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OVERVIEW

Audiowell Today

We are an international provider of sensing and actuation solutions tailored to a wide range of scenarios where AI interconnects with the physical world, including smart home, smart automobile, smart device, smart manufacturing and others applications. As AI continues to integrate into real-world scenarios, the accuracy of sensing and the precision of execution become increasingly critical for the performance of intelligent systems. We operate under the IDM (Integrated Device Manufacturer) model, integrating key sensor and actuator production processes within our facilities, including sensitive materials, transducer chips, algorithms and precision manufacturing. We therefore can provide customised sensor and actuator hardware solutions for various intelligent applications.

We offer a broad portfolio of sensors, precision micro-actuators and sensor or actuator modules tailored to customer needs. They serve as essential components for “perception layers” and “application layers” in AI-empowered scenarios. Sensors serve as the sensing terminals, i.e. “perception layers”, responsible for capturing signals from the physical world and converting them into processable data, thereby providing input for AI decision-making. Actuators function as the execution terminals, i.e. “application layers”, translating AI-generated decision directives into physical operations to effect interventions and control within the environment. Consequently, our products serve as essential components that bridge the gap between digital intelligence and real-world applications, serving as an indispensable physical enabler for the closed loop of perception, decision and execution in AI systems. According to Frost & Sullivan, in terms of the global revenue of sensors for smart home products, we ranked first among China players with a market share of approximately 0.2% in 2025; in terms of the global revenue of automobile sensors, we ranked 12th among China players with a market share of approximately 0.1% in 2025; in terms of the global revenue of sensors, we ranked 21st among China players with a market share of approximately 0.03% in 2025; in terms of the global shipment volume of automobile ultrasonic sensors and actuators, we ranked third among global players with a market share of approximately 11.3% in 2025. Armed with our product portfolio of sensors and precision micro-actuators and integrated technology value chain, we will actively pursue market breakthroughs across various future application scenarios and fully monetise the value that we have accumulated over the years.

The following are our business highlights:

No.1 among China players⁽¹⁾ of smart home sensors (by global revenue of sensors for smart home products in 2025 ⁽²⁾)	No.3 among global players⁽¹⁾ of automobile ultrasonic sensors and actuators suppliers (by global shipment volume in 2025 ⁽³⁾)	No.12 among China players⁽¹⁾ of automobile sensors (by global revenue of automobile sensors in 2025 ⁽⁴⁾)
Well-established technological value chain based on IDM model in the sensor and actuator industry of China	Sole drafter of the industry standard “General Specification for Ultrasonic Ranging Sensors” (Standard No. 2015-1810T-SJ) in China	The first China player⁽¹⁾ to achieve mass production of the AKII sensor
The first China player⁽¹⁾ to achieve mass production of a material identification sensor	One of the earliest companies in China⁽¹⁾ to achieve mass production application of lead-free piezoelectric ceramic technology	One of the earliest companies in China⁽¹⁾ to achieve mass production capability for PMUT technology

Note:

(1) According to Frost & Sullivan.

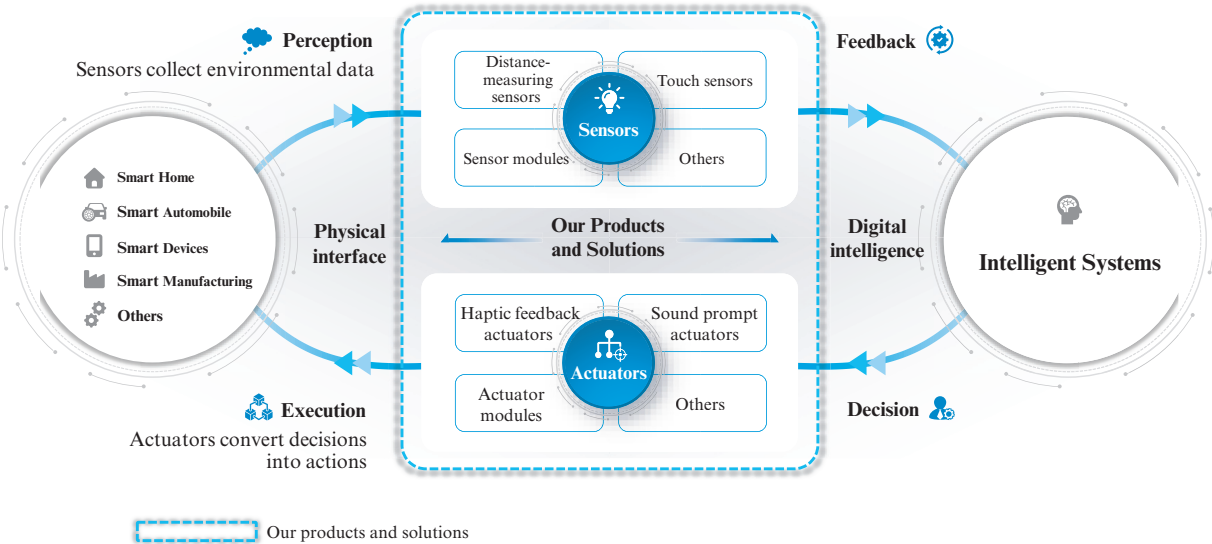
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- (2) With a market share of approximately 0.2%, of which the denominator is the global revenue of sensors for smart home products in 2025.
- (3) With a market share of approximately 11.3%, of which the denominator is the global shipment volume of automobile ultrasonic sensors and actuators in 2025.
- (4) With a market share of approximately 0.1%, of which the denominator is the global revenue of automobile sensors in 2025.

