innovative “Little Giant” Enterprise (2024年重點專精特新“小巨人”企業)	MIIT
2024	Hubei Provincial Enterprise Technology Center (湖北省企業技術中心)	Hubei Provincial Development and Reform Commission (湖北省發展與改革委員會)
2024, 2023 and 2022 . .	Optic Valley “Gazelle Enterprise” (光谷“瞪羚企業”)	Administration of Wuhan East Lake High-tech Development Zone (武漢東湖新技術開發區管理委員會)
2024	Listed as a Hubei Province Science and Technology Innovation “New Species” Enterprise — Potential Unicorn (入庫湖北省科創“新物種”企業-潛在獨角獸)	Department of Science and Technology of Hubei Province (湖北省科技廳)
2024	Hubei’s Manufacturing Industry High-Quality Development “Project Bidding & Leadership” (湖北省製造業高品質發展“揭榜掛帥”)	Hubei Provincial Department of Economy and Information Technology (湖北省經濟和信息化廳)
2024	2024 Hubei Province Manufacturing Individual Champion Enterprise (2024年湖北省製造業單項冠軍企業)	Hubei Provincial Department of Economy and Information Technology (湖北省經濟和信息化廳)
2023	EE Times Silicon 100	EE Times
2021	Hubei Provincial Specialized and Innovative “Little Giant” Enterprise (湖北省專精特新“小巨人”企業)	Department of Economy and Information Technology of Hubei Province (湖北省經濟和信息化廳)

COMPETITION

The analog IC market comprises a wide range of product categories with significantly different technical requirements, application scenarios and functional characteristics. Among these, intelligent sensing ICs, machine vision sensors and intelligent imaging ICs represent distinct application-driven sub-segments. According to CIC, the global analog IC market reached US\$86.5 billion in 2025, and is expected to grow to US\$111.3 billion in 2030, representing a CAGR of 6.1% from 2026 to 2030. In terms of revenue, intelligent sensing ICs, machine vision sensors and intelligent imaging ICs accounted for 13.4%, 1.9% and 0.9%, respectively, of the global analog IC market in 2025, and are expected to reach 12.9%, 1.7% and 1.2%, respectively, by 2030. Within the global intelligent sensing IC market, optical sensors, smart audio amplifier ICs, and LRA driver ICs account for approximately 9%, 8% and 2% respectively in terms of revenue in 2025.

We face intense competition in the intelligent sensing, machine vision and imaging technology solutions industries. Key competitive factors in our industries include R&D capabilities, quality of products, ability to meet technological iteration demands and trends of downstream sectors, and provision of timely, effective support. According to CIC, in terms of revenue in 2025, we ranked (i) the fourth in the global optical sensor market with a market share of 3.7%; (ii) the third in the

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global smart audio amplifier IC market with a market share of 6.1%; (iii) the third in the global LRA driver IC market with a market share of 3.8%; (iv) the third in the global 3D ToF image sensor market with a market share of 1.1%; and (v) the eighth of the global intelligent imaging IC market with a market share of 1.9%. For more information on the competitive landscape of our industry, see “Industry Overview.” Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths, which are highlighted in the paragraph headed “— Our Competitive Strengths” in this section.

EMPLOYEES

As of December 31, 2025, we had a total of 344 dedicated members comprising 341 full-time employees and 3 consultants substantially all of whom were based in China. The following table sets forth a breakdown of our employees categorized by function as of December 31, 2025.

Function	Number	Percentage (%)
R&D	206	59.9
Sales and Marketing	55	16.0
Business Operations	53	15.4
Administration	30	8.7
Total	344	100.0

We recognize the importance of talents for sustainable business growth and competitive advantages. We believe that our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees relatively competitive salaries, performance-based bonuses, and other incentives. We typically sign non-competition agreements with our senior management or other key employees for a term of two years. We occasionally review the performance of our employees on the basis of, among other criteria, their abilities to achieve stipulated performance targets. As a result, we have generally been able to attract and retain qualified employees and maintain a stable core management team.

We plan to adopt a diversified recruitment approach to ensure a sufficient talent pool for key positions. We primarily recruit our employees through on-campus recruitment, online channels and third-party employment websites. We provide on-board training for all of our employees as well as periodic training or seminars to ensure their self-development. We also provide courses for our employees as an important part of their continuous self-learning. We strive to create a multiple-incentive mechanism and a friendly working environment to fulfil our employees’ full potential. Due to our efforts, we generally maintain a stable team of employees that make continuous contributions.

We do not have a labor union. During the Track Record Period and up to the Latest Practicable Date, we did not experience any labor disputes or strikes.

Social Insurance and Housing Provident Fund Contributions

According to the Social Insurance Law of the PRC and the Administrative Regulations on the Housing Provident Fund of the PRC, we are required to make social insurance premium payments and contributions to housing provident funds for our employees. As advised by our PRC Legal Advisors, an employer that has not made social insurance contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered by social insurance contributions collection institutions to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late payment fee of up to 0.05% per day. If the employer still fails to

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rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times of the amount overdue. In addition, an employer that has not made housing provident fund contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered by the housing provident fund management center to rectify the non-compliance and pay the required contributions within a stipulated deadline. If the employer still fails to rectify the failure to make housing provident contributions within the stipulated deadline, it may be subject to the court’s compulsory enforcement.

During the Track Record Period and up to the Latest Practicable Date, we did not make full social insurance and housing provident fund contribution for our employees in accordance with relevant laws and regulations. This was primarily attributable to our human resource management personnel’s unfamiliarity with the relevant PRC laws and regulations. During the Track Record Period, the aggregate amount of shortfall in social insurance and housing provident fund contributions was approximately RMB7.3 million, comprising approximately RMB1.9 million, RMB2.5 million and RMB2.9 million for 2023, 2024 and 2025, respectively.

