

BUSINESS

OVERVIEW

We are a key fabless chip designer and provider in China specializing in smart vision technologies. We focus on the design of vision processing ICs for security cameras, video recorders, and other vision devices in video, IoT and mobility applications.

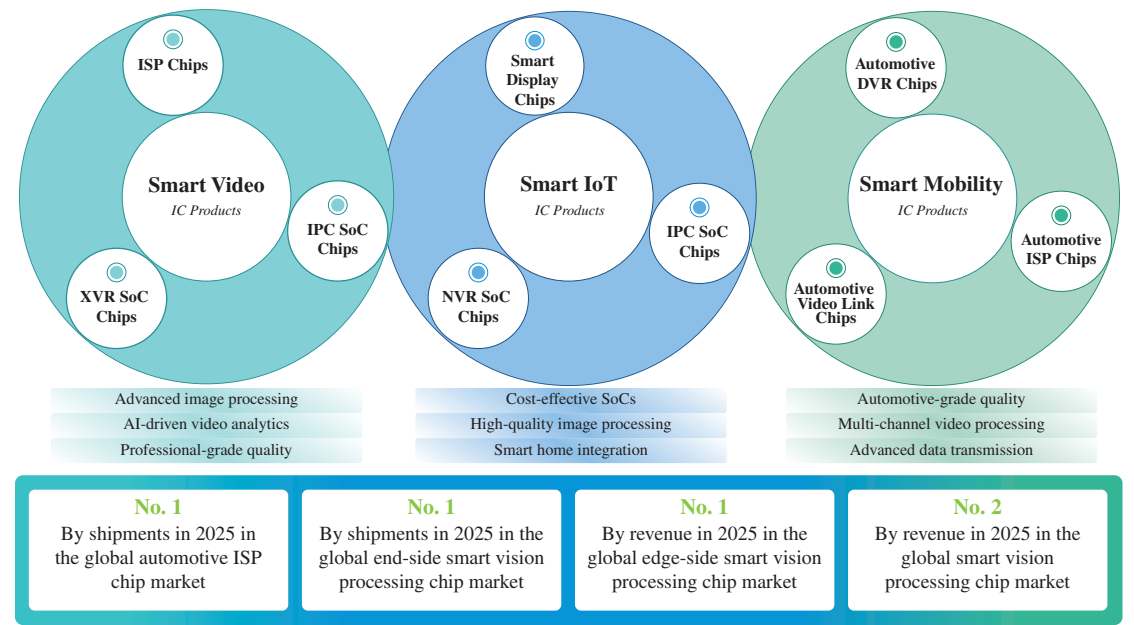
We are dedicated to powering an intelligent world with advanced vision technologies. According to Frost & Sullivan:

- We ranked No.1 globally in terms of shipments in 2025 in the global end-side smart vision processing chip market, with a market share of over 20%.
- We ranked No.1 globally in terms of shipments in 2025 in the global automotive ISP chip market, with a market share of over 50%.
- We ranked No. 2 globally in terms of revenue in 2025 in the global smart vision processing chip market, with a market share of 18.6%.

Our comprehensive offerings from end-side (such as security cameras) to edge-side (such as NVRs) chips combine advanced vision processing ICs with integrated on-chip AI capabilities, enhanced by bundled software development kits, application software and AI algorithms. These integrated solutions enable our customers to accelerate product development, facilitate seamless system integration, and address a wide spectrum of application requirements.

Through continuous investment in technological innovation, stringent quality assurance processes, and a prioritized focus on customer needs, we have fostered a virtuous cycle of technology advancement, product enhancement, network expansion, and constructive feedback. Our commitment to excellence is underscored by our ISO9001 certification, reflecting our dedication to the highest quality standards. These ongoing efforts have strengthened our market position in key specialized market segments. We have established ourselves as an established provider of smart vision processing chips and are rapidly emerging as a prominent player in the vision chip markets for smart IoT and smart mobility applications.

Below diagram illustrates our three IC product lines: (i) smart video; (ii) smart IoT; and (iii) smart mobility.



BUSINESS

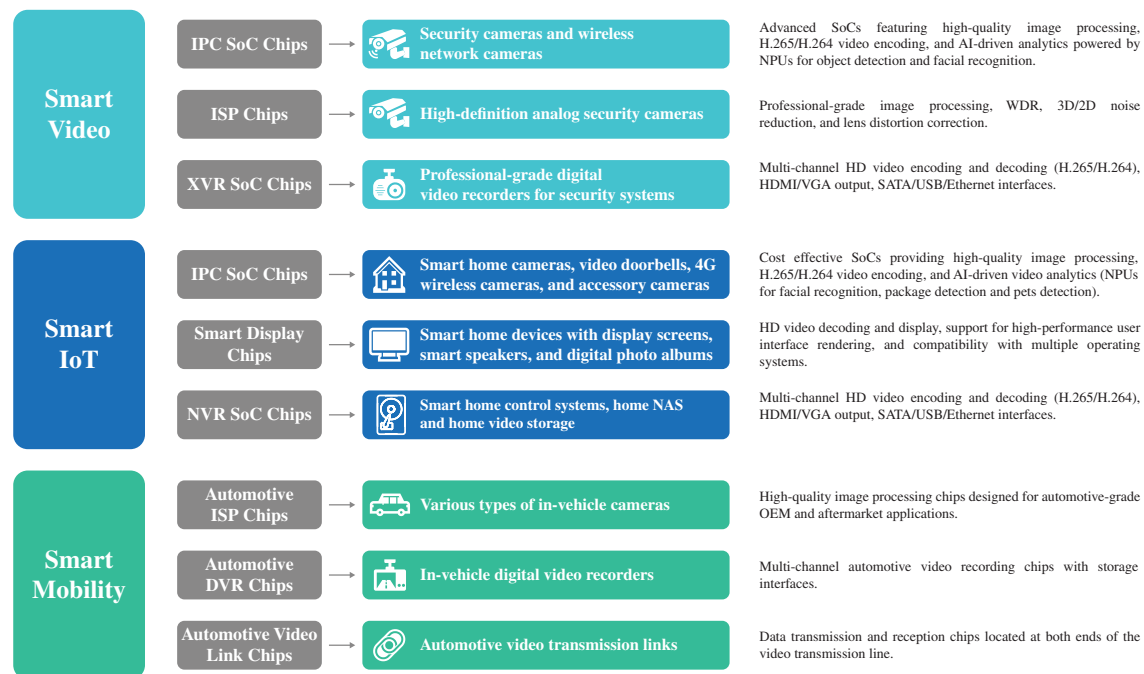
The application scenarios of our IC products are set forth below:

Product Lines	End-side Devices	Edge-side Devices
Smart Video	IP cameras, video conferencing cameras, industrial cameras	DVRs/NVRs, AI boxes
Smart IoT	Home cameras, video doorbells, home appliances, wearable video products (sports cameras, smart watches, AI glasses), AI toys	Home NAS, home NVRs
Smart Mobility	Automotive cameras (such as DMS, OMS, AVM, CMS), dashboard displays	Automotive DVRs

We are committed to delivering value to our customers and building a strong, long-term global partnership network. We plan to leverage the growth opportunities created by AI-driven advancements in smart vision technologies to further strengthen our leadership in the vision processing chip market.

OUR MAJOR PRODUCTS

We design and develop a series of ICs primarily used for video processing, providing video SoCs and ISPs to meet the growing demand of the intelligent video market, with integrated AI capabilities and supporting software tools. The graph below sets forth our principal product lines and core IC products:



MARKET OPPORTUNITIES

With rapid advancements in AI, security cameras, NVRs and IoT devices are evolving into intelligent terminals capable of real-time decisions. This shift is driving upgrades in smart video, IoT, and mobility applications, creating sustained demand for high-performance vision ICs. The industry is moving from function-oriented to scenario-driven innovation. Our broad product portfolio offers integrated, video-centric solutions that capitalize on this trend, with continuous technological updates to meet emerging AI application needs and advance vision IC development.

BUSINESS

According to Frost & Sullivan, measured by shipment volume, the global vision AI SoC market grew from 77.1 million units in 2021 to 364.7 million units in 2025, representing a CAGR of 47.5%. The market is expected to further expand to 1,116.1 million units by 2030, with a projected CAGR of 22.8% from 2026 to 2030. In terms of revenue, the global smart device AI SoC market grew from US\$15.7 billion in 2021 to US\$45.0 billion in 2025, representing a CAGR of 30.1% from 2021 to 2025. It is projected that by 2030, the market will further expand to US\$143.8 billion from US\$61.6 billion in 2026, with a CAGR of 23.6% from 2026 to 2030. From a development perspective, as AI applications in smart devices continue to deepen, the smart device AI SoC market is expected to enjoy broad and sustained growth potential in the future.

Smart Video

The deep integration of AI technologies is propelling the smart video industry toward higher levels of intelligence. With the acceleration of “Industry 4.0” and digital transformation, traditional security monitoring needs have evolved into demands for complex scene understanding and semantic-level behavioral intent analysis. Our Directors believe that the AI-enabled high-precision visual inspection systems deployed at the end-side device are increasingly replacing manual quality inspection in industries such as steel, new energy, and electric power, driving digital transformation investments in these industries. Meanwhile, robotics innovation is boosting need for advanced vision technologies, while large-scale edge-side models require more powerful and efficient video chips, expanding opportunities for vision IC applications.

According to IMF and Frost & Sullivan, in 2021, global shipments of AI cameras reached approximately 20.7 million units, rising to 65.0 million units in 2025, and are expected to further increase to 155.3 million units by 2030, with a CAGR of 18.6% from 2026 to 2030. See “Industry Overview — Global Smart Vision Chip Market Analysis — Downstream Application Scenarios and Demand Outlook for Smart Vision Processing Chips.”

Smart IoT

The emergence of 5G, IoT, and generative AI is accelerating both the growth of the smart IoT vision chip market and advancements in related technologies. The widespread adoption of cameras for applications such as object recognition, along with increased demand for multi-scenario displays, is creating expanded opportunities in areas including smart home devices, industrial automation, and medical electronics. Furthermore, progress in multimodal large model technologies is enabling new product categories, such as AI-powered glasses and interactive toys, thereby broadening the scope of visual applications in the smart IoT sector.

Our Directors believe that the IoE will cover products for more and more scenarios, such as smart wearable products and smart retail terminals. The shipment volume of related smart hardware also maintains a high-speed growth trend. Among them, AI glasses, as an emerging category, have shown a notably high-speed growth trend at present. According to IMF and Frost & Sullivan, global shipments of AI glasses reached 5.7 million units in 2025 and are projected to surge to 68.8 million units by 2030, achieving a CAGR of 64.7% from 2025 to 2030.

Smart Mobility

The rapid deployment of intelligent driving technologies is accelerating the evolution of vision ICs in smart mobility applications. As a core processing component in mid- to high-level autonomous driving systems, vision ICs are experiencing significant growth driven by both increased adoption within vehicles and ongoing technological innovation. Novel transportation platforms, including low-altitude aircraft, are further expanding market opportunities. To address the demanding requirements for environmental perception, real-time data processing, and system reliability, vision ICs must deliver low latency, high reliability, and energy efficiency, making them

BUSINESS

foundational hardware for intelligent driving solutions. Additionally, the trend toward higher levels of automatus driving is expected to substantially increase the number of cameras installed per vehicle and further drive demand for advanced vision processing technologies.

According to CPCA and Frost & Sullivan, global shipments of smart vehicles grew from 35.4 million units in 2021 to 57.7 million units in 2025, and are expected to reach 90.5 million units by 2030, outpacing overall global vehicle sales growth; average number of cameras also increased from one to two per vehicle in 2021 to three to five per vehicle in 2025, and are expected to reach ten to 15 per vehicle by 2030. Our Directors believe that the booming smart vehicle market will drive growth in the demand for in-vehicle cameras.

COMPETITIVE STRENGTHS

We believe that we possess the following key competitive strengths that differentiate us from our competitors:

An established and prominent player in the smart vision chip market

We are an established and prominent company in the vision processing IC industry in China, with each of our major product lines maintaining a leading market position. According to Frost & Sullivan, we ranked second globally in terms of revenue in 2025 in the global smart vision processing chip market. As one of the earliest high-tech enterprises in China dedicated to vision IC design, we have been deeply engaged in this field for over two decades, gaining a first-mover advantage. Our deep understanding of customer requirements, product capabilities, and evolving technology trends enable us to deliver tailored solutions for a wide range of applications. We have developed comprehensive solutions for customers across smart video, smart IoT, and smart mobility applications, and have accumulated substantial industry expertise.

We have consistently launched milestone products that advanced industry technology:

- 2025: Released an IPC SoC chip with AI ISP, supporting 4K input and AI-enhanced image processing for better night vision and widespread AI adoption in IPCs.
- 2025: Launched a high-performance chip designed for AI glasses and wearable video devices using a 12nm process and with small 8x8mm package size.
- 2022: Launched an NVR SoC chip with 8K resolution, enabling end-to-end UHD capability and accelerating industry transition to ultra-high definition.
- 2021: Introduced an IPC SoC chip combining video processing and AI via NPU, meeting real-time detection needs and popularizing AI across security applications.
- 2018: Released an automotive-grade ISP chip for automotive cameras, delivering 2MP resolution and 3D noise reduction, strengthening our automotive electronics expertise.
- 2011: Developed an independent ISP chip with breakthrough 2D noise reduction, improving image quality, enhancing domestic supply chain self-reliance.

We maintain a significant market share in the vision processing IC industry and continue to reinforce our competitive advantage through ongoing innovation and the introduction of more advanced products and solutions. Leveraging our specialized technical capabilities and industry knowledge and acute market insight, we consistently introduce products that align with industry trends. As the market evolves toward higher definition, lower power consumption, and increased intelligence, we have achieved significant technological advancements ahead of competitors, allowing us to differentiate our product portfolio to address diverse customer requirements. Our

BUSINESS

comprehensive product portfolio covers segments from front-end image acquisition to back-end data processing, helping customers reduce system costs, enhance the competitiveness of their solutions, and further solidifies our leadership and influence in the vision processing chip market.

A diverse product matrix creating technological synergy and integrated competitive barriers

Our comprehensive product portfolio spans the full spectrum from end-side to edge-side solutions, addressing applications in smart video, IoT, and mobility. By maintaining a focus on our core technologies and strategically reusing innovations across various domains, we create strong synergies and establish an ecosystem, positioning us for established competitive position.

Comprehensive Coverage from End-side to Edge-side

At the end-side level, we provide high-performance ISP chips, IPC SoC chips, and automotive-grade ISP chips designed for accurate image capture and visual processing. At the edge-side level, we offer NVR SoC chips, DVR SoC chips, and video link chips that combine video codec engines, storage-control interfaces, and network controllers to support efficient management, compression, and transmission of video data.

- In 2006, we started the R&D of video encoder and decoder technology, marking our strategy to enter the DVR/NVR chip market.
- In 2011, we emphasized R&D for end-side ISP chips. Through our technical expertise and ongoing investment in R&D, we have achieved advancements in domestic ISP chip innovation.
- In 2014, leveraging our strategic perspective on vision technology trends, we broadened our product portfolio to include IPC SoCs. By deeply integrating proprietary ISP cores with video encoding modules, we have improved image quality and system efficiency, thereby establishing robust chip-solution capabilities.
- In 2018, to meet new trends in high-definition and AI, we acquired a controlling stake in Molchip Technology. Later, we launched a comprehensive series of DVR/NVR chips for various configurations, completing our edge-side product lineup with one-stop solutions from end-side to edge-side.

Cross-Scenario Expansion from Smart Video to Broader Application Fields

The increasing adoption of vision intelligence is fueling demand for high-performance, energy-efficient vision ICs. Leveraging our extensive technological capabilities and comprehensive product portfolio, we are well-positioned to address a diverse range of application needs.

- *Smart Video:* We deliver a comprehensive range of chip solutions spanning end-side (such as security cameras) to edge-side devices (such as NVRs). Our products support resolutions from 2K to 8K and ultra-low-light imaging, enabling the deployment of fully integrated, intelligent monitoring systems.
- *Smart IoT:* Through advanced architecture and low-power design, our highly integrated vision processing chips support smart home and other applications. Our solutions are optimized for a wide array of consumer hardware, including home network cameras, video conferencing devices and video wearables, driving innovation and rapid expansion in the IoT market.

BUSINESS

- *Smart Mobility*: Since entering the automotive sector in 2018, we have become a leading supplier of in-vehicle camera chips. Our key ISP technologies, such as noise suppression, WDR, and low-light imaging, meet stringent automotive standards. In 2024, we obtained the ISO26262 functional safety certification. Ongoing investment in automotive-grade chip research, development, and certification has resulted in broad adoption of our products, supported by long-term partnerships with tier-1 suppliers and OEMs.