Our PRC Legal Advisors are of the view that the possibility of us being required to settle historical outstanding social insurance and housing provident funds is remote, considering that: (i) we had not been the subject of any administrative penalties for not making full payment of the social insurance and housing provident funds, or received any notice to pay the shortfall, by relevant social insurance and housing provident fund bureaus during the Track Record Period; (ii) according to the compliance letters issued by the competent social insurance and housing provident fund authorities, during the Track Record Period and up to the Latest Practicable Date, such authorities did not impose administrative penalties on us for failure to make full social insurance or housing provident fund contributions; (iii) as of the Latest Practicable Date, there were no material pending disputes or controversies between our employees and us in connection with labor and employment matters including in respect of social insurance and housing provident fund contributions; (iv) during the Track Record Period and up to the Latest Practicable Date, no employees or relevant competent authorities raised objections in relation to the contribution arrangements relating to social insurance or housing provident funds, and up to the Latest Practicable Date, we had not received any material objections from any employees or authorities in relation to labor and employment, social insurance or housing provident funds; and (v) we have undertaken that in the event that we receive requests from the relevant authorities to pay any historical outstanding social insurance and housing provident fund contributions, or that we are required to pay any related late charges or penalties, we will timely make such payments in full.

Based on the above, our Directors are of the view that the abovementioned issues in relation to the contributions of social insurance and housing provident funds would not have a material adverse effect on our business, results of operations or financial condition and the possibility for any relevant competent authorities imposing administrative penalty or seeking recovery from us in relation to any outstanding social insurance and housing provident fund contributions incurred during the Track Record Period is remote. Consequently, we did not make any additional provisions for the underpaid social insurance contributions and housing fund contributions for each of the periods comprising the Track Record Period.

According to the “Supreme People’s Court’s Interpretation (II) on Several Issues Concerning the Application of Law in Labor Dispute Cases” (最高人民法院關於審理勞動爭議案件適用法律問題的解釋 (二)) promulgated by the Supreme People’s Court on February 17, 2025 which became effective on September 1, 2025, if an employer and an employee agree or the employee commits that social insurance contributions are not required to be paid, the People’s Court shall deem such agreement or commitment invalid. Where an employer fails to pay social insurance contributions as required by law, and the employee requests to terminate the labor contract and claims economic compensation from the employer pursuant to Article 38, Paragraph 1, Item 3 of the Labor Contract Law, the People’s Court shall support such request in accordance with the law. We have completed social insurance registration for our employees and made social insurance contributions accordingly. During the Track Record Period and up to the Latest Practicable Date, there were no circumstances where we have reached agreements with employees or obtained commitments from employees to waive social insurance contributions. Therefore, the aforementioned provision of Article 19 does not apply to us and has no impact on our compliance with the relevant laws and regulations.

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INSURANCE

We have not obtained any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring against these risks, and the difficulties associated with acquiring such insurances on commercially reasonable terms render these insurances impractical for our business. During the Track Record Period and up to the Latest Practicable Date, we had not been the subject of any product liability claims. Our Directors consider our insurance policy as a whole is in line with the general market practice and complies with the relevant rules and regulation in China. As of the Latest Practicable Date, we had not made or suffered any significant insurance claims, and there had not been any material product liability claims against us. Nevertheless, we may be exposed to claims and liabilities which exceed our insurance coverage. See “Risk Factors — Risks Relating to Our Business and Industry — We may not have sufficient insurance coverage to cover our potential liability or losses.”

PROPERTIES

We are headquartered in Wuhan, China. As of the Latest Practicable Date, we did not own any property in the PRC, and we leased five properties in the PRC with an aggregate gross floor of approximately 5,230.0 square meters, and one property in Netherlands with a gross floor of approximately 170.0 square meters from third parties. These properties were used primarily as premises of office and R&D. Our lease agreements in respect of the abovementioned leased properties generally have lease terms ranging from one to seven years.

As of the Latest Practicable Date, we had not obtained the registration of lease agreements for all of our five leased properties with the relevant regulatory authorities due to the inaction of the landlords to cooperate with the registration procedure. As advised by our PRC Legal Advisors, the non-registration of lease agreements will not affect the validity of such lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations, which we do not believe would have a material adverse impact on our operation. However, we will consult with our legal advisors and aim to address the issue appropriately during the lease negotiation process in the future. As of the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of the lease agreements. See “Risk Factors — Risks Relating to Our Business and Industry — We may be required to pay administrative fines for our failure to register some of our lease agreements with housing administration authorities.”

LICENSES, PERMITS AND CERTIFICATES

As of the Latest Practicable Date, as advised by our PRC Legal Advisors, 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. Our PRC Legal Advisors have advised us that there was no material legal impediment to renewing our material licenses and permits as of the Latest Practicable Date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ESG Governance

To strengthen our ESG management, we have established a comprehensive ESG management system, supported by the Environmental, Social and Governance Policies and Procedures Manual. The Board of Directors serves as the highest ESG governance body, responsible for defining and reviewing the Company’s ESG framework, strategies, policies, and procedures; monitoring their implementation to ensure compliance with applicable laws and regulations; setting corporate ESG objectives and performance indicators; and reviewing and approving the annual Corporate Governance Report and ESG Report for disclosure. The Board also oversees ESG-related training

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and continuous professional development for directors and senior management. Reporting to the Board, the ESG Working Group is tasked with implementing ESG initiatives, including formulating, reviewing, and executing ESG strategies and policies; assessing ESG-related risks and internal controls; guiding departments on policy compliance; and managing ESG programs such as emission reduction, environmental greening projects, and community engagement. The Working Group also conducts materiality assessments and provides recommendations to the Board to further strengthen the Company’s ESG practices.

ESG Risk Identification and Mitigation

We place strong emphasis on strengthening our risk management framework and have introduced a series of environmental, health, and safety policies and procedures — such as the Environmental and Occupational Health and Safety Management System and the Natural Disaster Emergency Response Plan — to systematically identify, assess, and manage risks across our operations, including ESG-related risks. Guided by national policies, industry trends, and our own circumstances, we actively monitor risks and opportunities, focusing on key areas such as environmental protection and natural resources, climate change, product quality and safety, employment practices, and occupational health and safety, and evaluating their potential risks and financial impacts.