We continue to extend our technological frontiers by investing in the “AI+Vision” hybrid architectures, multimodal perception, and related fields, enhancing our position in emerging applications such as AI cameras, AI glasses, smart vehicles, and robotics, and positioning ourselves to capture the vast opportunities of the AI-driven intelligent-vision era.

Anchored by key customer relationships, a diverse and collaborative customer ecosystem

Our market strategy is based on developing collaborative relationships with industry leading participants and broadening our customer base across multiple sectors. This approach supports our operational scalability and provides stability through varying market conditions.

We maintain long-standing relationships with leading corporations, including over a decade customer relationship with a China-based global smart IoT solutions provider, whose business covers over 100 countries and regions. Such customer relationships provide consistent revenue and stable cash flow, allowing us to make sustained investments in our R&D. In addition, their high standards for features such as image quality and low power consumption drive us to keep improving, leading to ongoing advancements in our technology and products. Serving as a reliable supplier to established industry leaders also strengthens our brand and reputation, which supports future business growth.

Our strong reputation has enabled us to cultivate a broad and diversified customer base across rapidly expanding sectors, including smart video, smart IoT, and smart mobility. We collaborated with leading companies in these fields, reflecting our commitment to long-term collaboration and mutual growth. This diversity in our customer portfolio offers valuable insights into shifting industry dynamics and evolving client demands, which directly inform our chip development and product innovation strategies. By leveraging our core chip platform technologies across multiple verticals, we achieved operational efficiencies and reinforced our competitive advantages. This diversified customer structure minimizes reliance on any single market segment, mitigating the impact of sector-specific fluctuations and providing a stable foundation for sustainable, long-term growth.

Building a competitive moat through AI innovation with technological expertise and insight

We leverage our deep technological foundation and industry insight to pioneer AI innovation, delivering superior chip products that accelerate the intelligent transformation across multiple industries.

Our strategy is founded on the core principle of “AI for All,” with the aim of making advanced AI technology both accessible and commercially viable throughout the visual applications sector. Drawing on our experience in chip design and continuous innovation, we optimize system architecture, integrate high-level functionality, and enhance computational efficiency to lower costs. This approach ensures that high-performance AI vision is no longer confined to premium devices. Our SoC products integrate scalable AI computing power to meet a full spectrum of needs, from edge sensing to intelligent decision-making, thereby fueling the widespread adoption of AI vision in the smart video and smart IoT markets. Our chips are engineered to support cutting-edge technologies such as convolutional neural network, Transformer models and video structuring

BUSINESS

analysis. These capabilities significantly enhance the image comprehension ability of our chips, enabling deep semantic analysis of video content. This is essential for applications such as intelligent transportation and smart city management.

For example, our innovative technical solutions directly address key industry pain points:

- Our AI Super-Resolution technology uses advanced algorithms to enhance image quality, increasing resolution and restoring detail while avoiding the blur and pixelation common in traditional digital zoom.
- Our AI Codec solution intelligently compresses video data, reducing bit rate to conserve network bandwidth and storage resources.
- Our AI ISP solution significantly improves low-light performance, enabling devices to capture clear, high-quality images even in near-total darkness.

An outstanding management and R&D team with deep industry expertise

We are guided by a management and R&D team that combines a deep industry background with a global perspective. Our key members have a strong background in integrated circuit design, with a proven track record of driving both technical innovation and successful commercialization. Our founder, Mr. Yang Xiaoqi, brings a wealth of semiconductor industry experience. Since our inception, he has anchored our strategy in the vertical market of video-centric chips, championing a path of “independent technological development combined with scenario-driven innovation.” His leadership provides continuous strategic guidance and robust industry support.

Since our inception, R&D have been central to our business operations. We prioritize attracting, developing, and retaining skilled professionals in the field. Over time, we have developed a robust team of engineers with expertise in high-performance, low-power visual chip design, thereby establishing a strong foundation for our technological leadership. As of December 31, 2025, our R&D team comprises 417 members, representing 76.8% of our total workforce, with approximately 56.6% holding a master’s degree or higher.

We place a strong emphasis on the integration of industry, academia, and research to drive the practical application of our innovations. We established joint research projects and a co-operative master’s degree training program with Shanghai Jiao Tong University to attract high-caliber talent. In partnership with Fudan University, we participated in a national key R&D initiative to explore cutting-edge technologies for in-memory computing in edge-side data devices. These collaborations create a powerful synergy, enabling us to integrate technological resources, translate research into commercial outcomes, and cultivate the next generation of innovators.

OUR STRATEGIES

By focusing on the smart vision processing chip industry, we are committed to creating value for our customers through continuous R&D efforts and investment, on our path to becoming a leading global provider of smart vision IC solutions.

To achieve this goal, we intend to implement the following business strategies:

Capitalizing on a historic industry shift by integrating AI technologies

According to Frost & Sullivan, AI has entered an accelerated penetration phase, and the widespread adoption of AI devices at the end-side and edge-side will be a core growth driver for the vision chip industry.

BUSINESS

We will adopt “AI for All” as our strategic core and will implement a comprehensive approach focused on AI Product Innovation, AI Ecosystem Expansion, and AI Powered R&D and Operation Platforms. By leveraging advanced process technologies and optimized algorithms, we are committed to delivering high-performance, energy-efficient, and cost-effective AI vision ICs to our customers, supporting the creation of a smarter and more interconnected digital environment.

- *AI Product Innovation:* We plan to respond to market demand as AI increasingly penetrates intelligent terminals by developing end-side and edge AI vision IC technologies and products through a combination of independent R&D and strategic collaboration, capturing the historic opportunities arising from the AI revolution. Specifically, we plan to design, develop, and tape-out edge AI chips with mid-to-high computing power and AI wearable visual chips for products such as action cameras. Also see “Future Plans and [REDACTED] — [REDACTED].”
- *AI Ecosystem Expansion:* We will expand the AI ecosystem through internal incubation, investment, mergers and acquisitions, and co-development with upstream and downstream partners. Our goal is to build a robust AI application ecosystem encompassing emerging video, audio and transmission technologies for AI cameras, smart wearable vision products such as AI glasses, smart vehicles, robotics and more. Also see “Future Plans and [REDACTED] — [REDACTED].”
- *AI Powered R&D and Operation Platforms:* We will apply generative AI technologies to empower our internal platforms, AI assisted R&D systems, supply chain, and marketing operations, creating an intelligent operating framework that enables advanced data analytics and smart decision-making. This will significantly enhance operational efficiency and support our medium- and long-term growth. Specifically, we plan to acquire EDA tools and other software licenses to facilitate our daily operations after the expansion of our working personnel. Also see “Future Plans and [REDACTED] — [REDACTED].”

Continuous investment in core technologies to lead the next generation of vision IC evolution

We will continue to increase our investment in technology R&D to further consolidate and strengthen our leadership position in smart vision processing AI chips and solutions, ensuring we are well positioned to capture industry growth. For a detailed plan of upgrading the R&D infrastructure and product line development, see “Future Plans and [REDACTED] — [REDACTED].”

- *Smart video:* Aligned with the national “AI +” initiative, we are committed to advancing the integration of AI technologies across video processing systems. Leveraging our strong technological foundation, we will prioritize three key areas: “AI-Enhanced Image Processing,” “AI-Powered Video Encoding,” and “Efficient Lightweight Multimodal Models for Edge-side Devices.” From a technology perspective, we deploy neural networks to enhance image quality, utilize AI-assisted encoding decision systems, and design resource-efficient multimodal models tailored for edge-side terminals. On the product side, we plan to introduce high-performance, energy-efficient AI chips for various applications, supporting the intelligent evolution of visual systems. Our goal is to reinforce our “AI + Vision” product portfolio and enhance our position as a global leading provider of end-side and edge AI vision solutions, driving the next phase of intelligent development.
- *Smart IoT:* We will leverage our core technological advantages to drive the diversification and intelligent upgrading of our product portfolio. We plan to expand into high-growth areas such as smart wearable devices, smart homes, and smart terminals. From a technology perspective, we will deliver AI-enhanced terminal features,

BUSINESS

optimizing system energy efficiency and algorithmic adaptability to support our clients in achieving large-scale production. Our goal is to become a key enabler for end-side smart IoT chips and solutions, facilitating a comprehensive industry upgrade.

- **Smart mobility:** We will capitalize on the significant growth opportunities within the smart vehicle market by increasing our market share in automotive camera chips. We will integrate our key technologies to create low-power, high-performance solutions covering multiple application scenarios while deepening our collaboration across the industry chain. Our goal is to become a core global supplier of automotive vision ICs.

Strengthening global footprint, exploring M&A opportunities, and charting a long-term growth trajectory

We plan to use Southeast Asia as a strategic foothold to expand our business to global customers, with plans to build a comprehensive sales and support network in key international markets, including the Middle East, Europe, and the rest of the world. For details of the expansion plan, see “Future Plans and [REDACTED] — [REDACTED].” By establishing localized teams, deepening channel partnerships, and participating in international exhibitions and technical forums, we aim to enhance our global brand recognition. We will focus on developing partnerships with major international clients, leveraging our technical strength, product reliability, and rapid response to build globally competitive solutions, increase the proportion of our overseas revenue, and integrate into the global supply chain. Furthermore, we will continue our fabless model and advance our global supply chain layout to achieve production synergy for our product lines both domestically and abroad, ensuring supply chain resilience and stability.

We are actively identifying high-quality target companies with strategic synergy, particularly in AI algorithms, chip design, and cloud-edge technologies. Through selective investments and M&A, we aim to swiftly acquire advanced technologies, expand market access, and enhance customer resources, thereby integrating audio, video and transmission capabilities. These actions will strengthen our presence in high-growth sectors such as AI cameras, AI glasses, smart vehicles, and robotics, and generate new opportunities for expansion. Additionally, we will continue to monitor the performance of our portfolio companies, maintain technological alignment, and consider further capital investments or increased shareholding as appropriate.

Building a smart ecosystem with key customers to jointly expand our commercial footprint

We intend to enhance our technological strengths by deepening collaboration with key downstream customers. We plan to engage in joint R&D as well as the co-creation of critical technologies with industry leading partners. Through these collaborative innovation initiatives, our objective is to accelerate the commercialization of smart vision IC technologies and establish a highly integrated, mutually beneficial intelligent ecosystem.

Looking forward, we are committed to broadening and deepening our customer base. We will continue to reinforce our leadership in our core areas, including smart video, smart IoT, and smart mobility, by fostering collaborative innovation and forming strategic partnerships with industry front runners. In addition, we plan to strategically expand into new and emerging sectors such as AI cameras, AI glasses, smart vehicles, and robotics. By developing a diversified business structure with multiple growth drivers, we aim to secure a robust and sustainable pipeline of orders, thereby increasing our market share and further solidifying our leadership position in the industry.

Enhancing talent pool to drive organizational vitality

We believe that a chip company’s core competitiveness is fundamentally rooted in the depth and breadth of its R&D capabilities. To further reinforce this foundation, we have established a talent strategy aimed at enhancing our talent pool and energizing our organization through international recruitment, structured training, and optimized incentive mechanisms. For further details regarding our recruitment initiatives, also see “Future Plans and [REDACTED] — [REDACTED].”

BUSINESS

- *Talent Acquisition Strategy:* We intend to intensify our recruitment efforts worldwide, with a focus on attracting high-caliber professionals who possess substantial R&D expertise in AI. Through this approach, we seek to deepen our core technological strengths and maintain industry leadership in an increasingly competitive global market.
- *Diversified Incentive Mechanisms:* We will strengthen our performance-based evaluation and promotion systems, and implement a range of incentive measures, including project-based rewards, performance bonuses, and equity incentive plans. These initiatives are designed to stimulate innovation and intrinsic motivation across our teams, ensuring the retention and engagement of key talent and providing a robust human capital foundation for our sustainable long-term growth.
- *Systematic Talent Development Programs:* We will enhance our strategic talent cultivation mechanisms by developing differentiated professional training systems tailored to specific roles and competencies. These programs will facilitate the accelerated development of critical personnel and ensure their ability to adapt to and lead emerging technological trends.

OUR BUSINESS

According to Frost & Sullivan, we are a global leader in smart vision processing ICs and solutions, specializing in smart video, smart IoT, and smart mobility. With a fabless business model, we have developed an advanced “end-side + edge-side” full-stack product architecture that allows us to deliver seamless, one-stop solutions to our customers. This integrated approach ensures high performance and adaptability to meet the needs of various industries.

Our principal products include a comprehensive range of ICs and solutions, bundled with proprietary software suite, including drivers, operating systems, and APIs, that are designed to maximize our hardware’s performance. We cover video chips from analog to digital and from front-end cameras to back-end video recorders, as well as smart home camera chips that lower the entry barrier for AI technology and bring intelligent features into everyday life.

We have embedded AI capability into our products to address major industry challenges through three main areas: (i) our SoCs include a dedicated NPU to run deep learning tasks locally, ensuring fast, low-power processing without relying on the cloud; (ii) AI algorithms enhance image quality in challenging lighting conditions. Noise reduction and low-light enhancements help cameras capture clear, full-color video footage even in near darkness; (iii) embedded AI supports motion detection and objects recognition.

During the Track Record Period, we have sold 51.4 million, 76.7 million and 82.5 million units of chips embedded with AI capabilities, contributing to RMB976.2 million, RMB1,175.2 million and RMB1,064.4 million of sales, respectively.

In smart mobility, our intelligent vehicle imaging solutions offer automotive-grade video chips for factory installed applications and effective industrial-grade video chips for aftermarket markets. These chips are used in in-cabin and exterior cameras, transmission links, and back-end hosts, providing suppliers and automakers with comprehensive solutions.

Alongside our chip products and solutions, we also offer others including technical and other ancillary services, comprising the development and licensing of relevant algorithms, integrated circuit design and fabrication services tailored to customer requirements, and turnkey contracts for delivering these customized solutions within a defined period.

BUSINESS

We operate under a fabless business model, focusing on IC design and R&D, while wafer fabrication, packaging, and testing are handled by trusted partners. The table below sets forth the revenue breakdown by product line and service and geographic location in absolute amount and as a percentage of our total revenue for the years indicated:

Year ended December 31,						
2023		2024		2025		
Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	
<i>RMB in thousands, except for percentages</i>						
<i>By product line and service</i>						
Smart Video	1,218,584	66.9%	1,203,950	67.3%	1,003,933	59.5%
Smart IoT	313,798	17.2%	278,057	15.5%	338,833	20.1%
Smart Mobility	188,045	10.3%	237,107	13.2%	279,520	16.6%
Others ⁽¹⁾	101,955	5.6%	70,893	4.0%	65,944	3.8%
<i>By geographic location</i>						
Chinese Mainland.	1,656,414	90.9%	1,652,472	92.3%	1,516,951	89.9%
Overseas	165,968	9.1%	137,535	7.7%	171,279	10.1%
Total	1,822,382	100.0%	1,790,007	100.0%	1,688,230	100.0%

(1) Primarily included technical and other ancillary service fees, which we mainly provided customized chip solutions for our customers.

See “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2025 Compared to Year Ended December 31, 2024 — Revenue” and “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2024 Compared to Year Ended December 31, 2023 — Revenue” for reasons of material fluctuations.

The table below sets forth a breakdown of gross profit and gross profit margin by product line and service and geographic location for the years indicated:

Year ended December 31,						
2023		2024		2025		
Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	
<i>RMB in thousands except for percentages</i>						
<i>By product line and service</i>						
Smart Video	445,709	36.6%	449,228	37.3%	358,720	35.7%
Smart IoT	96,627	30.8%	74,113	26.7%	70,024	20.7%
Smart Mobility	82,966	44.1%	113,182	47.7%	130,715	46.8%
Others ⁽¹⁾	60,369	59.2%	30,102	42.5%	57,869	87.8%
<i>By geographic location</i>						
Chinese Mainland.	618,640	37.3%	607,495	36.8%	528,678	34.9%
Overseas	67,030	40.4%	59,130	43.0%	88,650	51.8%
Total	685,671	37.6%	666,625	37.2%	617,328	36.6%

BUSINESS

- (1) Primarily included technical and other ancillary service fees, which we mainly provided customized chip solutions for our customers.

See “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2025 Compared to Year Ended December 31, 2024 — Gross Profit and Gross Profit Margin” and “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2024 Compared to Year Ended December 31, 2023 — Gross Profit and Gross Profit Margin” for reasons of material fluctuations.

The table below shows the ASP and sales volume by product line for the years indicated:

Product lines	Year ended December 31,					
	2023		2024		2025	
	Sales volume	ASP ⁽¹⁾	Sales volume	ASP ⁽¹⁾	Sales volume	ASP ⁽¹⁾
<i>Sales volume in thousands; ASP in RMB</i>						
Smart Video	79,781.6	15.3	90,815.9	13.3	93,281.0	10.8
Smart IoT	27,115.1	11.6	28,870.3	9.6	38,598.6	8.8
Smart Mobility	33,175.8	5.7	39,875.5	6.0	46,269.3	6.0

- (1) ASP is calculated through dividing revenue by the relevant sales volume during the same year/period, which represented the average price at which our products were sold to our customers.

Rising Market Competition

During the Track Record Period, according to Frost & Sullivan, the domestic market for smart vision processing chips exhibited significantly higher competition intensity and price sensitivity compared to overseas markets. The global market size for smart vision processing chips contracted by approximately 2.0%, declining from US\$1.05 billion in 2023 to US\$1.03 billion in 2024, reflecting general downward pressure across the industry. While the market experienced a moderate volume recovery in 2025 (reaching US\$1.08 billion), overall market growth was severely constrained by a sharp, industry-wide decline in ASPs.

According to Frost & Sullivan, this deteriorating pricing environment was driven by three market developments: (i) rapid entry of dozens of domestic manufacturers since 2025 drastically intensified competition, triggering aggressive price wars; (ii) during inventory restructuring throughout 2025, major downstream customers leveraged their bargaining power and stringent cost-cutting strategies to force suppliers into lowering prices; (iii) a shift in demand toward basic models led downstream customers to buy cheaper chips, further lowering the overall ASP. Consequently, according to Frost & Sullivan, while overall industry sales volumes remained stable, the market-wide ASP for core products such as IPC SoCs and XVRs plummeted by approximately 20%, though ISP prices remained generally stable.

Our sales volume for smart video products experienced continuous growth from 2023 to 2024, and further increased in 2025. This steady upward trend reflects the overall resilience of end-market demand and our continued successful market penetration. Conversely, the ASP for this segment continuously decreased from 2023 to 2025. This downward trend was a direct reflection of the broader market trends with intensified market competition and a noticeable shift in customer procurement behavior. Specifically, domestic manufacturers have rapidly entered the smart vision chip market, increasing competition and driving down prices. Furthermore, major customers exerted strong bargaining power to pass cost pressures onto chip suppliers. To cut costs and adapt to shifting demand, downstream buyers increasingly concentrated their procurement on lower-priced, entry-level basic chip models within our product mix, leading to a decrease in the overall ASP.

BUSINESS

The sales volume for smart IoT products experienced continuous growth from 2023 to 2025. The volume growth, particularly in 2025, was largely attributable to our proactive market expansion efforts, which successfully broadened our end customer base and generated increased orders from newly acquired end customers. The ASP for smart IoT products continuously decreased from 2023 to 2025. This was the result of a two-fold pressure: (i) the unavoidable impact of the intensifying, industry-wide price wars, and (ii) our necessary strategic pricing adjustments, proactively offering lower prices to successfully acquire new customers and defend our market share against the influx of new domestic entrants during the Track Record Period.

The sales volume for smart mobility products experienced continuous growth from 2023 to 2024, and further increased in 2025. This was primarily driven by our successful business expansion in the automotive sector, our continuous introduction of new applications and new products, and our steady acquisition of new end customers. The ASP for smart mobility products remained largely insulated from the broader market’s price wars due to the barrier to entry and the technological advancement of our products (such as achieving AEC-Q100 certification).

Our Product Lines

We design and develop a broad range of ICs mainly for video processing. Our offerings include high-performance video SoCs and ISP, which are designed to address the growing needs of the smart vision chip market.

Smart Video

We offer a broad portfolio of professional video chip solutions, ranging from analog to digital video technology and supporting both front-end cameras and back-end recorders. We demonstrate our expertise and integrated capability in delivering complete smart video chips and solutions, covering both the end-side and edge-side.

Our representative commercial video processing products comprise IPC SoCs chips, ISP chips, XVR SoC chips, and video link chips:

End-side/Edge-side	Applications	Representative Products
End-side	Network security cameras, Analog security cameras	IPC SoC chips: FH865X series, FH885X, FH8856v500 ISP chips: FH8536H series, FH8556A
Edge-side	Security DVR/NVR	XVR SoC chips: MC6670, MC6870, MC6880

Our flagship offerings in the smart video product line are standardized, off-the-shelf chips designed for broad open-market availability.

IPC SoCs Chips

Our IPC SoC product line is a key part of our product matrix. IPC SoCs combine ISP, video encoding, AI engine, and other important modules. IPC SoCs are widely used in smart security, smart home, and other related areas.

BUSINESS

Key features of our IPC SoCs include:

- *Image signal processing*: The system receives raw data from the image sensor and processes it to reduce noise, sharpen images, apply WDR process, and correct lens distortion, contributing to clear images with accurate color reproduction. Our latest chips support AI-ISP technology and deliver enhanced image results under extremely low light conditions.
- *Video encoding*: Video encoder can compress high-quality video streams into H.264/H.265 formats, helping to reduce the bandwidth of network transmission and lowering local storage requirements.
- *Intelligent analysis*: An integrated NPU supports the use of AI algorithms for features such as human detection, vehicle detection, face recognition, pet detection, and area intrusion monitoring, etc.
- *Highly integrated architecture*: By combining key components, including CPU, ISP, Video Encoder, and NPU, we enable camera manufacturers to develop products at a lower cost and bring them to market more quickly.

Below sets forth our signature IPC SoCs for the smart video product line:

- The FH865X series and FH885X series are high-performance IPC SoCs designed for professional network cameras, providing advanced video encoding and image processing capabilities. They support multiple compression formats, enabling high-definition images while minimizing bandwidth and storage requirements. During the Track Record Period, approximately 29.5 million units of the FH865X series were sold.

FH8656 is an early entry in the market of IPC chips with integrated NPU, which combines excellent image quality with intelligent analytics, offering substantial advantages for smart security applications.

- The FH8856V500 is our latest IPC SoCs launched in 2025 for professional network cameras. It features AI-ISP technology that can enhance night vision by reducing noise and improving image detail and dynamic range. The chip features an AI engine that detects humans, vehicles, and pets. It supports 4K video input and processing, includes H.264/H.265 encoding, and provides a range of peripheral interfaces.

ISP Chips

Our analog camera ISP chips use advanced technology and a high level of integration, supporting compatibility with transport video interface (“**TVI**”), composite video interface (“**CVI**”), analog high definition (“**AHD**”), and other major analog HD protocols. This flexibility helps camera manufacturers simplify product development and supply chain management. By including essential ISP algorithms such as 3DNR and WDR, our chips provide reliable image quality even in difficult lighting, like low-light or backlit settings. These solutions combine key features into a single chip, offering cost-effective turnkey options that help reduce development complexity, lower BOM costs, and speed up time-to-market for our customers.

Our ISP chips have facilitated the transition of analog security cameras from standard definition to high definition. Our ISP chips enhance image quality and functionality, delivering cost-effectiveness for budget-conscious projects and extending the life cycle of analog security systems.

BUSINESS

Our signature ISP chips include:

- **FH8536H series:** This high-performance ISP chip is designed for professional security cameras and supports 1MP — 3MP CMOS sensors. It features 3DNR for strong low-light performance and IR-CUT FREE V2.0 technology for RGBIR input. With over eight million units sold during the Track Record Period, it is one of our best-selling chips.
- **FH8556A:** This HD analog image processing chip provides MIPI input and supports video signals up to 4K resolution. It includes automatic exposure (“**AE**”) and automatic white balance (“**AWB**”) adjustment, automatic defective pixel correction, Lens Shade Correction (“**LSC**”), and both temporal and spatial noise reduction. FH8556A supports multiple analog HD output modes and has integrated circuit comparators and video filters to help reduce solution costs. It also features an Audio Codec with noise reduction and echo cancellation, making it well-suited for analog HD camera systems with two-way audio.

XVR SoC Chips

Our XVR SoCs support hybrid access solutions for both HD analog cameras and IP cameras to ensure smooth transitions from analog to digital systems. The chip’s AI-powered capabilities enhance intelligent analysis for security systems. It has been adopted by industry leading brands for large-scale production. Additionally, single-chip integration reduces system complexity and BOM costs, promoting widespread adoption.

We offer high-performance NVR and DVR SoC chips designed for modern security systems. These chips support multi-channel video processing, AI acceleration, and system integration, allowing for smooth upgrades from analog to digital technologies and advanced analysis features.

Our NVR and DVR SoC chips can handle multiple channels of HD video input, providing real-time decoding and preview functions. They support H.265 and H.264 formats to help manage storage needs and network bandwidth efficiently. Each chip includes a built-in NPU with different computing power, enabling intelligent detection, facial recognition, and perimeter defense. For storage and network expansion, they feature Ethernet, SATA, USB, PCIe, and other interfaces.

Our XVR SoC chips have been adopted by leading brands for large-scale production. The single-chip design also helps to reduce system complexity and BOM costs, supporting widespread use.

Below sets forth our signature NVR and DVR SoC chips:

- The MC6870 is an NVR SoC chip developed for security systems. It features eight-core main processors and three-core co-processors, allowing it to support multiple camera channels. The chip is capable of handling 8K outputs, decoding, and display. With a six-lane PCIe 3.0 interface, it can connect to external AI chips, supporting the development of AI-integrated products. The MC6870 also supports two independent displays through dual HDMI 2.0 interfaces and offers a range of high-speed interfaces, including SATA, USB, eMMC, and Gigabit media access controller (“**GMAC**”), to meet various application requirements.
- The MC6880 is a chip designed for professional network video recorders, supporting multi-channel high-definition video decoding and encoding. It handles multiple video input channels with compatibility for both H.265 and H.264 codecs. The chip is equipped with six-core CPUs, along with a dedicated NPU for AI tasks. It offers a comprehensive range of peripheral interfaces, including two external Gigabit Ethernet

BUSINESS

ports, SATA3, PCIe 3.0, USB 3.0, and USB 2.0. The MC6880 also supports several high-resolution display outputs, such as dual HDMI 2.1 and VGA, providing flexible connectivity options for various security systems.

- The MC6670 is a professional DVR SoC chip designed for enhanced performance, featuring six-core main CPUs and three-core co-processors. When two chips are cascaded, the system can support additional analog camera inputs. With its dedicated NPUs, the MC6670 provides intelligent video analytics across multiple channels. For further AI capabilities, its two-lane PCIe 3.0 interface allows for the connection of external AI accelerators. The chip supports dual independent displays through HDMI 2.0 ports and includes multiple high-speed interfaces such as SATA, USB, eMMC, and GMAC, making it adaptable to various product needs.

Illustrative Solutions

The FH8656 chip is designed for 4MP consumer smart network cameras. It is the first in its series to feature an integrated 0.5T NPU, which supports functions such as human and facial detection.

This NPU improves the efficiency of AI analysis compared to earlier models that depended on the main CPU, enabling a smooth transition from non-intelligent cameras to smart cameras. As a result, the chip can accurately detect humans, vehicles, and pets, and supports event-based alerts. The FH8656 supports 4MP video processing with both H.264 and H.265 encoding. Its built-in ISP and video encoder help deliver high-quality video at lower bit rates, which reduces transmission bandwidth and storage needs. The FH8656 comes with 1Gb of DDR3 memory and provides peripheral interfaces such as USB, secure digital input output (“SDIO”), and Ethernet, making it well suited for a range of network camera applications.

Smart IoT

We have invested in developing lightweight intelligent camera chips for the smart IoT market. These products make AI chips more accessible and easier to adopt in daily life worldwide.

Our representative smart IoT IC products comprise IPC SoCs, smart display SoC chips and NVR SoC chips and we summarize the applications and corresponding products below:

End-side/Edge-side	Applications	Representative Products
End-side	IP cameras, Video doorbell, Home appliance camera	IPC SoC chips: FH862X series
	Wearable video products (sports cameras, smart watches, and AI glasses) AI toys	IPC SoC chips: MC6350
Edge-side	Home NAS, and wireless NVRs	NVR SoC chips: MC6810
	Digital photo album, Home appliance display	Smart display SoC chips: MC331X

Our flagship offerings in the smart IoT product line are standardized, off-the-shelf chips designed for broad open-market availability.

IPC SoCs

We design lightweight, intelligent IPC SoCs tailored for the consumer IP camera market. These chips are optimized for common residential uses, such as network cameras and video doorbells. Unlike traditional professional-grade SoCs, our consumer solutions focus on low power consumption and cost efficiency, making them suitable for long standby times and typical

BUSINESS

household settings. Equipped with integrated lightweight AI acceleration units, these chips enable on-device intelligent recognition of people, vehicles, and pets. This reduces reliance on cloud processing, ensures privacy, and provides real-time responses. These chips help branding and OEM/ODM customers quickly differentiate their products and efficiently meet consumer needs for ease of use and a variety of features.

Below sets forth out signature IPC SoCs for the smart IoT product line:

- The FH862X series (including FH8626V100, FH8626V200, and FH8626V300) is a cost-effective SoC chip solution for consumer network cameras. This series supports 2MP-3MP resolution and features an ISP chip to deliver clear images. It uses H.264 encoding, which helps control bit rate, reduce transmission bandwidth, and save storage space while maintaining video quality. The FH8626V300 model is equipped with a 0.5T NPU to enable basic intelligent functions, such as human detection. The FH8626V300L model incorporates low-power operation mechanisms, including fast startup and always on video (“AOV”), making it suitable for low-power camera applications. With integrated DDR memory and a range of peripheral interfaces, this series is designed to simplify product development and provide practical solutions for the market. During the Track Record Period, we have sold approximately 42.1 million units of the FH862X series.
- The MC6350 is a high-performance chip designed for AI glasses and wearable video devices. It delivers advanced image processing with low power usage and features a compact design. The chip supports 12MP photo capture and 4MP video recording at 30 fps. Integrated ISP functions help enhance image clarity, reduce noise, and improve performance in low-light conditions. Manufactured using a 12nm process, the MC6350 achieves very low power consumption. Its small 8x8mm package size makes it well suited for lightweight AI glasses.

NVR SoC Chips

Our NVR SoC chips for the smart IoT product line are well suited for smart home applications and integrate smoothly with home ecosystems. These chips can be used in a variety of devices, including NVR and NAS systems. With advanced video decoding and AI processing features, our NVR SoC chips support multiple camera inputs, provide intelligent search features, and enable local playback. They help ensure secure storage and efficient access to home video data. In addition, these chips connect easily with devices such as smart doorbells, home cameras, and smart displays, supporting functions like home security, family monitoring, and media sharing. We focus on user experience through an intuitive interface, streamlined design, advanced network and storage scalability. These features allow our products to serve as reliable video management platforms and important components of smart home integration.

Below sets forth our signature NVR SoC chips for the smart IoT product line:

- The MC6810 is designed for home display and recording devices, offering multi-channel high-definition video decoding. The chip is equipped with a dual-core CPU for efficient processing and provides a variety of peripheral interfaces, including audio, 100M Ethernet PHY, hard drive support, and USB 2.0. Additionally, it offers multiple display output options such as HDMI, VGA, and MIPI, making it compatible with a range of home systems.

BUSINESS

Smart Display SoC Chips

Our smart display SoC chips play an important role in enhancing interactive experiences in consumer electronics and home applications. We focus on delivering high-performance, energy-efficient chips with advanced video decoding and multimedia interface capabilities. These solutions meet the needs of a broad range of interactive applications and are widely used in home electronic products with display, such as digital album, electric bicycle control panels, etc. Designed for low latency, efficient power consumption, and compact size, these chips are integrated into smart home and mobile systems as key components of IoT user interfaces.

Below sets forth our signature smart display SoC chips for the smart IoT product line:

- The MC331X series is a line of high-performance chips designed for smart display applications. With dual-core CPUs, this series efficiently handles a variety of display-related functions. It is available in both 64MB and 128MB DDR memory configurations and supports 2MP camera input. The MC331X series deliver strong decoding performance, supporting multiple video streams, and provides smooth local display with real-time video output. To support the development of efficient and cost-effective solutions, the chipset includes a 100M Ethernet PHY, USB 2.0, and a multi-channel audio codec.

Illustrative Solutions

We developed the MC6350 to overcome key challenges that have slowed the widespread adoption of smart glasses. This technology offers essential solutions for issues related to power consumption, device size, and imaging performance. We believe the MC6350 gives our partners a notable advantage and helps drive the development of the next generation of smart glasses.