We continue to refine our ESG management system by embedding ESG considerations into our strategy and operations, strengthening our ability to manage sustainability risks. As of December 31, 2025, we had not experienced any material ESG-related incidents, had not been subject to penalties for non-compliance with ESG-related regulations, and had not identified any actual or potential material ESG impacts on our business, strategy, or financial performance. Going forward, we will further optimize our ESG risk assessment and management mechanisms and regularly disclose ESG reports in accordance with regulatory requirements.

Compliance Management and Anti-Corruption

To uphold strong compliance standards, we have established a comprehensive Compliance Management System and supporting policies, including the Anti-Corruption and Anti-Bribery Management Guidelines and the Anti-Fraud and Anti-Misconduct Policy. These set out the purpose, scope, and procedures for preventing bribery, corruption, fraud, and other improper conduct, with the Internal Audit Department designated as the primary body responsible for investigations and reporting to the Audit Committee.

The Board of Directors has responsibility for compliance, including approving policies, monitoring implementation, and overseeing ESG-related training and professional development. The Audit Committee supervises the effectiveness of compliance risk management, while management implements and maintains the compliance framework, establishes relevant risk controls, and ensures sufficient resources are allocated. The Legal Department supports compliance risk management by identifying, assessing, monitoring, and reporting risks, conducting compliance reviews and investigations, and providing guidance and training. Department heads are responsible for compliance within their areas, and all employees are expected to identify, manage, and report compliance risks in their roles.

Employees are encouraged to provide feedback or report concerns via face-to-face meetings, phone, or email. The Company has published the Whistleblowing and Investigation Procedures, which include dedicated reporting channels, clear procedures, and protections for whistleblowers.

External legal advisors are engaged to provide ongoing support, monitor relevant laws and regulations, and assist with business decisions, contracts, litigation, and policy implementation from a professional legal perspective.

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During the Track Record Period and up to the Latest Practicable Date, we were not involved in any legal proceedings related to corruption, bribery, or fraud.

Environmental Protection

We integrate environmental, social, and climate-related risks into our business strategy. Initiatives include office waste sorting, water conservation, carbon reduction campaigns, and daily practices such as limiting air conditioning usage and turning off idle devices.

Emissions Management

We strictly comply with PRC environmental laws, including the Water Pollution Prevention and Control Law, the Air Pollution Prevention and Control Law, and the Solid Waste Pollution Prevention and Control Law. We manage emissions carefully to ensure compliance with local standards.

Wastewater: Wastewater is limited to office sewage, discharged through the park’s sewage system and managed by the property management company; routine maintenance and cleaning are performed regularly.

Solid Waste: Our non-hazardous waste primarily comprised domestic waste generated from daily office activities, with minor amounts of construction debris occasionally arising from renovation works. Such waste was collected by cleaning staff on a daily basis and disposed of in designated waste areas by the industrial park’s property management.

Hazardous waste generated by us was minimal and mainly consisted of used toner cartridges and batteries. Specifically, we generated 2 toner cartridges and 70 batteries in 2023, 1 toner cartridge and 70 batteries in 2024, and 2 toner cartridges and 55 batteries in 2025.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any environmental incidents or violations of applicable environmental laws and regulations.

Energy Management

During the Track Record Period, we owned one gasoline-powered light vehicle (≤ 2.5 tons), which was replaced in 2024 with a fully electric vehicle, reducing energy consumption and emissions. Internally, we raise awareness of energy conservation through training and signage, encouraging employees to use resources efficiently and prioritize public transportation.

Our primary energy consumption arises from office electricity usage. Our total electricity consumption amounted to 181,020 kWh, 282,570 kWh and 372,267 kWh in 2023, 2024 and 2025, respectively. Water consumption was 966 tons, 1,340 tons and 1,814 tons in 2023, 2024 and 2025, respectively. We use municipal water supplies for daily office and domestic purposes only, and does not involve production-related water consumption. To further reduce energy and electricity usage, we have implemented the following measures (i) encouraging employees to finish work on time and adopt the “lights off when leaving” practice, with daily monitoring of electricity and water switches by administrative or cleaning staff; (ii) upgrading office lighting systems to LED energy-saving lamps to reduce electricity consumption. To achieve water conservation targets, we continue to foster employees’ awareness of water saving by posting reminder notices in restrooms, inspecting and repairing water supply pipelines to eliminate leaks, and minimizing unnecessary water wastage.

Packaging Materials Management

With business growth, our paper carton usage was 1.0 ton, 2.5 tons, and 3.1 tons in 2023, 2024 and 2025, respectively. We coordinate with suppliers to ensure material efficiency, minimize over-packaging, and maximize recyclability. We strictly comply with all relevant environmental

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protection laws, actively implement measures to manage emissions and waste responsibly, and maintain compliance with national standards. During the Track Record Period and up to the Latest Practicable Date, we did not have environmental complaints or violations occurred.

The following table sets forth our resource use and emission-related indicators during the Track Record Period.