Power consumption is a major factor affecting the user experience of wearable devices. The MC6350 uses an advanced 12 nm low-power manufacturing process.

The size and weight of current smart glasses have limited their appeal. The MC6350 addresses this with a compact 8x8mm package. In addition, by integrating DDR memory into SoC, we reduce the number of separate components and simplify both design and manufacturing. This allows for the creation of lighter, more attractive devices, which we expect will help these products reach a wider market.

We also integrated our proprietary AI-ISP technology into the MC6350. This technology uses our expertise in computational photography to improve image and video clarity in various lighting conditions. We believe this feature helps our partners offer devices with advanced camera capabilities and strengthens their position in the market.

Smart Mobility

We not only provide cost effective aftermarket ISP chips but also provide factory installed automotive-grade ISP chips meeting the technical specifications and reliability requirements of tier-1 suppliers and automotive manufacturers. Our products cover in-cabin and external camera systems, transmission links, and video recording platforms. We maintain high quality control standards, being certified under AEC-Q100 and ISO 26262. Utilizing advanced automotive vision processing technology and powerful encoding techniques, we meet various demands for smart mobility and video recording applications.

BUSINESS

Our representative smart mobility products are summarized below:

End-side/Edge-side	Application verticals	Representative Products
End-side	Factory installed automotive cameras: DMS, OMS, AVM, and CMS Aftermarket cameras: DMS, OMS, AVM, and CMS	Automotive-grade ISPs: FH832X series and FH833X series Industrial-grade ISPs: FH8323, FH8333, FH8536H series, and FH8550M series
Edge-side	Automotive DVRs	Video link chips: FH6210M DVR Chips: MC6357AT, MC6630

Our flagship offerings in the smart mobility product line are standardized, off-the-shelf chips designed for broad open-market availability.

Automotive-grade ISP Chips

We entered the automotive market by leveraging our expertise and technology from the security and consumer areas. Our involvement in the automotive camera market started with the FH8536H and FH8550M chips for aftermarket use. In 2018, the FH8310 chip received AEC-Q100 certification, allowing us to secure a leading position in the DMS and OMS segments. The FH832X series was introduced in 2020, establishing new standards for image processing in surround-view and smart cockpit systems. By 2022, the FH6210M and MC6630 chips completed our automotive video product lineup and were implemented in aftermarket applications such as DVRs and regulatory-compliant devices. In 2023, the FH833X series advanced our offerings in AVM, DMS, OMS, E-mirror, and DVR applications.

Our FH832X/FH833X series is designed for applications in DMS, OMS, AVM, and CMS, delivering high reliability and advanced image processing capabilities:

- **DMS:** Our ISP chips utilize high-performance ISP technology to deliver clear facial imaging for DMS, even in difficult lighting conditions such as strong sunlight or low light.
- **OMS:** Supporting both RGB-IR and RGB sensor integration, our ISP chips enable comprehensive in-cabin monitoring.
- **AVM:** Our compact and energy-efficient ISP chips can process video at resolutions up to 3MP and use proprietary 2D+3D noise reduction modules for clearer low-light images and accurate color reproduction.
- **CMS:** Designed for integration into electronic side mirrors, our ISP chips allow for the replacement of traditional optical mirrors by projecting real-time side and rear views onto in-cabin displays.

Below sets forth the details of our signature FH832X/FH833X automotive-grade ISP chips:

- The FH8322 is a high-performance automotive-grade ISP chip that processes video at 1920x1080 resolution with 30 fps. It supports multiple frames WDR and enables a high dynamic range. Equipped with both analog HD and MIPI/DVP digital output interfaces, the FH8322 is well-suited for use in rear-view cameras, surround-view systems, in-cabin monitoring, and streaming media cameras. During the Track Record Period, we sold approximately 5.7 million units of FH8322.
- The FH8332 is an automotive-grade ISP chip designed for video processing at resolutions up to 1920x1080 at 60 fps or 1920x1536 at 30 fps. It features integrated 3DNR technology to enhance noise reduction. Utilizing advanced process technology,

BUSINESS

the FH8332 offers lower power consumption, which helps maintain the reliability of camera systems. The chip supports various video output interfaces, providing broad compatibility. FH8332 is widely applied in both interior and exterior automotive cameras.

Automotive Video Link Chips

Our automotive video link chip transmits the video signal to the domain controller’s processor using the MIPI camera serial interface (“CSI”) interface. This chip serves as a key component in the in-vehicle camera transmission system.

The FH6210M is a high-performance analog decoding chip designed for automotive cockpit vision systems. Its primary role is to transmit analog video signals from multiple vehicle cameras into digital format, enabling decoded video data to be transmitted to the domain controller or main processor for further processing. As a key part of the camera transmission chain, the FH6210M supports high-definition video decoding from several camera modules and ensures reliable delivery to the domain controller through coaxial cable.

Illustrative Solutions

The FH8332 is an HDR image processing chip designed for automotive cameras, supporting resolutions of 1920x1080 at 60 fps and 1920x1536 at 30 fps. It supports 3-frame WDR which helps deliver consistent image quality in different lighting conditions. The chip is compatible with both RGBIR and RGGB Bayer inputs and features advanced capabilities, including 3D noise reduction (“3DNR”), 2D noise reduction (“2DNR”), and lens shading correction (“LSC”), for clear and accurate imaging. With support for HD-Analog and MIPI/DVP outputs, the FH8332 is widely used in dashcams, rearview cameras, surround-view systems, interior cameras, front-view cameras, and streaming mirrors.

The chip’s built-in 3DNR and line-by-line WDR processing help enhance image clarity, especially in low-light situations or scenes with high contrast. This makes the FH8332 a suitable choice for applications such as rearview mirrors and driver assistance systems, where dependable image quality is important for accurate decision-making and improved situational awareness.

Beyond its imaging functions, the FH8332 supports a range of CMOS sensors from 1MP to 3MP resolution. Its advanced functions — such as dynamic defective pixel correction, and customizable on-screen display (“OSD”) for overlaying graphics and text — make it practical for smart vehicle systems. For instance, the chip can be used in rearview mirrors to provide real-time visual feedback with improved clarity, even in challenging weather conditions or at night.

Others

We provide technical and other ancillary services. We specialize in customized chip design services. Under this integrated service model, we collaborate with clients to understand their requirements and design a comprehensive solution. This service is designed to meet specific client requirements that are beyond the capabilities of our standard off-the-shelf products. Through our integrated service approach, we collaborate closely with clients ranging from feasibility analysis to joint R&D in order to ensure the delivery of customized solutions. Service pricing is determined on a per-project basis and reflects factors such as resource allocation, development timelines, strategic significance to our technology roadmap, and the depth of long-term collaboration. For the avoidance of doubt, revenue under this segment is recognized in respect of service fees only; where products are developed or delivered in connection with such services, the associated revenue is classified under the relevant product business line. We use a direct engagement model and collaborate closely with clients to specify project requirements and execute the design. Because these services are highly specialized and tailored, negotiations and project execution rarely involve third-party intermediaries, agents, or distributors. During the Track Record Period, we generated revenue from technical and other ancillary services of approximately RMB102.0 million, RMB70.9 million and RMB65.9 million in 2023, 2024 and 2025, respectively, accounting for 5.6%, 4.0% and 3.8% of our total revenue for the respective years.

BUSINESS

OUR CORE TECHNOLOGY PORTFOLIO

Our business is built on a foundation of deeply integrated core technologies. With years of experience in technical innovation and talent development, we have mastered image signal processing, video encoding and decoding, NPU, and fully customized chip design. This comprehensive technology stack enables us to create powerful, efficient, and highly optimized SoCs. These solutions drive innovation across smart video, smart IoT, and smart mobility industries, empowering our customers to achieve higher levels of performance and functionality.

Our technologies work in synergy — our imaging signal processing technology creates a visual foundation; our video encoding technology manages data transmission with high efficiency; our NPU technology functions as the AI “brain”, with our neural network compilers technology acting as the crucial translator between software and hardware; and our custom chip design technology brings it all together on one chip. This comprehensive approach allows for integrated solutions with combined capabilities.

The diagram below showcases our technology matrix:



BUSINESS

Imaging Signal Processing

For years, we have honed our ISP technology to transform the raw, unprocessed data from an image sensor into a clear, vibrant, and lifelike picture. Going beyond traditional methods, we have deeply integrated AI into our ISP pipeline. This allows for real-time, pixel-level analysis and enhancement, enabling our systems to overcome complex imaging challenges in any environment.

Key features of our ISP technology include (i) **AI-Powered Noise Reduction**: Our AI 3D/2D noise reduction intelligently distinguishes between genuine image detail and unwanted noise, producing clean and detailed visuals even in near-total darkness; (ii) **AI-Enhanced Dynamic Range**: Our AI WDR function expertly balances scenes with extreme lighting contrasts, simultaneously revealing details in the brightest highlights and the deepest shadows of a single frame; (iii) **Advanced Color and Tone Restoration**: Our sophisticated color correction and tone mapping algorithms ensure that the final image displays natural, true-to-life colors that accurately reflect the original scene.

Our technology delivers outstanding image quality, capturing essential details with clarity and accuracy even in tough lighting situations. By harnessing AI, we achieve performance that exceeds typical hardware limits, intelligently boosting image quality in real time. Thanks to our highly optimized processing engines, we also keep power consumption to a minimum, which helps extend battery life for mobile devices and lowers the overall running costs of deployed systems.

Video Encoding Technology

Our video encoding technology is designed to efficiently organize and compress video data while preserving essential information. Since our establishment, we have refined our encoding algorithms to reduce file sizes, which is vital for both storage optimization and network transmission. This feature is especially important for applications like video security systems.

The intelligence of our encoder is demonstrated by its capacity to analyze scenes similarly to human perception. Leveraging sophisticated algorithms, it prioritizes critical areas within a video, such as faces, license plates, or moving objects, by allocating additional data to ensure their clarity is maintained. Conversely, the encoder applies higher compression rates to static or less significant background elements, such as walls or empty streets. This approach, known as Region-of-Interest encoding, guarantees optimal preservation of essential details in high fidelity.

Key features of our video encoding technology include (i) **Superior Compression Quality**: We provide superior compression quality by using advanced algorithms that prioritize critical details while significantly reducing overall file sizes; (ii) **High Algorithm Efficiency**: Our solution achieves high algorithm efficiency, rapidly calculating the optimal compression path for every frame to ensure smooth, real-time encoding; (iii) **Stable Bit Rate Control**: Our dual-engine bit rate control system dynamically adapts to network fluctuations, guaranteeing stable and reliable video streaming even over unstable connections; (iv) **Low-Power Encoding**: Our hardware implementation is optimized for low-power encoding, drastically reducing energy consumption for battery-dependent devices.

The key benefits of our video encoding technology include substantial cost savings for our customers, as they achieve significant reductions in both storage and bandwidth requirements, directly lowering the infrastructure and operational expenses associated with large-scale video deployments. Additionally, our technology ensures reliable and uninterrupted streaming performance, which is essential for real-time monitoring applications. Furthermore, the efficient and low-power design of our solution extends the operational lifespan and reliability of mobile and remote devices, making them more effective and dependable in the field.

BUSINESS

NPU Technology

The NPU is a custom-designed processing unit intended for AI applications. Unlike general-purpose CPUs that handle tasks sequentially, the NPU operates as a parallel computing engine to manage the simultaneous calculations needed by deep neural networks. This architecture aims to provide increased performance and efficiency compared to general-purpose chips.

Key features of our NPU technology include (i) **Algorithm-Hardware Co-Design**: We co-design our NPUs with AI algorithms from the ground up, creating a synergy between hardware and software that ensures efficient execution; (ii) **Proprietary Quantization Techniques**: Our proprietary low-bit quantization techniques reduce the computational load for faster processing and lower energy use without compromising AI model accuracy; (iii) **Scalable Computing Power**: Its scalable computing power is derived from a modular architecture, allowing us to deploy it in everything from lightweight IoT sensors to high-performance automotive systems.

Our NPU technology delivers a range of benefits for AI-driven applications, including enhanced capabilities that enable faster and more accurate task execution such as multi-object facial recognition and industrial defect detection. With a design focused on superior energy efficiency, it reduces power consumption, lowers system costs, and significantly extends the battery life of devices.

Neural Network Compiler Technology

Our Neural Network Compiler connects AI software from frameworks like TensorFlow or PyTorch to our NPU’s specialized hardware. It converts models into optimized instructions for maximum performance. Beyond translation, the compiler reorganizes computations, manages memory, fuses processing layers, and reduces bottlenecks. Developers can use built-in profilers and debuggers to monitor and fine-tune model efficiency.

Key features of our neural network compiler include (i) **Automated Model Optimization**: Our compiler performs automated model optimization, seamlessly converting models from popular AI frameworks into efficient, hardware-specific instructions; (ii) **Broad Framework Compatibility**: We offer broad framework compatibility, providing robust and reliable support for industry standards like TensorFlow, PyTorch, and ONNX; (iii) **Unified Development Toolkit**: We feature a unified development toolkit that offers a comprehensive set of tools for developers to easily deploy, debug, and fine-tune their models.

Our Neural Network Compiler offers several key benefits for developers and businesses. It delivers accelerated performance by reducing latency and dramatically increasing the speed of AI model execution on the target hardware. The compiler also streamlines the development process, enabling clients to transition from initial model creation to a finished product much more quickly.

Chip Design Technology

Our chip design technology integrates components like ISP, video encoder, and NPU onto a single efficient SoC chip. By managing every step of the design process, we optimize our chips for performance, power, and cost. Shared memory pathways between key modules reduce data transfer delays, and our low-power methodologies ensure high energy efficiency, making our solutions well-suited for compact, battery-powered devices.

Key features of our chip design technology include (i) **Custom SoC Architectures**: We create custom SoC architectures that are tailored for specific applications by tightly integrating our core IP blocks; (ii) **Advanced Low-Power Design**: Our methodology emphasizes advanced low-power design, focusing on reducing energy consumption on the architectural level; (iii) **High-Density Integration**: We achieve high-density integration, combining multiple complex functions onto a single chip to reduce the physical footprint and overall system cost.

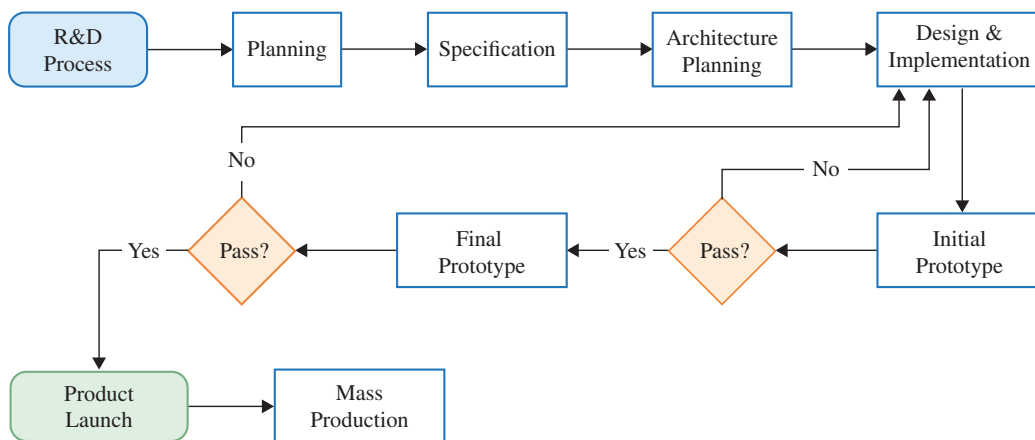
BUSINESS

Our chip design technology offers a range of significant benefits. By delivering SoCs that strike the balance between high performance and cost-effectiveness, we provide feature-rich solutions at highly competitive prices. Prioritizing energy efficiency, our designs help extend battery life in portable devices and lower the total cost of ownership for large-scale, always-on systems.

DESIGN, RESEARCH AND DEVELOPMENT

Our Design Activities

Under the fabless business model, product design and R&D are our core competitiveness. Our R&D is divided into seven stages: planning, specification, architecture planning, design and implementation, prototype, final prototype, and mass production.



- *Planning*: This stage begins with product conception to clarify product direction and positioning. Then, a market analysis is conducted to assess market size and the competitive landscape. Finally, a market demand analysis is conducted to translate the concept into a specific product requirement definition. We then organize a cross-departmental review to ensure consensus among all parties on the requirements. Afterwards, the technical team conducts a technical feasibility study to assess implementation options and potential risks. Ultimately, all analysis results are submitted for project approval and resource allocation.
- *Specification*: After the project is approved, we will define the product specifications in detail and conduct a rigorous specification review.
- *Architecture planning*: After the specification review, we will carry out architecture design and project planning, and conduct architecture review.
- *Design and implementation*: The approved project is assigned to our dedicated design team. The process undergoes initial run, trial run and final run, comprising steps of detailed design to design optimization, as well as unit and integration verification, prototype verification, SYN&DFT, initial netlist review, P&R and package design. After three rounds of runs, the product will undergo tape-out review.
- *Initial Prototype*: After the product has passed the tape-out review, tape-out production will begin. First, the packaged sample lot is produced, followed by packaged corner wafer production. All of these samples are then thoroughly tested to verify the products' functionality, performance, and reliability. Finally, based on the test results, a prototype review is conducted to determine whether to proceed to mass production.

BUSINESS

- *Final prototype:* After passing the initial prototype review, the project enters the qual lot stage. This phase begins with the production of qualified samples and engineering batch packaging. These samples then undergo rigorous reliability testing and application prototype testing to fully verify their mass production stability and compatibility with customer applications. Finally, a final prototype review confirms that the product meets design goals and reliability requirements.
- *Mass production:* After successful review, the product enters pilot run. Once confirmed, the product transitions to mass production, supported by application development tools and customer support.

Our R&D team

We follow the principle that talent is a key factor for competitiveness. Our R&D teams work in areas such as integrated circuit design and AI research. Through methods like talent recruitment, training, and incentive plans, we aim to encourage innovation, enhance employee skills, and improve overall team performance. Our R&D programs focus on the development of AI ISP, AI video encoder, AI machine vision, neural network accelerators and supporting toolchains, in particular within the smart video, smart IoT, and smart mobility markets. Our engineers and service teams collaborate closely with customers in each region to address their unique design requirements and support cutting-edge product development processes. By gathering first-hand industry insights, we not only design products to regional needs but also drive inspiration for our broader R&D initiatives. We also intend to pursue strategic relationships and acquisitions to enhance our R&D capabilities, leverage our technology, and shorten our time to market with new technological applications. We continuously invest in R&D to upgrade our technologies, refine our products, streamline processes, and expand into new markets. Our aim is to deliver innovative products that help customers succeed competitively.

As of December 31, 2025, we had a total of 417 full-time employees engaged in R&D. In 2023, 2024 and 2025, our R&D expenses amounted to RMB334.8 million, RMB349.9 million and RMB351.4 million, respectively.

Our research, design, and engineering teams frequently work directly with our customers to design custom solutions for specific applications. We focus on enabling our customers to overcome their technical barriers and enhance the performance of their products. For example, we develop application-specific custom chips and Turn-Key Solutions based on our products to meet unique customer needs. We believe our accumulative technology skills and talent provide significant benefits to our customers by enabling them to concentrate on their core competencies of production and marketing.

INTELLECTUAL PROPERTIES

Our success and ability to compete depend in part on our ability to maintain the proprietary aspects of our technologies and products. We rely on a combination of patents, trademarks, trade secrets, copyrights, confidentiality agreements, and other statutory and contractual provisions to protect our intellectual property.

We rely on a combination of intellectual property protection laws in the jurisdictions in which we operate and contractual arrangements (including confidentiality provisions) to establish and protect our proprietary technologies, know-how and other intellectual property rights. Our legal team is primarily responsible for protecting our intellectual properties. We proactively manage and expand our intellectual property portfolio and use regulations, policies, and confidentiality and non-compete agreements to protect our intellectual properties and trade secrets. Despite our efforts, we may be subject to risks associated with alleged infringements of third parties’ intellectual property rights, or infringements of our intellectual property rights by third parties. See “Regulatory Overview,” and “Risk Factors — Risks Relating to Our Business and Industry — If we are unable

BUSINESS

to protect, maintain or enforce our intellectual property rights adequately, our patents and other non-patented intellectual properties may be stolen or compromised, which could materially and adversely affect our results of operations, financial condition, business and prospects.”

As of December 31, 2025, we had over 180 registered patents in China, more than 110 registered software copyrights in China, approximately 13 registered trademarks in China, and three major domain names in use in China. For further details of the intellectual property rights that are material to our business operations, see “Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights” in Appendix IV to this document. During the Track Record Period and up to the Latest Practicable Date, we have not been involved in any material dispute and legal proceeding in relation to intellectual property rights.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received a number of awards and accolades in recognition of our brand and products. The following table sets out major awards and recognitions during the Track Record Period and up to the Latest Practicable Date:

Year	Award/Recognition	Issuing authority/organization
2025 and 2023 . . .	Technology Center of Shanghai Enterprises (上海市認定企業技術中心)	Shanghai Municipal Commission of Economy and Informatization (上海市經濟和信息化委員會)
2024	Shanghai High-Tech Achievement Transformation Projects (上海市高新技術成果轉化項目)	Shanghai Technology Entrepreneurship Foundation for Graduates (上海市科技創業中心)
2024	Headquarter of Shanghai Innovation Enterprises (上海市創新型企業總部)	Office of the Leading Group of Shanghai Municipality for Strategic Emerging Industries (上海市戰略性新興產業領導小組辦公室)
2022	First Prize of Anhui Science and Technology Award (安徽省科學技術一等獎)	People’s Government of Anhui Province (安徽省人民政府)
2022	Shanghai Design and Innovation Center (上海市設計創新中心)	Shanghai Municipal Commission of Economy and Informatization. (上海市經濟和信息化委員會)

MANUFACTURING AND PROCUREMENT

We adopt a fabless business model, focusing on integrated circuit design and outsourcing wafer fabrication to third-party foundries, thereby optimizing design efficiency and capital utilization.

During the Track Record Period, we mainly procured materials such as chips, wafers, KGD, packages, cover plates and other raw materials for chip production, as well as printed circuit board (“PCB”) bare boards, PCBA soldering, intellectual property cores (“IP Cores”), software and design services. Our procurement team determines purchasing needs based on departmental budgets and customer or distributor forecasts.

Our procurement and production process generally comprises four stages:

- Planning: departments prepare purchase requests in accordance with the Procurement Management Policy and obtain necessary approvals;
- Procurement: suppliers are evaluated and selected through a standardized process, and purchases are made pursuant to comprehensive consideration given to the production cycle and historical shipment volumes;

BUSINESS

- **Production and Testing:** wafers incorporating our circuit designs are fabricated by foundries, with subsequent packaging and final testing to qualified third parties;
- **Delivery and Inspection:** finished products are delivered by logistics service providers to our or customers’ designated warehouses and inspected against order specifications prior to acceptance.

OUR SUPPLIERS

We have established a robust supply chain that includes a diverse group of qualified suppliers admitted through our supplier selection and introduction processes. Our suppliers include manufacturers of various components and parts used in the production of our chip products.

Our suppliers are primarily third-party foundries, KGD providers, and packaging and testing service providers located in Chinese Mainland and Taiwan Province. In each year during the Track Record Period, our purchases from our five largest suppliers accounted for 79.6%, 80.6% and 85.5% of our total purchases in 2023, 2024 and 2025, respectively, while our purchase from the largest supplier accounted for 36.5%, 45.6% and 49.4% of our total purchases, respectively, for the same periods. See “Risk Factors — Risks Relating to Our Business and Industry — We depend on a few third-party foundries, which reduces our ability to control our manufacturing process.” During the Track Record Period, our suppliers generally granted us a credit term of 30 days.

Below is the breakdown of our five largest suppliers for each year during the Track Record Period, and their respective background information:

For the year ended December 31, 2023

Ranking	Supplier	Business background	Main products/ service purchased	Year of Commencement of Business Relationship with Us	Purchase Amount	Percentage of Total Purchase	Credit Terms
					(RMB in millions)		
1	Supplier A	A semiconductor contract chip foundry manufacturer headquartered in Taiwan, listed on the Taiwan Stock Exchange and with ADS listed on the NYSE.	Wafer and Mask	2017	386.1	36.5%	Shipment upon payment
2	*Supplier B	An electronic component distributor providing supply-chain services with headquarter in Taiwan and listed on the Taiwan Stock Exchange.	KGD-related Auxiliary Materials	2013	185.6	17.5%	30-day monthly settlement
3	*Supplier E	A semiconductor foundry with technology services and headquartered in Shanghai, China with shares listed on the HKEX and on the Shanghai Stock Exchange STAR Market.	Wafer and Mask	2013	109.3	10.3%	30-day monthly settlement

BUSINESS

Ranking	Supplier	Business background	Main products/ service purchased	Year of Commencement of Business Relationship with Us	Purchase Amount <i>(RMB in millions)</i>	Percentage of Total Purchase	Credit Terms
4	*Supplier C	A company providing IC packaging and testing services and headquartered in Ningbo, China with shares are listed on the Shanghai Stock Exchange STAR Market.	Semiconductor Packaging	2019	102.9	9.7%	30-day monthly settlement
5	*Supplier F	An IC aftermarket manufacturer with technology services and headquartered in Jiangyin, China with shares listed on the Shanghai Stock Exchange.	Semiconductor Packaging and Testing Service	2013	58.4	5.5%	45-day monthly settlement

* The supplier is a group consolidating the transaction amounts of entities within such group.

For the year ended December 31, 2024

Ranking	Supplier	Business background	Main products/ service purchased	Year of Commencement of Business Relationship with Us	Purchase Amount <i>(RMB in millions)</i>	Percentage of Total Purchase	Credit Terms
1	Supplier A	A semiconductor contract chip foundry manufacturer headquartered in Taiwan, listed on the Taiwan Stock Exchange and with ADS listed on the NYSE.	Wafer and Mask	2017	619.5	45.6%	Shipment upon payment
2	Supplier G	An IC design company listed on the Taiwan Stock Exchange.	KGD-related Auxiliary Materials	2024	136.6	10.1%	45-day monthly settlement
3	*Supplier E	A semiconductor foundry with technology services and headquartered in Shanghai, China with shares listed on the HKEX and on the Shanghai Stock Exchange STAR Market.	Wafer and Mask	2013	133.4	9.8%	30-day monthly settlement
4	*Supplier C	A company providing IC packaging and testing services and headquartered in Ningbo, China with shares are listed on the Shanghai Stock Exchange STAR Market.	Semiconductor Packaging	2019	123.6	9.1%	30-day monthly settlement
5	*Supplier B	An electronic component distributor providing supply-chain services with headquarter in Taiwan and listed on the Taiwan Stock Exchange.	KGD-related Auxiliary Materials	2013	81.1	6.0%	30-day monthly settlement

* The supplier is a group consolidating the transaction amounts of entities within such group.

BUSINESS

For the year ended December 31, 2025

Ranking	Supplier	Business background	Main products/ service purchased	Year of Commencement of Business Relationship with Us	Purchase Amount (RMB in millions)	Percentage of Total Purchase	Credit Terms
1	Supplier A	A semiconductor contract chip foundry manufacturer headquartered in Taiwan, listed on the Taiwan Stock Exchange and with ADS listed on the NYSE.	Wafer and Mask	2017	595.3	49.4%	Shipment upon payment
2	*Supplier E	A semiconductor foundry with technology services and headquartered in Shanghai, China with shares listed on the HKEX and on the Shanghai Stock Exchange STAR Market.	Wafer and Mask	2013	137.2	11.4%	30-day monthly settlement
3	*Supplier C	A company providing IC packaging and testing services and headquartered in Ningbo, China with shares are listed on the Shanghai Stock Exchange STAR Market.	Semiconductor Packaging	2019	124.6	10.3%	30-day monthly settlement
4	Supplier G	An IC design company listed on the Taiwan Stock Exchange.	KGD-related Auxiliary Materials	2024	117.1	9.7%	45-day monthly settlement
5	Supplier H	A semiconductor company with business in the sales of semiconductor products, and technical support, whose parent company is headquartered in Taiwan and listed on the Taiwan Stock Exchange.	KGD-related Auxiliary Materials	2014	57.1	4.7%	30-day monthly settlement

* The supplier is a group consolidating the transaction amounts of entities within such group.

To the best knowledge of our Company, all of our five largest suppliers during the Track Record Period were Independent Third Parties. None of our other Directors, their respective associates or any shareholder who, to the knowledge of such Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our top five suppliers during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any disruption to our business as a result of any significant shortage or delay in supply of the products we sourced from our suppliers. According to Frost & Sullivan, the global KGD market generally experienced a state of tight supply-demand balance in the fourth quarter of 2025, primarily driven by a surge in memory prices. Despite the tight supply of KGD, with our strategic pre-stocking of KGD, we did not experience any material supply shortages or delivery delays that resulted in production interruptions in 2025.

Relationship with Supplier A

During the Track Record Period, we primarily procured foundry-manufactured wafers and masks from Supplier A. Supplier A is a semiconductor contract chip foundry manufacturer headquartered in Taiwan and listed on the Taiwan Stock Exchange and with ADS listed on the NYSE. We started business collaboration with Supplier A in 2017. According to Frost & Sullivan,

BUSINESS

it is standard industry practice for fabless chip designer companies to engage with a select group of foundry partners, as well as chip testing and packaging suppliers, to maintain consistent product quality and streamline the management of manufacturing requirements. In 2023, 2024 and 2025, our purchases from Supplier A amounted to RMB386.1 million, RMB619.5 million and RMB595.3 million, respectively, representing 36.5%, 45.6% and 49.4%, respectively, of our total purchases for the same years. Given our substantial procurement of foundry-manufactured wafers and masks from Supplier A, any termination, disruption, or adverse modification of our relationships with Supplier A could result in operational or business interruptions. For further details, refer to “Risk Factors — Risks Relating to Our Business and Industry — We rely on a small number of suppliers. The loss of, or significant reduction in the selling from one or more of such suppliers could materially and adversely affect our business, financial condition and results of operations.”

We have broadened our procurement network by adding more wafer manufacturers and chip testing and packaging firms, while also deepening our partnerships with current suppliers. We recognize that there are other potential suppliers with the technical expertise to provide the same products as Supplier A does. According to Frost & Sullivan, there are over 50 wafer foundry alternative suppliers and over 100 packaging and testing alternative suppliers with comparable prices, product quality and specifications to achieve similar functions and comparable delivery time under reasonable commercial terms. As of December 31, 2025, we had three foundry suppliers and seven packaging and testing suppliers. Our Directors are of the view that our relationship with Supplier A is unlikely to materially adversely change or terminate, because (i) we have maintained a long-term and stable collaboration relationship with Supplier A, and (ii) during the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with Supplier A.

Meanwhile, we have collaborated closely with major chip packaging and testing partners and developed mature and stable packaging and testing processes.

Key Terms of Procurement Contracts with Our Five Largest Suppliers

We enter into framework agreements with our five largest suppliers except for Supplier A. Our business with Supplier A is conducted primarily through spot orders, enabling a transactional and as-needed engagement. According to Frost & Sullivan, it is industry norm that wafer foundries generally sign contracts with fabless companies on a project basis. Consistent with such practice, we issue purchase orders based on demand forecast. This approach offers greater flexibility in our procurement processes.

The key terms and conditions of our procurement framework agreements are summarized as follows:

- **Quality Requirements:** The supplier guarantees that all products comply with the applicable technical specifications, requirements, and quality standards.
- **Order Confirmation:** The supplier shall formally confirm our order promptly upon receipt. Amendments to order terms require our written confirmation.
- **Duration:** Framework agreements are effective for one to two years and are subject to automatic renewal unless a written request for change or termination is submitted by either party.
- **Procurement Authorization:** We are obligated to provide the supplier with a demand forecast. The supplier must provide us with sufficient advance notice before any product supplied is scheduled to be discontinued or its production reduced.
- **Liability:** In case of a breach, the supplier is liable for liquidated damages and must compensate us for any resulting losses, as stipulated in the framework agreements.

BUSINESS

SALES, MARKETING AND DISTRIBUTION

Our products are primarily sold through direct sales to certain customers upon request; however, we also conduct sales through distributors. During the Track Record Period and up to the Latest Practicable Date, we did not provide any sales rebates to our customers (including direct sales customers and distributors). We believe that consistently delivering high-quality products on time while meeting and exceeding customer expectations is the most effective approach to driving sales and marketing success. Accordingly, our efforts are centered on maintaining and expanding strategic relationships with both direct and indirect customers. The table below shows a breakdown of our revenue contribution by sales channels for the years indicated:

For the year ended December 31,						
	2023		2024		2025	
	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue
<i>(RMB in millions, except percentages)</i>						
Direct Sales	1,475.5	81.0	1,410.0	78.8	1,233.8	73.1
Distributors	346.9	19.0	380.0	21.2	454.4	26.9
Total	1,822.4	100.0	1,790.0	100.0	1,688.2	100

Revenue from direct sales decreased consecutively from RMB1,475.5 million in 2023 to RMB1,233.8 million in 2025. This decrease was primarily attributable to (i) the temporary inventory restructuring policy adopted by a major customer and (ii) a shift in the product mix — while overall market demand remained resilient, customer procurement concentrated more heavily on lower-priced products during the period, leading to a decline in total revenue generated from direct sales. On the other hand, revenue from distributors increased consecutively from RMB346.9 million in 2023 to RMB454.4 million in 2025. This growth was primarily driven by our proactive strategic initiatives to expand our market presence and acquire new customers through our distribution network, which also served to diversify our customer base and reduce revenue concentration from major direct-sales customers.