Indicator	Unit	Year ended December 31,		
		2023	2024	2025
Greenhouse Gas Emissions				
Scope 1 – Direct Emissions	tones	0.9	0.6	–
Scope 2 – Indirect Energy Emissions	tones	97.1	151.6	199.8
Scope 3 – Other Indirect Emissions	tones	17.3	19.0	17.7
Total Emissions	tones	115.4	171.2	217.4
Total Emissions Intensity	tones/ RMB (million)	0.5	0.3	0.3
Energy Consumption				
Direct Energy Consumption – Gasoline	L	350	210	–
Indirect Energy Consumption – Purchased Electricity	MWh	181.0	282.6	372.3
Total Direct Energy	MWh	3.4	2.0	–
Total Indirect Energy	MWh	181.0	282.6	372.3
Total Energy Consumption	MWh	184.41	284.61	372.3
Energy Intensity	MWh/ RMB (million)	0.8	0.4	0.4
Water Consumption				
Total Water Consumption	tones	966	1,340	1,814
Water Intensity	tones/ RMB (million)	4.0	2.0	2.1
Packaging Materials				
Total Packaging Materials Used	kg	1,000	2,500	3,100
Packaging Material Intensity	kg/ RMB (million)	4.1	3.8	3.6

Notes:

- The Company currently has no air pollutant emissions.
- Greenhouse gas (“GHG”) emissions are classified into three scopes in accordance with Appendix C2 of the Listing Rules:
 - Scope 1: Direct GHG emissions from operations owned or controlled by the Company.
 - Scope 2: Indirect GHG emissions from purchased or acquired electricity consumed by the Company.
 - Scope 3: All other indirect GHG emissions occurring outside the Company, including disposal of waste paper and employees’ business travel by air.
- GHG emissions are reported in carbon dioxide equivalent (CO₂e) and calculated with reference to:
 - IPCC Fifth Assessment Report (AR5, 2014) and Sixth Assessment Report (AR6, 2023);
 - Hong Kong Environmental Protection Department Guidelines on Accounting and Reporting of Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential, or Public);
 - Ministry of Ecology and Environment of the People’s Republic of China (2025).
- All “density” ratios are calculated using total revenue (RMB million) for the reporting period.
- The Company’s direct energy consumption consists of gasoline used in vehicles.
- The Company’s indirect energy consumption consists primarily of purchased electricity.
- Energy consumption is calculated based on actual direct and indirect energy use and unit conversions in Appendix 3 of the International Energy Agency Energy Data Handbook.
- In 2025, the Company transitioned entirely to electric vehicles, ceasing the use of gasoline or any other fuel.

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ESG Metrics and Targets

Given the nature of our business operations, we consider electricity consumption, water consumption, packaging material usage and greenhouse gas emissions to be key performance indicators (“KPIs”) in evaluating our ESG performance. We proactively quantify these KPIs to assess our management of ESG-related risks, and these indicators are generally aligned with industry benchmarks and standards. Following the [REDACTED], we will continue to balance business growth with environmental protection to achieve sustainable development. We have established several KPIs and environmental targets and will continue working towards these goals as set out below.

GHG Emissions and Air Pollutant Reduction

By 2030, our emissions intensity will be reduced to 95% to 100% of the 2024 level. We completed our first corporate carbon inventory in 2025 to establish a baseline. We encourage low-carbon commuting (such as public transportation), promote energy-saving practices (including requiring air-conditioning temperatures of no lower than 26°C in summer and restricting winter use to temperatures below 0°C), and advance “green office” practices through remote meetings, reduced business travel, and paperless workflows supported by digital systems.

Waste Management

By 2030, our waste intensity will be reduced to 95% to 100% of the 2024 level. In 2025, we strengthened the tracking of hazardous and non-hazardous waste to improve control over waste generation. We promote proper waste sorting, transfer recyclable waste to qualified recycling companies and arrange for non-recyclable waste to be collected and disposed of by property management.

Energy Consumption

By 2030, our energy-consumption intensity will be reduced to 95% to 100% of the 2024 level. We enhance equipment efficiency through periodic maintenance, reduce idle and unnecessary operation, and have upgraded office lighting systems to LED, which offers higher efficiency, longer lifespan and lower environmental impact.

Water Resource Consumption

By 2030, our water-consumption intensity will be reduced to 95% to 100% of the 2024 level. We promote water-saving awareness among employees, place water-saving reminders in key areas, and closely monitor usage to ensure timely response to abnormalities and minimize wastage. In parallel, we will continue to refine ESG data-collection procedures, strengthen data verification, and establish a sound data-management system. We will monitor the effectiveness of our management plans and mitigation measures, applicable laws and regulations, and industry standards to ensure the reasonableness and operability of our targets. Key ESG performance targets will be reviewed annually to ensure alignment with the our sustainable development objectives.

Our ESG-related compliance costs primarily comprise maintenance and upgrades of production equipment, replacement of new energy vehicles, renovation and improvement of office facilities, and employee training. Based on our estimates, the total ESG compliance costs for the years ended December 31, 2023, 2024 and 2025, were approximately RMB2.0 thousand, RMB0.8 million, and RMB3.3 million, respectively.

We are required to comply with the evolving and increasingly stringent ESG-related laws and regulations, and we confirm that we have complied with all applicable ESG-related laws and regulations during the Track Record Period and up to the Latest Practicable Date.

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Employees

Our employees are fundamental to both of our sustainable development and our success. We offer job applicants equal job opportunities and hire employees according to their merits. Child labor and forced labor are forbidden. We value diversity and comply with local labor laws to prevent discrimination based on gender, age, nationality, religion, or social status. Competitive salaries, performance-based bonuses, and comprehensive training are provided to attract and retain talent. Employee health and safety are prioritized, in accordance with the Production Safety Law and Fire Protection Law of the PRC, and Environmental, Health and Safety (EHS) Management System. As production is outsourced, we have established measures to enhance workplace safety, prevent accidents, and safeguard employees’ life and property. As of December 31, 2025, our management team comprised 16 members, including 14 males and two females.

The table below sets forth our employee composition during the Track Record Period:

		Year ended December 31,		
		2023	2024	2025
Unit				
By gender				
Male	Headcount	159	182	235
Female	Headcount	72	79	109
By age group				
30 and below	Headcount	114	127	199
30 to 45	Headcount	111	126	123
Above 45	Headcount	6	8	22

Occupational Health and Safety

We place the health and safety of our employees as our top priority. In compliance with the Production Safety Law of the People’s Republic of China, the Fire Protection Law of the People’s Republic of China, and other applicable laws and regulations, we have established an Environmental, Health and Safety (EHS) Management System to ensure the sustainable development of our business and safeguard the interests of our employees, customers, society, and the environment. Through this system, we aim to prevent environmental pollution, occupational diseases, and workplace incidents, while improving our overall management effectiveness.

Our production team formulates production plans according to the expected purchase volume from our customers, and communicate with trusted foundries for manufacturing of products. To strengthen workplace safety management, standardize procedures, and create a safe and healthy work environment, we have implemented the following measures under our EHS Management System:

Regular Health Check-ups: We maintain employee health records to promptly identify and address health issues. We provide personalized health check-ups based on employees’ job roles and exposure to occupational hazards.

Safe and Hygienic Work Environment: We design our workplaces to ensure proper ventilation and suitable temperature and humidity. We provide employees with appropriate personal protective equipment (PPE), such as safety glasses, gloves, and masks, to minimize exposure to occupational hazards.

Health Education and Training: We provide regular training to raise employees’ awareness of occupational disease prevention, healthy lifestyles, and emergency response. We organize lectures, case studies, and on-site demonstrations to enhance employees’ self-protection awareness and capabilities.

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Safety Operating Procedures: We establish detailed safety procedures for all stages of IC design, R&D, and testing. Employees are required to strictly follow these procedures, and we ensure that new employees complete training and pass assessments before commencing work.

Regular Safety Inspections: We conduct comprehensive inspections of workplaces, equipment, and processes to identify and rectify hazards. We maintain inspection records, and major hazards are flagged for urgent remediation to ensure thorough resolution.

During the Track Period and up to Latest Practicable Date, we did not receive any health- or safety-related penalties from government authorities.

Supply Chain Management

We recognize that effective supply chain management directly impacts product quality and overall business operations. We actively establish long-term and stable partnerships with suppliers from various regions to ensure supply chain stability and pursue mutual benefits. In doing so, we strictly comply with the Tendering and Bidding Law of the People’s Republic of China, the Anti-Unfair Competition Law of the People’s Republic of China, and other relevant laws and regulations. We have also established a series of management policies and procedures, including the Supplier Selection and Evaluation Process, Supply Chain Production Management Process, and Warehouse Management Process, which clearly define the requirements for managing different types of suppliers.

Supplier Access and Management

We strictly implement provisions under the Supplier Selection and Evaluation Process regarding supplier selection, certification, evaluation scoring, and management of non-compliant suppliers. We select suppliers scientifically and reasonably, entering into annual framework agreements or purchase contracts. In addition, we are actively promoting sustainable supplier management to further enhance social responsibility and environmental protection throughout our supply chain.

Supplier Diversification

We maintain an open and inclusive approach to cooperation, establishing partnerships with suppliers from diverse regions to build a diversified supply chain. We also deepen collaboration with local suppliers, supporting regional economic development while optimizing resource allocation, reducing logistics costs, and lowering carbon emissions, achieving mutually beneficial outcomes. As of December 31, 2025, we had business dealings with 18 suppliers across nine provinces in China. These suppliers were primarily located in Jiangsu with five suppliers, Guangdong with three suppliers, and Taiwan, Anhui and Zhejiang with two suppliers each.

Supplier Capability Assessment

Our Quality Department conducts annual audits of outsourcing partners to verify their qualifications, production quality, and production capacity. In line with our Supplier Selection and Evaluation Process, we regularly evaluate suppliers to assess their performance and lay the foundation for the following year’s cooperation.

Product Quality Management

Product Quality and Safety

Delivering products and solutions that satisfy our customers has long been our objective. We focus on rigorous product quality management, strictly adhering to the Advertising Law, the Trademark Law, the Law on Guarding State Secrets, and other relevant laws and regulations. We have established a robust internal management system and a set of policies covering R&D design, supplier selection, and product verification to ensure quality remains our top priority at every stage.

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Product Quality Management

To promote standardized management, we have developed documents including the Quality Manual, Quality Control Standards, Supplier Process Quality Monitoring Requirements, Product Reliability Certification Procedures, Non-Conformance Control Procedures, and Customer Complaint Handling Procedures, which define our product quality requirements. The Quality Department conducts regular supervision and inspections of suppliers and products based on these documents. In our day-to-day IC design operations, we implement and continuously improve our quality management in accordance with the ISO9001 Quality Management System.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product quality disputes or material product recalls.

Future ESG Trends and Risks

We recognize that ESG issues, including climate change and extreme weather events, may increase operating costs, insurance premiums, and workplace safety risks. Regulatory authorities may impose stricter ESG disclosure and compliance requirements, increasing our compliance costs. We are committed to proactive monitoring and mitigation of these risks, as further discussed in “Risk Factors — Risks Relating to Our Business and Industry — We are subject to changing laws, regulations and social trends regarding environmental, social and governance risks, increasing both our costs and the risk of non-compliance.”

LEGAL PROCEEDINGS AND COMPLIANCE

We have been and may from time to time continue to be, a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business. We are currently defending three ongoing legal proceedings, concerning three of our products. These three legal proceedings were initiated by the same plaintiff company (the “**Plaintiff Company**”), who is a competitor of ours and an Independent Third Party to our Group and, to the best knowledge of our Directors, is not related to any of our customers or suppliers.

Legal Proceeding A

In July 2025, the Plaintiff Company filed a lawsuit against us and a third-party defendant before the Shenzhen Intermediate People’s Court, alleging that one of our smart audio amplifier IC products, SIA8150, infringed its invention patent titled “audio amplification circuit”, patent number ZL201210114831.2 (the “**Invention Patent 1**”). In this lawsuit, the Plaintiff Company requested a judgment ordering us to (i) immediately cease infringing upon its Invention Patent 1, including ceasing the manufacture, sales, and offering for sale of SIA8150; and (ii) pay economic losses and relevant expenses totaling RMB10.5 million. As of the Latest Practicable Date, Legal Proceeding A had not entered into substantive court trial.