The table below sets forth a breakdown of gross profit and gross profit margin by sales channels for the years indicated:

For the year ended December 31,						
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
		(%)		(%)		(%)
<i>(RMB in millions, except percentages)</i>						
Direct Sales	554.5	37.6	510.1	36.2	434.8	35.2
Distributions	131.2	37.8	156.5	41.2	182.5	40.2
Total	685.7	37.6	666.6	37.2	617.3	36.6

Gross profit from direct sales decreased consecutively from RMB554.5 million in 2023 to RMB434.8 million in 2025. The decline in gross profit was primarily driven by the shift in the product mix, with an increased sales concentration of lower-priced products, which resulted in a lower overall gross profit contribution from the direct sales channel. Gross profit from distributors increased consecutively from RMB131.2 million in 2023 to RMB182.5 million in 2025, which was generally in line with the revenue growth.

BUSINESS

Direct Sales

Our main direct sales customers are leading companies in the intelligent IoT industry. We generally enter into framework agreements with our major customers, with actual price and volume specified in individual purchase orders. The terms of these agreements vary depending on the specific product or project and the result of our negotiation with each customer, but these agreements generally contain the following terms:

- **Procurement Authorization:** Customers must place purchase orders in advance based on our production cycle. They must also provide rolling demand forecast data periodically to facilitate our planning.
- **Transfer of Risks:** Transfer of risk to the buyer may happen either upon shipment or delivery.
- **Duration:** Framework agreements are effective for a specified period and are subject to automatic renewal unless a written request for change or termination is submitted by either party.
- **Quality Requirements:** We guarantee products comply with mutually confirmed sealing samples, drawings, and technical requirements. Customers reserve the right to reject products that fail their incoming inspection.
- **Credit Terms:** Transactions are generally delivery upon payment or payment before delivery.
- **Termination:** The agreement may be terminated if a party breaches its obligations and fails to remedy the breach after receiving notice, or if either party faces significant adverse events such as bankruptcy or license revocation.

Distributorship

In addition to direct sales, we also utilize a distribution model for sales to small-to-medium sized customers, relying on our distributors in various fields to conduct promotion, sales forecasting, order fulfillment, stocking, and delivery. We work with distributors to handle sales and delivery because our products serve many different customers with unique needs. Distributors manage invoices, shipping, and payments, allowing us to focus on designing better chips. With strong distributor partners, we reach more customers and respond faster to market demands. According to Frost & Sullivan, the distribution model aligns with standard practice in the semiconductor industry.

Our relationships with our distributors are as seller and buyer. They buy products from us and then resell them to end customers. Revenue is recognized upon acceptance of the products. Since we adopt a “payment before shipment” model for all of our distributors, we have no accounts receivable from them. In addition, we do not adopt a cannibalization strategy. During the Track Record Period, none of our distributors used sub-distributors for our products.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all our distributors were Independent Third Parties. Besides the ordinary course distribution arrangement with us, there was no employment, financing or family relationship between the distributors and us. During the Track Record Period and up to the Latest Practicable Date, we have had no material unresolved disputes or lawsuits with our distributors.

BUSINESS

The following table sets forth the total number of our distributors as of the dates indicated and the movements during the Track Record Period:

	For the year ended December 31,		
	2023	2024	2025
Distributors as of the beginning of the year/period	6	6	6
– Addition of new distributors	1	0	4
– Terminated distributors	1	0	0
Distributors as of the end of the year/period	6	6	10

Management of Distributors

We maintain internal processes for selecting our distributors to ensure they meet our standards and align with our strategic goals. For instance, we may consider the following factors:

- Distributor’s general background, including their business scale, financial strength, industry experience, local network, geographical coverage and customer service.
- Distributor’s product synergy including no conflicts with existing portfolio, and potential synergies to enhance customer solutions.
- Distributor’s capability to provide comprehensive solutions by combining products to meet diverse customer needs.
- Distributor’s systematic management capabilities including well-established data infrastructure and advanced sales analytics.

We maintain rigorous oversight of our distributor network to ensure effective market coverage and prevent channel conflicts:

- We grant no exclusive distribution rights.
- We track distributors’ downstream activities via biweekly POS and inventory reports for product flow/market demand insights, with dedicated sales assistants managing all data in our secure system.
- We allow one order adjustment per production cycle, and penalize unperformed orders by forfeiting deposits and lowering credit ratings.
- We encourage distributors to hold one to two months of inventory for proper stock levels. Upon delivery of the goods to the distributors, the risk of perishing or damage and obligations to bear costs associated with the goods will pass from us to the distributors. We do not monitor or control distributors’ inventory levels.
- We generally do not require a minimum purchase amount or a minimum sales target from our distributors.

Contractual Arrangement with Distributors

The table below sets forth the key terms of our distribution agreements:

- Duration: Generally valid for one year.

BUSINESS

- **Procurement Authorization:** Distributors place orders in advance and provide regular demand forecasts. Both parties coordinate in case of supply adjustments.
- **Order Forecast:** Distributors are required to submit order forecasts to us regularly.
- **Credit Terms:** Distributors are generally required to make prepayments or full settlement before delivery.
- **Selling Price:** We typically provide guiding prices to our distributors based on market conditions. Distributors shall not change the prices without our consent.
- **Returns and Exchanges:** Generally, no product return is accepted.
- **Sales Territory:** Distributors are authorized to sell our products only within designated regions.
- **Sub-distributors:** Our distribution agreements contain specific restrictions on subcontract, delegation or assignment of contractual obligations to third parties. During the Track Record Period, none of our distributors engaged any sub-distributors for the distribution of our products.
- **Termination:** Either party may terminate the agreement in the event of breach or if the other party has filed for bankruptcy or has been filed for bankruptcy by another party, or has had its business license revoked or its assets seized or frozen.

Our Marketing Strategies

Our marketing work is coordinated and led by the marketing department, which mainly participates in important domestic and international industry exhibitions, holds new product launches to enhance brand exposure and product influence. Focusing on smart IoT, a key area, we also collaborate closely with ecosystem partners to jointly promote multi-dimensional marketing activities. These include jointly hosting product launches. Through these activities, we not only strengthen collaboration with partners but also effectively expand product awareness and acceptance in various application scenarios, helping to achieve broader market coverage and business growth.

Pricing

As an IC design company, our pricing strategy is closely aligned with the inherent cyclical nature of the semiconductor industry and the dynamics of supply and demand. Beyond industry trends, our pricing is determined by a combination of factors, including product development and manufacturing costs, market competition, customer relationships, order size, and our target profit margins. During the Track Record Period and as of the Latest Practicable Date, there were no governmental regulatory pricing guidelines applicable to us.

For standard and widely used products, we employ a market-driven pricing strategy designed to ensure competitiveness while sustaining reasonable profitability. For advanced and differentiated offerings, pricing is determined based on the added value and technical complexity, in line with our objective of securing robust returns on investment. In highly competitive markets, we may strategically adjust prices to prioritize market share growth, volume expansion, or other long-term goals.

BUSINESS

Customer Service

We offer full technical support for software, hardware, and image debugging via the after-sales system. We handle from design to delivery and can tailor solutions to meet varied customer needs.

To maintain service quality, we use a customer issue tracking platform that collects and processes feedback throughout product development and production. Technical support engineers manage issues end-to-end for fast resolution, with recurring problems added to a knowledge base for future improvements. Our blend of standardized and personalized service aims to enhance customer experience and support reliable product performance.

OUR CUSTOMERS

Our Major Customers

Our customers include major IoT companies and reputable distributors. In each year during the Track Record Period, our revenue generated from our five largest customers accounted for 91.1%, 88.4% and 82.5% of our total revenue in 2023, 2024 and 2025, respectively, while our revenue generated from the largest customer accounted for 71.4%, 66.7% and 56.3% of our total revenue, respectively, for the same years. See “Risk Factors — Risks Relating to Our Business and Industry — A substantial portion of our revenue has been derived from a small number of customers. The loss of, or significant reduction in the purchases by, one or more of such customers could materially and adversely affect our business, financial condition and results of operations.” During the Track Record Period, we generated most of our revenue from Chinese Mainland, while also sold to other countries and regions which mainly include Hong Kong and Southeast Asia. During the Track Record Period, we generally required our customers to make payment prior to delivery.

Our direct sales customers and distributors place orders with us for the purchase of our products. Most of our customers do not have return rights except for warranty provisions. We typically only accept product returns due to product defects. We provide a warranty period of up to two years, and product returns and exchanges should be made within the warranty period. According to Frost & Sullivan, our products return policy is in line with industry practice. During the Track Record Period, we experienced product returns of RMB0.7 million, RMB0.3 million and RMB1.1 million from direct sales customers, accounting for 0.04%, 0.01% and 0.07% of our total revenue in 2023, 2024 and 2025, respectively and there were no products returns from our distributors during the Track Record Period.

Below is the breakdown of our revenue derived from our five largest customers for each year and period of the Track Record Period, and their respective background information:

BUSINESS

For the year ended December 31, 2023

Ranking	Customer	Business background	Products Purchased from Us	Year of Commencement of Business Relationship with Us	Revenue (RMB in millions)	Percentage of Total Revenue	Credit Terms	Type of Customers	Purchase Costs Attributed to the Customer (RMB in millions)	Purchase Costs Attributed to the Customer as % of Our Total Purchase Costs	Nature of Purchase Made by Us from the Customer
1	*Customer A	A company in video security and AIoT, headquartered in Hangzhou, China with shares listed on the Shenzhen Stock Exchange.	smart video chips, smart IoT chips, smart mobility chips technical services	2011	1,301.6	71.4%	60-day monthly settlement	Direct sales customer	-	-	-
2	*Customer B	A company in agency sales of chips and the development and promotion of application solutions, headquartered in Shenzhen, China.	smart video chips, smart IoT chips, and smart mobility chips	2017	258.3	14.2%	Shipment upon payment	Distributor	0.0	0.0%	IC procurement
3	*Customer D	A company engaged in electronic components authorized distribution and providing supply chain, technical support, and solutions, headquartered in China.	smart video chips, smart IoT chips, and smart mobility chips	2022	55.2	3.0%	Shipment upon payment	Distributor	2.4	0.2%	IC procurement
4	Customer E	A company selling electronic products, headquartered in Shanghai, China.	Wafers	2016	25.2	1.4%	Cash on delivery	Direct sales customer	-	-	-
5	*Customer F	A company engaged in the R&D, production, and application solutions of high-quality motion control products, headquartered in China.	smart video chips and smart mobility chips	2016	19.7	1.1%	Shipment upon payment	Distributor	0.4	0.0%	IC procurement

* The customer is a group consolidating the transaction amounts of entities within such group.

BUSINESS

For the year ended December 31, 2024

Ranking	Customer	Business background	Products Purchased from Us	Year of Commencement of Business Relationship with Us	Revenue (RMB in millions)	Percentage of Total Revenue	Credit Terms	Type of Customers	Purchase Costs Attributed to the Customer (RMB in millions)	Purchase Costs Attributed to the Customer as % of Our Total Purchase Costs	Nature of Purchase Made by Us from the Customer
1	*Customer A	A company in video security and AIoT, headquartered in Hangzhou, China with shares listed on the Shenzhen Stock Exchange.	smart video chips, smart IoT chips, smart mobility chips technical services	2011	1,193.9	66.7%	60-day monthly settlement	Direct sales customer	7.7	0.6%	Technical services and vision products
2	*Customer B	A company in agency sales of chips and the development and promotion of application solutions, headquartered in Shenzhen, China.	smart video chips, smart IoT chips, and smart mobility chips	2017	284.0	15.9%	Shipment upon payment	Distributor	0.0	0.0%	IC procurement
3	*Customer D	A company engaged in electronic components authorized distribution and providing supply chain, technical support, and solutions, headquartered in China.	smart video chips, smart IoT chips, and smart mobility chips	2022	48.7	2.7%	Shipment upon payment	Distributor	0.1	0.0%	IC procurement
4	*Customer F	A company engaged in the R&D, production, and trading of electronic products, headquartered in China.	smart video chips and smart mobility chips	2016	33.6	1.9%	Shipment upon payment	Distributor	-	-	-
5	Customer G	A company engaged in digital technology research and development, wholesale of security equipment and system engineering services, headquartered in Shenzhen, China.	smart video chips and smart IoT chips	2023	22.3	1.2%	Shipment upon payment	Direct sales customer	-	-	-

* The customer is a group consolidating the transaction amounts of entities within such group.

BUSINESS

For the year ended December 31, 2025

Ranking	Customer	Business background	Products Purchased from Us	Year of Commencement of Business Relationship with Us	Revenue (RMB in millions)	Percentage of Total Revenue	Credit Terms	Type of Customers	Purchase Costs Attributed to the Customer (RMB in millions)	Purchase Costs Attributed to the Customer as % of Our Total Purchase Costs	Nature of Purchase Made by Us from the Customer
1	*Customer A	A company in video security and AIoT, headquartered in Hangzhou, China with shares listed on the Shenzhen Stock Exchange.	smart video chips, smart IoT chips, smart mobility chips technical services	2011	951.0	56.3%	60-day monthly settlement	Direct sales customer	6.2	0.5%	Technical services and sweeping robot
2	*Customer B	A company in agency sales of chips and the development and promotion of application solutions, headquartered in Shenzhen, China.	smart video chips, smart IoT chips, and smart mobility chips	2017	310.3	18.4%	Shipment upon payment	Distributor	0.0	0.0%	Electronic device
3	*Customer F	A company engaged in the R&D, production, and trading of electronic products, headquartered in China.	smart video chips, smart IoT chips, and smart mobility chips	2016	55.4	3.3%	Shipment upon payment	Distributor	-	-	-
4	*Customer D	A company engaged in electronic components authorized distribution and providing supply chain, technical support, and solutions, headquartered in China.	smart video chips, smart IoT chips, and smart mobility chips	2022	43.3	2.6%	Shipment upon payment	Distributor	0.1	0.0%	Electronic device
5	Customer G	A company engaged in digital technology research and development, wholesale of security equipment and system engineering services, headquartered in Shenzhen, China.	smart video chips and smart IoT chips	2023	33.2	2.0%	Shipment upon payment	Direct sales customer	-	-	-

* The customer is a group consolidating the transaction amounts of entities within such group.

BUSINESS

Ms. Chen belongs to our Single Largest Shareholder Group and held approximately 13.2% of the issued share capital of our Company as of the Latest Practicable Date. Ms. Chen and her spouse, Mr. Gong Hongjia, respectively held approximately 1.6% and 10.5% of the equity interest in Customer A, which was our largest customer during the Track Record Period. According to the Listing Rules, Customer A is not a connected person of our Company. Save as disclosed above, to the best knowledge of our Directors, all of our top five customers during the Track Record Period were Independent Third Parties and none of our Directors, their close associates or any Shareholder (who, to the knowledge of the Directors, owns more than 5% of the issued shares of our Company) had any interest in any of our five largest customers during the Track Record Period.

Relationship with Customer A

During the Track Record Period, we sold a substantial portion of our products to Customer A. Customer A is a listed company on the Shenzhen Stock Exchange engaged in video security and AIoT. It is headquartered in Hangzhou, China. We have maintained a close relationship with Customer A since 2011, representing over 14 years of stable and continuous cooperation. In 2023, 2024 and 2025, revenue generated from Customer A amounted to RMB1,301.6 million, RMB1,193.9 million and RMB951.0 million, accounting for 71.4%, 66.7% and 56.3% of our total revenue in the respective years. The decline in revenue contribution from Customer A from 2023 to 2024 was primarily driven by their strategic inventory restructuring initiatives. This focus on inventory optimization is evidenced by the improvement in their efficiency metrics: Customer A’s inventory turnover days decreased from 140 days in 2023 to 135 days in 2024. In 2025, we acquired new end customers and diversified our end customer base which led to a further decline in revenue contribution from our Customer A.