Legal Proceeding B

In July 2025, the Plaintiff Company also filed a lawsuit against us and a third-party defendant before the Shenzhen Intermediate People’s Court, alleging that another one of our smart audio amplifier IC products, SIA8101, infringed its Invention Patent 1. In this lawsuit, the Plaintiff Company requested a judgment ordering us to (i) immediately cease infringing upon its Invention Patent 1, including ceasing the manufacture, sales, and offering for sale of SIA8101; and (ii) pay economic losses and relevant expenses totaling RMB10.5 million. As of the Latest Practicable Date, Legal Proceeding B had not entered into substantive court trial.

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Legal Proceeding C

In January 2025, the same Plaintiff Company filed a lawsuit against us and a third-party defendant before the Xi'an Intermediate People's Court, alleging that one of our LRA driver IC products, SIH6887, infringed its invention patent relating to LRA driver IC titled “control method and device of LRA motor driving chip”, patent number ZL201711470402.8 (the “**Invention Patent 2**”). In this lawsuit, the Plaintiff Company requested a judgment ordering us to (i) immediately cease infringing upon its Invention Patent 2, including ceasing the manufacture, sales, and offering for sale of SIH6887; and (ii) pay economic losses and relevant expenses totaling RMB10.5 million. We received the court's judgment of first instance in December 2025, under which we were ordered by the court to cease the manufacture, sales, and offer for sale of the SIH6887, and compensate the Plaintiff Company for its total damages of RMB4.2 million, comprising RMB3.7 million of economic loss and RMB0.5 million of reasonable expenses to stop the infringement. We appealed the first-instance judgment to the Supreme People's Court of the PRC in December 2025, and the second-instance trial had not entered substantive trial stage as of the Latest Practicable Date.

As advised by our PRC IP Legal Advisors, DeHeng Law Offices (Shenzhen), the judgment of first instance has not taken effect as we have appealed this decision. Nevertheless, we have, out of prudence, made a provision of RMB4.2 million for the potential financial exposure under “other gains and losses” in our income statement for the year ended December 31, 2025 in this regard.

Potential Impact

None of the products involved in the legal proceedings above, being SIA8150, SIA8101 and SIH6887, constitutes a core product of our current product portfolio or plays a significant role in our forward-looking business strategy. SIA8150 is an earlier generation product that is gradually being superseded by more advanced upgraded versions; SIA8101 has already been replaced by upgraded versions; and SIH6887 is approaching end of life and being replaced by more advanced upgraded products. The revenue contribution of these three products did not exceed 7% in aggregate in each year during the Track Record Period.

Legal Proceeding A

If SIA8150 is found infringing Invention Patent 1, we may, in the worst case scenario, be ordered to cease the manufacture, sales, and offer for sale of SIA8150 and compensate the Plaintiff Company for its economic losses.

According to our PRC IP Legal Advisors, we are likely to successfully defend ourselves in Legal Proceeding A, given that (i) SIA8150 does not fall within the scope of protection of Invention Patent 1 as the technologies used in SIA8150 are clearly differentiated from the technologies within the scope of Invention Patent 1, and it does not possess several technical features as described in the patent claims under Invention Patent 1; (ii) there is no basis of the Plaintiff Company's claim for the economic losses as the Plaintiff Company did not provide any concrete evidence; and (iii) the Plaintiff Company did not submit sufficient evidence for determining the underlying dispute or calculating the amount of damages for infringement.

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Legal Proceeding B

If SIA8101 is found infringing Invention Patent 1, we may, in the worst case scenario, be ordered to cease the manufacture, sales, and offer for sale of SIA8101 and compensate the Plaintiff Company for its economic losses.

According to our PRC IP Legal Advisors, we are likely to successfully defend ourselves in Legal Proceeding B, given that (i) SIA8101 does not fall within the scope of protection of Invention Patent 1 as the technologies used in SIA8101 are clearly differentiated from the technologies within the scope of Invention Patent 1, and it does not possess several technical features as described in the patent claims under Invention Patent 1; (ii) there is no basis of the Plaintiff Company’s claim for the economic losses as the Plaintiff Company did not provide any concrete evidence; and (iii) the Plaintiff Company did not submit sufficient evidence for determining the underlying dispute or calculating the amount of damages for infringement.

Legal Proceeding C

We appealed the first-instance judgment in December 2025. In the worst case scenario where the court upholds the judgment of the first instance, we may be ordered to cease the manufacture, sales, and offer for sale of SIH6887 and compensate the Plaintiff Company for its economic losses of RMB4.2 million.

As advised by our PRC IP Legal Advisors, we believe that we are likely to successfully defend ourselves in this case and prove the SIH6887 does not fall within the scope of protection of Invention Patent 2 primarily as we are likely to establish a prior art defense, the amount of damages has been overestimated by applying the wrong calculation method in the judgment in the first instance, and taking into account the judicial appraisal report we have obtained by a qualified judicial appraisal institute.

Considering that (i) none of SIA8150, SIA8101 or SIH6887 are our core products of our current product portfolio or plays a significant role in our forward-looking business strategy; (ii) the worst-case scenario financial exposure where the Company’s defense is entirely unsuccessful and the court supports the Plaintiff Company’s claimed amount in entirety, being approximately RMB25.2 million (comprising RMB10.5 million for each of Legal Proceedings A and B, and RMB4.2 million for Legal Proceeding C), will not have a material adverse impact on the overall operations and financial position of the Group considering its absolute amount as compared to our total revenue in 2025 (RMB854.7 million); (iii) the insignificance of revenue contribution, individually or in the aggregate, of SIA8150, SIA8101 or SIH6887 during the Track Record Period; (iv) our likelihood in successfully defending ourselves in each of these legal proceedings is relatively high according to our PRC IP Legal Advisors; (v) we have made provision for Legal Proceeding C pursuant to the applicable accounting policies, which has been duly reflected in our audited financial statements for the year ended December 31, 2025; and (vi) our normal business operations and customer relationships are not materially affected by such legal proceedings, our Directors that consider these three legal proceedings would not have a material adverse effect on our business, financial condition, or results of operations. We are of the view that we have in place adequate internal control measures to ensure continued ongoing compliance with applicable laws and regulations. We may also take actions to proactively protect our intellectual property rights, including, among others, filing of confirmation of non-infringement lawsuits, as appropriate.

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Internal Control Measures

To prevent the recurrence of similar incidents, we have established an internal *Management Measures for Litigations and Disputes* which set forth, among others, the main responsibilities of the internal department for handling and managing potential litigations, namely the general office department and the legal department. These measure include:

- *Establishment of reporting system.* Upon occurrence of a litigation or a dispute, the personnel involved shall immediately report to the legal department, who may discuss with the general office department as necessary. For material cases, the legal department and the general office department shall report to the management.
- *Standardizing of internal procedures.* During our ordinary course of operations, we encourage inter-department communications and collaborations on handling potential litigations and disputes. The responsible department shall take an active role in understanding the situation, discussing with the parties in dispute, completing the case filing form for internal records in a timely manner, and submitting the case to the legal department. The general office department shall form opinions, decide on the next steps, and take timely and effective countermeasures.
- *IP monitoring and risk prevention.* Our internal IP department regularly monitors competitors’ intellectual property activities and relevant filings, sharing insights with the R&D team. If the R&D team identifies potential IP risks during product development, the internal IP department conducts comparative analyses to confirm the risk and advises on necessary measures.
- *Patent search and risk assessment for new projects.* For all new projects, our internal IP department proactively performs patent searches using relevant competitors and technology-specific keywords. The results are jointly analyzed with the R&D team to identify potential infringement risks. Where such risks are detected, the internal IP department provides detailed avoidance strategies and recommendations to mitigate potential IP disputes.

Our Directors confirm that, as of the Latest Practicable Date, save for the above, we were not aware of any ongoing or threatened legal, arbitral or administrative proceedings against us or our Directors, and our business operations had been carried out in compliance with applicable laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

IMPLICATIONS OF INTERNATIONAL SANCTIONS

Analysis on Certain International Sanctions and Export Control Issues

Our business operations and financial performance can be influenced by various factors relating to international export controls, economic or trade sanctions. See “Regulatory Overview — International Sanctions Laws and Export Control.” As international geopolitical tensions escalate, the U.S. continues to update its sanctions list and export control list. Specifically, regarding our shareholders, customers and suppliers, as advised by our International Sanctions Legal Advisors, the following counterparties have been designated on the U.S. sanctions or export controls lists:

- **Supplier B:** Supplier B been designated on (i) the U.S. Entity List; (ii) the Non-SDN Chinese Military Industrial Complex Companies List (“**NS-CMIC List**”); and (iii) the Chinese Military Companies List (“**CMC List**”). In 2023, 2024 and 2025, our purchase from Supplier B amounted to RMB66.1 million, RMB265.6 million and RMB312.5 million, respectively, accounting for 20.4%, 37.2% and 49.0% of our total purchases for the corresponding periods. We primarily purchased silicon wafers from Supplier B during the Track Record Period.

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- A certain supplier: One of our suppliers has been designated on the U.S. Entity List (the “**Entity List Supplier**”). In 2023, 2024 and 2025, our purchase from the Entity List Supplier was RMB1.9 million, RMB3.3 million and RMB2.1 million, respectively, accounting for 0.6%, 0.5% and 0.3% of our total purchases for the corresponding years. We primarily purchased testing equipment from the Entity List Supplier during the Track Record Period. In general, we outsource chip testing to third party service providers, and in some circumstances we may purchase testing equipment to enhanced collaboration with certain suppliers to secure production capacity according to our sales schedule and achieve better cost control in the same time, which is in line with the market practice according to CIC.

To the best of our knowledge, we are not aware that any of the products they sold to us are subject to the De Minimis Rules of the EAR or are produced in the U.S. As advised by our International Sanctions Legal Advisors, because we are not an entity on the U.S. Entity List, we believe that products procured from Supplier B and the Entity List Supplier are unlikely to be subject to the EAR because these products are not controlled by the U.S. export control regime and hence do not meet the standard of “subject to the EAR.” Therefore, our relevant procurement did not and will not violate the EAR. For the supplier designated on the NS-CMIC List and CMC List, namely Supplier B, companies on the NS-CMIC List are subject to limited sanctions that prohibit U.S. persons from investing in publicly traded securities issued by such companies or any publicly traded securities that are derivatives of such securities; further, companies on the CMC List are primarily restricted from entering into procurement contracts with the U.S. Department of Defense for goods, services, or technology, and are subject to certain lobbying-related prohibitions. Given the narrow focus of sanctions applicable to companies on the NS-CMIC and CMC List (which are not applicable to us or the [REDACTED]) and that we have not had any dealings with specially designated nationals (SDNs) designated by OFAC or comprehensively OFAC sanctioned territories or jurisdiction during the Track Record Period and up to the Latest Practicable Date, as advised by our International Sanctions Legal Advisors, the Directors do not believe that material sanctions risks are implicated by transactions with counterparties on the NS-CMIC and CMC Lists.

Moreover, though we have procured EDA software from U.S. suppliers which is subject to the EAR, we have not encountered any interruption or suspension regarding the procurement of these EDA software. Further, as advised by our International Sanctions Legal Advisors, because we are not an entity on the U.S. Entity List and the U.S. Export Control Classification Numbers of these EDA software do not indicate that its shipment to China is controlled, we believe such procurement do not have material impact on us arising from U.S. export control restrictions.