Our long-standing relationship with Customer A is characterized by synergy and mutual benefit. Customer A relies on our product quality to support their IoT product offerings, while we benefit from the scale, stability, and collaborative opportunities that this long-term relationship provides. Customer A manages over 30,000 hardware products and requires platform continuity. By collaborating early in chip definition, we help them maximize software and hardware reuse. This co-design approach streamlines R&D, accelerates development, lowers maintenance costs, and strengthens their product adaptability against competitors. After over a decade of collaboration, we have built an efficient workflow that supports every step of chip and product development. This strong partnership ensures Customer A’s ongoing progress and sets a high bar for new competitors, as our trusted process is not easily matched. In addition, we have deeply internalized Customer A’s specific preferences and standards into our ISP module construction. By aligning with their visual requirements starting from the underlying algorithms, we have accumulated proprietary “know-how” that constitutes a competitive advantage in image processing that standard market solutions cannot match. During the Track Record Period, we have consistently delivered high-quality IC products and solutions that meet Customer A’s stringent requirements and have participated in joint development initiatives that have strengthened our relationship. The longevity and depth of this relationship, combined with the high switching costs associated with our integrated solutions, provide us with confidence in the relationship’s continued stability. As such, nothing causes us to believe that our relationship with Customer A will terminate or materially deteriorate in the near future. Nevertheless, we recognize the importance of customer diversification and will continue to implement a strategy to expand our customer base. We are expanding our commercial footprint into new geographic regions to capture emerging market opportunities, thereby significantly enlarging our addressable customer base. Concurrently, we have identified and secured contracts with new customers to further broaden our revenue streams. See “— Our Strategies.”

During the Track Record Period and up to the Latest Practicable Date, we did not have any disputes with any of our five largest customers in each year of the Track Record Period, and currently there is no indication or sign that they will alter the existing relationship with us in any aspect in the near future.

BUSINESS

Key Terms of Framework Agreement with Customer A

We have entered into framework agreements with our direct sales customer, Customer A. A majority of our five largest customers are distributors, with whom we enter into distribution agreements. See “— Sales, Marketing and Distribution — Distributorship.” The key terms and conditions of our framework agreements with Customer A are summarized as follows:

- Demand Forecast: Customer A provides periodic demand forecasts to facilitate our production planning. Such forecasts are for reference only and do not constitute binding purchase commitments.
- Procurement Authorization: Customer A issues purchase orders from time to time at its discretion, and we confirm acceptance in accordance with agreed procedures.
- Quality Requirements: Customer A may inspect and accept delivered products, and all goods are warranted to meet the required quality and technical specifications.
- Termination: The agreement remains in effect for a fixed term and may be automatically renewed except for being terminated by either party by notice.
- Liability: We are responsible for any losses, liquidated and punitive damages arising from product quality issues or non-performance under the framework agreement and quality assurance agreement.

OVERLAPPING OF MAJOR SUPPLIERS AND CUSTOMERS

In 2023, 2024 and 2025, to the best knowledge and belief of our Directors, none of our top five suppliers were also our customers in the respective years. See “— Our Suppliers.”

In 2023, 2024 and 2025, to the best knowledge and belief of our Directors, one, three, and three of our top five customers was also our supplier in the respective years. During the same years, our purchases from such customers amounted to RMB2.8 million, RMB7.8 million, and RMB6.3 million, accounting for 0.3%, 0.6%, and 0.5%, respectively, of our total purchases, and our revenue generated from such customers accounted for 18.3%, 85.3% and 77.3%, respectively, of our revenue. During the Track Record Period, the products we provided to such customers mainly included chips, and the nature of our purchases from them mainly included robot vacuum cleaners, cameras, as well as technical services. In 2024 and 2025, we purchased technical services from Customer A to develop AI algorithms that enhance chip functions in smart IoT use scenarios. See “— Our Customers.” Our sales to and purchases from such customers are not inter-conditional upon each other. The pricing and other terms of contracts that we entered into with such customers are substantially the same as those we enter into with other customers and suppliers for similar products and services. According to Frost & Sullivan, it is not uncommon to have overlapping customer/supplier in the chip design industry.

COMPETITION

We operate in a competitive market characterized by rapid technological evolution and diverse customer demands. The top three players in the global smart vision processing chip market occupied 56% of the global market share by the revenue in 2024. The competitive landscape is shaped by factors such as technological advancement, industry growth, production capacity and overall economic conditions. Our competition mainly centers on product innovation, performance, cost-efficiency and market responsiveness. We have developed a comprehensive product portfolio and solution capabilities covering core products such as IPC SoC chips, ISP chips and XVR SoC chips, forming a complete technology chain that supports our continued competitiveness.

BUSINESS

We have established a strong position in the global smart vision IC market. According to Frost & Sullivan, in 2025, in the end-side smart vision processing chip market, we ranked first globally by shipments with 153.5 million units, and first by revenue in China’s market for end-side smart vision processing chips and ranked as the world’s second largest provider of smart vision processing chips in terms of revenue, with a total of US\$201.7 million. Our success is built on our continuously leading chip design and R&D capabilities, which allow us to innovate and adapt to market trends like resolution upgrades and heterogeneous computing. Furthermore, we have developed robust supply chain management and collaboration, ensuring stable production and delivery. We remain focused on enriching our product portfolio, embracing our global customers, and strengthening our position as a world-leading vision AI SoC solution provider to maintain and enhance our competitive position in the market.

QUALITY MANAGEMENT

Our quality management policy prioritizes quality, customer satisfaction, and innovation. We aim to meet customer and legal requirements while continuously improving service. By systematically identifying risks and opportunities, we ensure our processes remain adaptable and effective.

During the establishment, implementation, and improvement of the quality management system, we maintain a customer-centric approach, with the General Manager fully responsible for promoting a customer-oriented culture. We fully incorporate customer needs, opinions, and expectations into every aspect ensuring continuous improvement to meet customer requirements. We prioritize meeting customer and legal requirements and strive to enhance customer satisfaction. By systematically identifying risks and opportunities, we ensure our processes adapt and improve. As outlined in our Quality Manual:

- Customer opinions, needs, and expectations shall be fully considered in system planning, quality policy formulation, project implementation, and quality issue handling.
- Requirements related to products, services, and customer satisfaction shall be effectively implemented and achieved.
- Meetings with customer representatives or customer visits shall be organized at least once a year to solicit opinions on product and service quality and their improvement.

In the event of product quality issues, we may be exposed to product liability claims from downstream end-customers. Quality issues are generally related to supporting software defects and defects inherent in the chips.

- Software-related issues: These are addressed by our software development engineers, who liaise directly with customers to troubleshoot and resolve the specific technical problems.
- Chip-related defects: Our quality control department leads the investigation in the cause of defective products escaping detection and develop corrective improvement measures.

Our Product Engineering Department is responsible for developing a Returned Product Disposition Plan based on the identified failure cause, determining the handling method for returned items (such rework, re-inspection, downgrade for use, or scrapping), while our Quality Department is responsible for coordinating with the customer to agree on the disposition method, such as return for rework, return for re-inspection, replacement, or return and refund.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material customer complaints relating to product quality, and we had not experienced any material product recalls, returns or exchanges due to product defects.

BUSINESS

INVENTORY MANAGEMENT

Regarding inventory management, our supply chain department is committed to optimizing inventory levels through scientific planning and dynamic adjustments. Taking into account multiple factors, including production and operation plans, market supply and demand, raw material price trends, delivery cycles, and minimum inventory levels, the department rationally determines the procurement quantities, timing, and batches for various materials to ensure supply chain stability and responsiveness, while also controlling inventory costs and preventing overstocking risks.

In managing raw and auxiliary material inventory, the supply chain department formulates production plans based on the forecast, which is updated at the start of each month. Given that procurement cycles for key materials such as wafers and DDR are relatively long, the department schedules production accordingly. In the event of fab capacity constraints, procurement cycles will be adjusted as needed, and customers will be proactively notified of production delays. Furthermore, a certain amount of safety stock, beyond what is required for the normal production cycle, is maintained to mitigate the risks of supply fluctuations.

To manage inventory for outsourced products, the supply chain department provides a rolling forecast to partnering packaging and testing factories. This enables them to plan ahead and reserve appropriate production capacity. Furthermore, a certain amount of safety stock of finished goods is typically maintained. This allows for flexible response to temporary increases in customer demand. It also effectively mitigates the uncertainty associated with production cycle changes in the packaging and testing process, ensuring supply continuity and customer satisfaction.

In addition to procurement planning, we enforce strict storage and physical control protocols. We ensure all inventory is stored in an orderly and sanitary manner, with specific bin cards recording item codes, specifications, and expiry dates. To ensure accuracy, the finance department oversees annual stock-takes, while the supply chain department performs semi-annual written reconciliations. Any identified discrepancies or damages are subject to mandatory verification by responsible personnel and senior management review.

We actively manage the lifecycle of our stock. For inventory aged over one year, the supply chain department leads regular reviews to formulate clearance plans. Concurrently, the finance department assesses provisions for impairment and monitors overall management efficiency to accurately reflect asset value.

DATA PRIVACY AND SECURITY

Data privacy and cybersecurity have become important governance considerations for companies globally. PRC legislative and governmental bodies frequently update cybersecurity, data security, and privacy laws and regulations. As a result, our practices regarding the collection, process and transfer of various types of data may come under increased administrative scrutiny.

We collect and store business, management and transaction data generated during or in connection with our business operations, including data related to our business and transactions with our customers, suppliers and other relevant parties. Our customers are institutional customers rather than natural person end-users. We generally do not engage in the collection, use, sharing, storage, provision or processing of end-users’ personal information. In the ordinary course of business, we from time to time collect personal information, typically limited to names and contact telephone numbers of our customers and suppliers, primarily for the purpose of communication and contact. All data collected by us in Chinese mainland in the course of our business operations have been stored within Chinese mainland. During the Track Record Period and up to the Latest Practicable Date, our operation does not involve the transmission of personal information from China to overseas, nor does it involve any cross-border transaction of data.

BUSINESS

We have a data security system in place, supported by security tools such as firewalls, internet behavior management, network access controls, data loss prevention, log management, and vulnerability scanning. This layered defense enables proactive prevention, real-time incident alerts, and post-event accountability. Our IT departments manage the development and implementation of cybersecurity and data security policies.

We have established a Computer and Network Management Policy, a Personal Information Protection Management Policy, a Data Security and Backup Management Policy and a Cybersecurity Management Policy in compliance with PRC laws, supported by governance, technical and management measures such as data encryption, access control, system monitoring, and regular security audits, to ensure the lawful, secure, and transparent processing of personal information throughout its entire lifecycle.

To the best knowledge of our Directors, during the Track Record Period, we have complied with all applicable laws and regulations relating to cybersecurity and data protection in all material respects.

EMPLOYEES

Our future success will depend, in part, on our ability to continue to attract, retain and motivate highly qualified technical and management personnel. As of December 31, 2025, we had a total of 543 full-time employees. The following is a breakdown of our employees by function as of the dates indicated:

	As of December 31, 2025
R&D	417
Sales and Marketing	66
IT, Finance and Administration	43
Others (including supply chain, quality control, listing department and so on)	17
Total	543

As required by PRC laws and regulations, we participate in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing fund plans through a PRC government-mandated benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time.

We typically enter into standard employment agreements and confidentiality agreements or clauses with our senior management and core personnel. We believe that we have good employment relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes, labor disputes or other action which had a material adverse effect on our business and operations.

INSURANCE

We maintain insurance policies that are required under the laws and administrative regulations of the jurisdiction where we operate as well as based on our assessment of our operational needs and industry practice. In compliance with the applicable PRC laws and regulations, we provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees. We believe that our

BUSINESS

existing insurance coverage is adequate for our business operations and is in line with industry standards in the countries in which we operate. Nevertheless, we may be exposed to claims and liabilities which exceed our insurance coverage. See “Risk Factors — Risks Relating to our Business and Industry — Our insurance coverage may not completely cover the risks related to our business and operations.”

During the Track Record Period and up to the Latest Practicable Date, we did not make and were not the subject of, any insurance claims which are material to our business or financial condition.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Overview

We will adhere to the Corporate Governance Code and the Environmental, Social and Governance Reporting Code to the Listing Rules, and fully comply with all applicable ESG-related laws and regulations. We will also annually disclose our progress in material ESG matters, risk management, target implementation, and performance. We firmly believe that excellent ESG practices are not only an important measure of our long-term value but also our core commitment to contributing to a sustainable future as a responsible corporate citizen.

Compliance Management

We have established a top-down ESG management structure to ensure that the Board ultimate oversight responsibility for ESG matters is effectively integrated into daily operations. In addition, we have engaged a third-party consulting firm to conduct stakeholder research, assist with internal and external materiality assessments, develop data collection templates, collect information for ESG report preparation, and provide guidance and solutions to address issues identified during the ESG data collection process. The specific ESG management framework covers the following responsibilities:

- **Strategic and ESG Committee:** We established the Strategic and ESG Committee under the Board. The Strategic and ESG Committee reports directly to the Board and focuses on researching our long-term development strategy and major investment decisions. The Committee provide recommendations to the Board and actively fulfill our responsibilities and obligations in environmental, social, and governance aspects to support sustainable operation and business development process.
- **ESG Working Group:** We have established an ESG Working Group under the supervision of Strategic and ESG Committee. We will require the ESG Working Group and any third-party consultants to discuss all material ESG issues, materiality assessments, data and information, policy decisions, and annual reports before submitting them to the Strategic and ESG Committee. After the Committee reviews and confirms these matters, the committee secretary reports to the Board for final approval.

To support the effective operation of the aforementioned management framework, we have established and continuously improved an internal policy system covering the environmental, social, and governance dimensions. This system provides strong safeguards to ensure our operations run smoothly:

- **Environmental:** We have formulated policies covering energy conservation, emission reduction, resource utilization, and green office practices. We are committed to integrating low-carbon and environmental protection concepts into our operations and supply chain management.

BUSINESS

- **Social:** We have policies that cover employee rights and interests, health and safety, career development, supply chain management, and other key areas. We are committed to creating a fair, safe, and engaging workplace and fostering shared growth with our partners.
- **Corporate Governance:** We have established comprehensive anti-fraud management measures and internal control systems covering data and information security. Through regular training and strong supervision mechanisms, we ensure we adhere to the high standards of integrity and compliance in all business operations.

We have formally incorporated material ESG risks, particularly climate-related risks, supply chain risks, and data security risks, into our comprehensive risk management framework. We systematically identify, assess, monitor, and report these risks.

Risk Management and Strategies

Recognizing the importance of environmental protection for sustainable business, we integrate green principles throughout our IC design operations as a fabless company. While not directly engaged in high energy segments like wafer manufacturing, we prioritize eco-friendly innovations in chip design and R&D, optimizing architectures, reducing power use, and improving integration to boost energy efficiency. Energy efficiency metrics are built into product development, supporting the adoption of low-power solutions across consumer, automotive, and industrial sectors, and encouraging reduced energy use and carbon emissions downstream.

We have also enhanced risk management by establishing protocols for environmental risks, preparing contingency plans for emergencies, conducting regular safety drills, and monitoring regulatory developments to maintain compliance. Climate-related risks are now incorporated into our long-term strategy.

We identified material risks and implemented strategies to address them:

Material risks we identified	Potential impacts of the material risks identified	Our risk management strategies
Compliance operations and risk management .	Failure to strictly comply with laws, regulations, and regulatory requirements may lead to administrative penalties, reputational damage, and business disruption.	We have established a comprehensive compliance management system, and developed internal control policies and risk management processes.
Intellectual property protection	Infringement of IP rights or insufficient IP protection may lead to technology leakage, reduced market competitiveness, loss of market share, and significant economic losses.	We implement a comprehensive IP strategy, improve IP management systems, provide internal IP training, monitor potential infringements, and promptly take legal action to safeguard our rights.
R&D and Innovation.	Rapid technological iteration in the semiconductor industry and insufficient innovation capability may weaken competitiveness and reduce market share.	We uphold innovation as our core driving force, maintain continuous investment in R&D, and regularly evaluate the strategic alignment of R&D projects.
Product quality and safety	Failure to meet product performance or reliability standards may lead to customer product failures, triggering large-scale recalls, customer loss, claims, and severe brand reputation damage.	We regard quality as paramount, establishing rigorous design verification and testing processes, and ensuring product performance and reliability meet standards that full lifecycle quality control and supplier evaluation.

BUSINESS

Material risks we identified	Potential impacts of the material risks identified	Our risk management strategies
Data security and customer privacy protection	Data breaches, misuse, or system attacks may undermine customer trust and disrupt business operations, potentially resulting in severe legal liabilities, a crisis of trust, and reputational collapse.	We practice the principle of “Security by Design,” establish an information security management system, implement system security protection, enforce access control, provide regular security training, and define “data owner” responsibilities.
Supply chain security	Any geopolitical conflicts, capacity shortages, or operational or compliance issues of partners may cause supply chain disruptions, significantly impacting our product delivery and business continuity.	We adopt a strategic and diversified supply chain management approach, establish supplier onboarding and offboarding mechanisms, and evaluate suppliers’ technical capacity, delivery performance, and ESG practices to ensure a stable and reliable supply chain.
Water resource management.	Improper use of water resources may lead to environmental risks, regulatory pressure and social reputation impact.	We are committed to optimizing water resource management, formulating relevant policies, improving water use efficiency, promoting water conservation and recycling.

Environmental Governance

To fulfill our environmental and social responsibilities, we have set the following environmental goals and indicators as well as action plans to be implemented to achieve the expected results:

Category	Key Performance Goals	Environmental Goals	Indicators	Action Plans
Environmental Management . . .	Environmental Management Targets	Integrate green and low-carbon principles into operations and strategy; continuously reduce environmental impact and build a responsible corporate image	– 100% policy update & training completion – At least one annual internal environmental review	– Hold quarterly ESG environment meetings and report annually to senior management – Conduct annual environmental compliance training for key staff
GHG Emissions . . .	Emission Reduction Targets	Reduce operational carbon footprint (Scope 1 & 2) and prepare for Scope 3 management	– Scope 1&2 emission intensity: 0.0013 by 2030, 0.001 by 2060 (tCO₂e/RMB10,000 revenue) – Increase share of purchased green electricity	– Maintain annual GHG inventory and tracking system – Set and monitor annual reduction targets – Prioritize green power procurement
Resource Management . . .	Resource Efficiency Targets	Improve energy and water use efficiency	– Reduce total and per capita electricity/water use by 1% annually – >90% coverage of high-efficiency equipment	– Analyze energy use across facilities and implement efficiency upgrades – Install water-saving devices and conduct leak inspections
Waste Management . . .	Waste Reduction Targets	Minimize waste via source reduction, sorting, recycling, and compliant disposal	– Reduce per capita office waste by 0.5 kg/year – 100% compliant disposal of hazardous waste – 100% recycling of non-hazardous waste	– Promote paperless office and double-sided printing – Provide clear waste sorting bins – Partner with licensed vendors for compliant hazardous waste disposal

BUSINESS

Climate Change and Response

We are deeply committed to addressing global climate change by embedding green and low-carbon principles into our daily management practices. Our business activities do not encompass high energy-intensive manufacturing processes; the majority of our greenhouse gas (GHG) emissions result from purchased electricity for office operations (Scope 2) and limited fuel usage by company vehicles (Scope 1).

We strive to align with global climate goals, promoting sustainable development and environmental protection. Our carbon emission data are as follows:

	For the year ended December 31,		
	2023	2024	2025
Scope 1 GHG emissions (tCO ₂ e)	2.47	1.45	1.29
Scope 2 GHG emissions (tCO ₂ e)	1,122.47	1,167.36	1,245.63
Total GHG emissions (Scope 1 + Scope 2) (tCO ₂ e)	1,124.94	1,168.82	1,246.92
GHG emission intensity (tCO ₂ e/RMB10,000 revenue)	0.0062	0.0065	0.0074

Note: We have not yet included our Scope 3 greenhouse gas emissions, but we are in the process of improving our Scope 3 emissions accounting system and will gradually cover our business’s upstream and downstream activities. We expect to include our Scope 3 greenhouse gas emissions around the year of 2028.

In comparison with industry peers on ESG performance and metrics, our combined Scope 1 and Scope 2 greenhouse gas emission intensity stands at 0.74 tCO₂e per RMB million of revenue in 2025, which is lower than the industry peer average of 19.28 tCO₂e per RMB million of revenue. During the Track Record Period, our Scope 1 and Scope 2 GHG emission intensity showed a gradual upward trend, primarily driven by business growth and increased operational scale. However, this increase was modest and did not constitute a significant fluctuation. We continue to monitor its environmental footprint and implement measures to improve energy efficiency and reduce emission intensity over time.

Resource Management

Our resource consumption primarily arises from regular electricity and water usage within offices and R&D centers.

From a strategic perspective, guided by internal environmental management frameworks such as the Energy Management System, we employ both technical solutions and managerial measures. We will proactively encourage the adoption of LED lighting, high-efficiency servers, and air conditioners, alongside the utilization of water-saving devices throughout office and living spaces. Furthermore, we reinforce routine inspections and preventive maintenance procedures to minimize pipeline leakage risks and uphold optimal water usage standards.

Details of our energy consumption are as follows:

	For the year ended December 31,		
	2023	2024	2025
Electricity consumption (MWh)	2,091.82	2,175.48	2,321.34
Electricity consumption intensity (MWh/RMB10,000 revenue)	0.0115	0.0122	0.0138
Water consumption (t)	1,319	1,490	1,347

BUSINESS

	For the year ended December 31,		
	2023	2024	2025
Water consumption intensity (t/RMB10,000 revenue)	0.0072	0.0083	0.0080
Gasoline consumption (m ³)	0.809	0.477	0.424
Gasoline consumption intensity (m ³ /RMB10,000 revenue)	4.44x10 ⁻⁶	2.66x10 ⁻⁶	2.51x10 ⁻⁶

In 2025, our electricity consumption, water consumption and gasoline consumption were 2,321.34 MWh, 1,347 t and 0.424 m³, respectively, both of which are significantly lower than the industry peer averages of 7,202,777 MWh, 2,105,553 t and 48.26 m³, respectively.

Waste Management

Our operations do not involve industrial production activities. Waste generated is primarily general domestic waste from offices and a small amount of electronic waste from R&D.

In all office areas, we will set up classified recycling facilities to guide employees in sorting recyclables.

Looking ahead, our goal is to establish a more comprehensive waste data statistics system and set quantifiable targets for reducing waste generation at the source to continuously reduce the potential environmental impact of our operations.

Social and Governance

Employment

We recruit elite integrated circuit professionals globally. Relying on the Performance Management Policy, we build a growth system driven by both performance and values, achieving synchronous improvement for both employees and our Company.

As of December 31, 2025, we had a total of 543 employees. The following table shows the number of employees by gender as of December 31, 2025:

	Number of employees	Percentage of total employees
	(person)	(%)
By Gender		
Male	428	78.8%
Female	115	21.2%

Occupational Health and Safety

We are committed to fostering employees’ sense of identity and belonging, complying with all relevant laws and regulations, improving the occupational health and safety system, and providing employees with a healthy and safe working environment.

Strategically, to protect employees’ occupational health, we have formulated the Occupational Health Management System and continuously enhance the level of health and safety protection.

BUSINESS

Employee Training and Development

We have established a *Performance Management Policy* and executed quarterly training plans designed to enhance operational efficiency, systematically assess employee performance, administer effective rewards and incentives, and foster personal career growth.

In 2025, a total of 157 training sessions were conducted, with a cumulative attendance of 3,276 participants. The training comprised sessions for professional technical training, general training, and new employee training, amounting to a total of 364.5 hours.

Supply Chain Security

We have developed an external supplier management system encompassing every stage from onboarding to evaluation, audit, and offboarding. This framework enables collaborative advancement of green and sustainable development throughout both upstream and downstream supply chains.

Our strategic approach is outlined in the External Supplier Management Procedure, which specifies the development, certification, and onboarding protocols for product and non-product suppliers. The list of qualified suppliers is updated dynamically to ensure that supplier resources continually align with developmental requirements. Additionally, we implement ad hoc system- or process-specific audits, systematically recording any deficiencies within the External Supplier Audit/Coaching Deficiency Correction Tracker.

From a risk management perspective, we mitigate supply chain risks and safeguard its reliability by executing the Supplier Code of Social Responsibility with all partners, encompassing ten commitments such as anti-discrimination, anti-harassment, prohibitions on child and forced labor, and health and safety standards. The supply chain department and quality department routinely deliver training and maintain open channels of communication with supplier management personnel and on-site employees.

Product Quality and Safety

We integrate the requirements of ISO 9001 into the Quality Manual, adhere to the principle of “Prevention over Correction,” and strictly implement the “Three Don’ts Policy” — do not accept, do not manufacture, and do pass on any defects. We maintain quality control standards through document systems such as the Product Design and Development Management Procedure.

In terms of risk management, we continuously update the product quality management system and enhance product quality to provide reliable support for professional video, smart IoT, automotive video, and other application scenarios.

Anti-corruption management

We strictly formulate the Anti-Fraud Management Measures in accordance with the Basic Standards for Enterprise Internal Control and relevant laws and regulations as well as our actual situation.

We implement a multi-tiered anti-fraud governance framework with clear delegation of authority. The Board and management team lead in promoting ethical standards, conducting fraud risk assessments, and implementing preventive controls. As a permanent entity, the internal control department assumes specific responsibilities including system revision, whistleblower handling, case investigation, and awareness training.

BUSINESS

In risk management, we implement a dynamic fraud risk control mechanism, explicitly incorporating fraud risk into annual internal control assessments. Special control measures are implemented for critical exposure areas including financial misrepresentation, unauthorized management actions, and procurement operations. A whistleblower protection and anti-retaliation framework is established to ensure procedural fairness. During the Track Record Period and up to the Latest Practicable Date, we have not been involved in any incidents of corruption, bribery, or fraud, or any related legal proceedings.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

Overview

Our risk management organizational structure establishes a three-level management system from the Board, management and executive levels to ensure that risk management covers the entire business process and all business areas.

- We have established an Audit Committee under the Board to serve as the core decision-making body for risk management, directly reporting to the Board and formulating and overseeing the enterprise's risk management strategy.
- Our management team, comprised of core senior executives, coordinates the overall enterprise risk management efforts based on decisions from the Audit Committee.
- We have established an independent internal control department, responsible for executing risk management functions and providing guidance and oversight to business departments in their risk management efforts.

Export Control Management

We have established the Export Control and Economic Sanctions Compliance Manual to make sure our sales activities do not violate export control rules or sanctions.

- **Blacklists Management and Customer Screening:** Our compliance team keeps a trade control blacklist up to date. We screens all customer information before any transaction. If a customer or their delivery address appears on the blacklist, our sales team sends the case to the compliance team for a risk review.
- **Contract and After-Sales Compliance:** After a sales contract starts and throughout its term, our sales team regularly screens customers and their related parties. Our system checks the customer and related parties before each shipment. If we need to export controlled items for after-sales service, our service team completes an export review form for compliance review.
- **Agent Compliance Management:** When we select an agent, our compliance team runs a trade compliance due diligence check and includes trade control compliance clauses in the agreement.

During the Track Record Period, we have maintained internal control measures for our compliance as to relevant licensing, documentation, and other requirements under U.S. export control regulations and did not experience any significant issues related to these controls.

BUSINESS

Impact of International Trade Policies

Our operations may be impacted by shifts in political and economic relations between countries, as well as by sanctions, export controls imposed by governmental authorities, and other geopolitical factors. These include, but are not limited to, changes in economic or labor conditions, increased duties, taxes, or other expenses, and potential political instability. For further information, please refer to “Risk Factors — Risks Relating to Legal and Compliance — Changes in international trade policies and investment restrictions, including imposition of additional trade restrictions and sanctions, may materially and adversely impact our reputation, business, investments, financial condition and results of operations.” The materials and components we produced during the Track Record Period were not directly imported into the United States and, therefore, were not subject to any enhanced U.S. tariffs.

Internal Controls

Overview

During the Track Record Period and up to the Latest Practicable Date, we have established and improved our internal control system in accordance with the Basic Norms for Enterprise Internal Control and its supporting guidelines and other internal control regulatory requirements.

The Board and its committees follow strict governance standards, while management ensures structured, risk-aware operations.

Information and Communication

- **Forecasting and Budgeting:** supported by emails, bulletin boards, meetings, and dedicated mailboxes with group-wide Confidentiality Management Policy defining classification levels and handling rules.
- **External Communications:** External disclosures, advertising, and public releases require regulatory review and formal approval per the Board Secretary’s duties, regulatory filings, and the Information Disclosure Policy with Public Opinion Management System addressing negative publicity.
- **Confidentiality and Data Protection:** Confidentiality Agreements and the Computer and Network Management Policy ensure systematic protection of trade secrets and sensitive data. Employee personal information is collected solely for social security purposes, with no cross-border data transfers.

Monitoring

Our internal audit function, overseen by the Audit Committee, regularly assesses risk management and internal controls, identify and address deficiencies, and ensure compliance. The Internal Control Assessment Implementation Rules enforce strict adherence to controls across departments and support regulatory compliance.

Related-party Transaction Management

We have a Related-party Transactions Management Policy aligned with the listing rules, defining connected parties, transaction types, decision-making, and disclosure. Our finance, legal, and investor relations teams regularly update a Connected Transactions List. The legal department oversees a compliance review in supplier/customer onboarding to proactively identify connected parties and export control issues, ensuring proper management of all transactions.

BUSINESS

Key Control Systems

We have established comprehensive control systems across key business functions. These include: Financial Report and Disclosure System (strict accounting, reconciliations, segregated duties), Revenue, Sales, and Receivables System (multi-department authorization, bad debt provisioning), Procurement System (supplier qualification, competitive bidding, segregated duties), Manufacturing and Cost System (outsourced model, quality control, cost management), Inventory and Logistics System (segregated duties, physical counts, obsolescence assessment), Bank, Cash, and Funds System (clear approval hierarchies, segregated duties, budget monitoring), Assets System (strict policies on valuation and impairment, IP monitoring), Human Resources and Remuneration System (compliant processes for recruitment to termination, segregated payroll), Tax System (regulatory compliance, risk assessment), Insurance System (annual needs assessment), Information System (access controls, data encryption, backup recovery), and R&D and Intellectual Property System (project administration, IP protection).

PROPERTIES

As of the Latest Practicable Date, we owned two properties and leased 12 major properties in Chinese Mainland.

Owned Properties

As of the Latest Practicable Date, we owned two properties and had their land user rights with an aggregate gross floor area of 3,766.47 sq.m. in Chinese Mainland. We do not own any properties outside Chinese Mainland. We mainly use these two properties as office premises.

Leased Properties

As of the Latest Practicable Date, we leased 12 properties with an aggregate gross floor area of 6,324.35 sq.m. in Chinese Mainland, mainly as office premises and for residential purpose for our employees. Eight of our leased properties in Chinese Mainland have not registered or filed with the relevant land government authorities in China. In accordance with the applicable PRC laws and regulations, failure to complete the required registration procedures does not affect the validity of the lease agreements, and we are entitled to use the properties in accordance with the terms of the lease agreements. As advised by our PRC Legal Adviser, we may be ordered by the relevant authorities to complete the registration within a specified period; if we fail to do so within such period, we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each lease agreement. Based on the number of leased properties that we leased without registered leases, we estimate that the maximum penalty would be approximately RMB70,000. The registration of lease agreements is the obligation of both lessor and lessee and requires cooperation between the parties. Some lessors are generally unwilling to undertake the administrative burden due to the relatively low risk of penalties, which has hindered our ability to complete the registration of such agreements. In addition, this has not resulted in any disputes, investigations, or penalties by any competent authorities and the actual use of these properties has not been affected. We believe that the continued use of these properties will not lead to any significant legal risks, and these leased properties are primarily used for office premises, which are highly replaceable. In the event that we are required to relocate our offices, we estimate that the relocation costs would be immaterial. There are sufficient alternative premises of comparable size and quality available in the relevant market at comparable rental rates. Also, given the nature of our business operations, we do not expect such relocation to result in any material disruption to our business operations.

BUSINESS

LICENSES, PERMITS AND CERTIFICATES

During the Track Record Period and up to the Latest Practicable Date, other than the business license, we are not required to obtain any additional material licenses, permits, approvals, or certificates for our business operations in the jurisdictions where we operate. We had not experienced any material difficulties in renewing such license during the Track Record Period and up to the Latest Practicable Date and do not expect there to be any material difficulties in the renewal.

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. See “Risk Factors — Risks Relating to Legal and Compliance — If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.” During the Track Record Period and up to the Latest Practicable Date, there was no litigation, arbitration or administrative proceedings pending or threatened against us or any of our Directors that could have a material and adverse effect on our financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, there had been no material breaches or violations of laws or regulations applicable to us which are expected to have a material adverse effect on our business, financial condition or results of operations.