In sum, as advised by our International Sanctions Legal Advisors, (i) our business operations do not involve any Sanctioned Activities as defined under the Sanctions Guidance; (ii) no member of us is a Sanctioned Target, nor is any member located, incorporated, or resident in a Sanctioned Country; (iii) we are not a Sanctioned Trader, as it has not conducted business with any Sanctioned Country or Sanctioned Target; (iv) the U.S. military-related sanctions lists that suppliers of us involved are inapplicable to the business of us; and (v) the products sold and procurement activities of us are not subject to the EAR and thus we have not violated the EAR in any material respect. Therefore, as advised by our International Sanctions Legal Advisor, we believe the export control and sanctions laws and regulations currently do not have material impacts on our business operations and financial performance directly or indirectly, and we are compliant with relevant sanctions laws and there is no material sanctions risk discussed in Chapter 4.4 of the Guide for New Listing Applicants. For potential risk exposure and consequences, see “Risk Factors — Risks Relating to Our Business and Industry — Our business, financial condition and results of operations may be materially and adversely affected by international trade actions, laws, regulations and policies and international export controls and economic sanctions.”

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Our Directors are of the view that, based on advice from our International Sanctions Legal Advisors, our IC design activities do not constitute prohibited transactions under the Final Rule. However, pre-[REDACTED] investments by U.S. persons would constitute notifiable transactions requiring notification to the U.S. Department of the Treasury. Following the [REDACTED], subsequent purchases of our publicly traded shares by U.S. persons will be exempted from the Final Rule’s requirements.

Sanctions and Export Control Risk Management

To mitigate the potential sanctions and export control risks, we have established a trade compliance framework covering the key elements of export control and sanctions compliance to avoid potential non-compliance activities, such as the screening of counterparties and classification of controlled properties of items, and elaborating the corresponding transaction approval policies for each of the counterparties and items.

Our trade compliance framework primarily includes:

- Prohibition of establishing new operating entities, conducting new business, or establishing new relationships or making any commitments with countries that are subject to sanctions, corruption, or high political risks;
- Prohibition of conducting any business or investment activities with sanctioned countries, their respective governments, government officials, companies, or individuals through sales, purchases, or other transactions;
- Prohibition of buying and selling stocks of companies headquartered in or primarily operating in sanctioned countries; and
- Seeking the general manager’s approval and engaging a third-party professional agency to conduct risk assessments before establishing new operations, conducting new business, or forming new relationships or making any commitments with countries subject to sanctions, corruption, or high political risks.

Tariffs Risk Management

To ensure robust management of potential tariff and trade risks, we have implemented a set of measures covering tariff risk compliance and monitoring. These measures primarily include:

- Continuous monitoring of international trade policies, tariff regimes, and regulatory developments that may affect the semiconductor industry;
- Assessment of potential tariff impacts when evaluating new markets, suppliers, and customers;
- Diversification of the supplier base and adoption of flexible sourcing strategies to reduce reliance on any single jurisdiction exposed to elevated tariff risks;
- Incorporation of tariff-related considerations into commercial contracts and business planning, where applicable; and
- Oversight by senior management to promptly identify, assess, and respond to emerging tariff risks through established compliance procedures.

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RISK MANAGEMENT AND INTERNAL CONTROL

Internal Control

We have established comprehensive risk management and internal control frameworks covering our business operations, financial reporting, information disclosure, quality control, IT systems, human resources, and regulatory compliance. Our risk management approach focuses on identifying and analyzing various risks, setting appropriate risk tolerance levels, establishing control mechanisms, and regularly reviewing and updating policies to adapt to regulatory changes and market conditions. We have implemented policies governing sales practices, R&D management, production, legal compliance, investment and financing, and asset management. We have designated responsible personnel to monitor ongoing compliance with applicable PRC laws and regulations. Our Directors and senior management receive regular training on securities laws and continuing compliance obligations.

Our Directors and our senior management are responsible for the establishment, updating and implementation of our internal control policies and systems, while our management team monitors the daily implementation of the internal control procedures and measures with respect to our functional teams. We engaged an independent internal control consultant to review our risk management and internal control systems across key areas including financial reporting, sales and collection, procurement and payment, treasury management, asset management, R&D, IT general controls, and compliance management. We implemented corrective measures in response to the consultant’s recommendations. As of the Latest Practicable Date, based on the procedures performed and follow-up review, our internal control consultant has not identified any further material deficiencies in our design of internal control system. Our Directors have confirmed that all major recommendations have been implemented and appropriate corrective actions have been taken to address identified deficiencies. Our Directors are of the view that our internal control measures are adequate and effective to ensure compliance with relevant laws and regulations.

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management. We have various procedures in place to implement accounting policies, and our financial team reviews our management accounts based on such procedures. We also provide regular training to our finance team members to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Compliance Risk Management

In order to effectively manage our compliance and legal risk exposures, we have adopted strict internal procedures to ensure the compliance of our business operations with the applicable rules and regulations. In accordance with these procedures, our in-house legal team performs the basic function of reviewing and updating the form of contracts we enter into with our customers, partners, and suppliers. Our legal team examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations of business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

Our in-house legal team is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities, within the prescribed regulatory timelines. We continuously improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We undertake compliance management over various aspects of our operations and employee activities. We have also established an accountability system in

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respect of employees’ violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Intellectual Property Risk Management

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

Anti-bribery and Kick-back Risk Management

In terms of anti-bribery and kick-back prevention, we have implemented a series of policies and internal control measures against bribery and kick-back, which set forth procedures for implementing relevant anti-bribery procedures and setting out anti-bribery responsibilities for relevant personnel. We strictly prohibit bribery or other improper payments in any of our business operations according to our anti-bribery and kick-back prevention policies. Improper payments prohibited by such policies include bribes, kickbacks, falsification and alteration of accounting and business documents, or any other payment made or offered to obtain an undue business advantage. Moreover, we keep accurate books and records that reflect transactions and asset dispositions in reasonable detail. Payment made in violation of the anti-bribery and kick-back prevention policies is strictly prohibited. Our internal audit team is responsible for investigating the reported incidents and taking appropriate measures as necessary. We provide employees with adequate communication channels, establish whistle- blower policy and encourage employees to take the initiative to seek guidance from us regarding the implementation of anti-bribery policies. During such investigations, our internal audit team complies with relevant laws and anti-bribery policies and provides written feedback as necessary.