Our Solutions’ Value

Sensing and actuation solutions, together with intelligent systems’ decision-making terminals, form an ecosystem that interconnects and mutually enhances the digital and physical worlds. The efficient operation of this ecosystem relies on the precise conversion and execution capabilities of sensors and actuators between analogue and digital signals, thereby effectively bridging the gap between digital intelligence and real-world applications.

The following diagram illustrates our position in the intelligent ecosystem:



Our Opportunities in High-Growth Markets

The rapid expansion of AI application scenarios is poised to profoundly reshape human behaviours, product innovation cycles, and value chains. This transformation would fuel sustained and rapid growth across various market segments, and continuously gives rise to new application areas such as smart home, smart automobile, smart devices and smart manufacturing sectors.

Leveraging our market position and competitive advantages, we aim to capitalise on the growth opportunities presented by this transformative wave:

- **Smart Home Sector.** The application of sensor and actuator solutions under smart home scenarios is evolving from basic automation toward adaptive environmental adjustment, safety warnings and protections, and proactive intelligent scenario evolution. According to Frost & Sullivan, from 2021 to 2025, the global and China’s smart home sensor markets grew rapidly at CAGRs of approximately 9.5% and 13.0%, respectively, reaching market sizes of approximately USD25.9 billion and RMB53.8 billion in 2025. Going forward, the

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global and China’s smart home sensor markets are projected to reach approximately USD35.7 billion and RMB80.0 billion by 2030, reflecting CAGRs of about 6.6% and 8.3% from 2025.

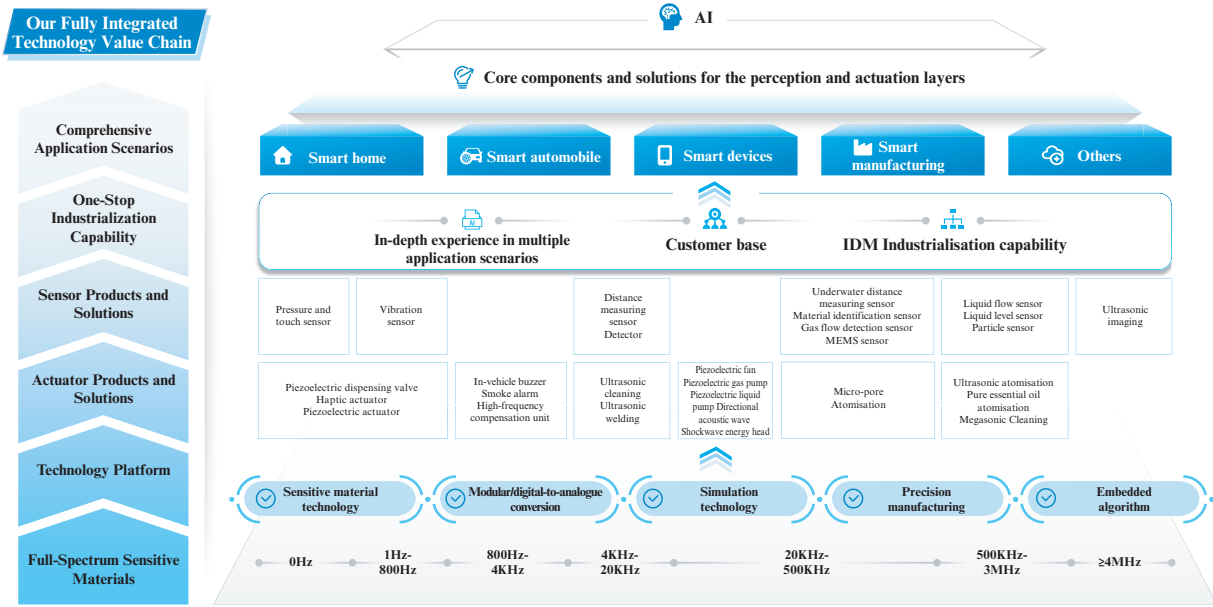
- **Smart Automobile Sector.** Sensor and actuator solutions form the core hardware for smart cockpit, ADAS/AVP and connected vehicle technologies. As automobile intelligence transitions from the introductory phase to the growth stage, the smart automobile market will experience rapid expansion, driving sustained increases in demand for sensors and actuators. According to Frost & Sullivan, the global and China automobile sensor markets grew at CAGRs of approximately 6.5% and 12.0%, respectively, during the same period. From 2025 to 2030, the global and China’s automobile sensor markets are expected to expand at CAGR of about 5.8% and 8.4%, respectively.
- **Smart Device Sector.** Smart devices are no longer isolated data displays or simple control devices but have become system-level platforms capable of integrating multi-channel sensor signals, running complex algorithms, and coordinating multiple actuators in linkage, thereby further increasing demand for smart sensing and data. According to Frost & Sullivan, from 2025 to 2030, the global and China’s smart device sensor markets are projected to grow at CAGRs of approximately 3.7% and 5.4%, respectively, reaching approximately USD46.6 billion and RMB79.9 billion.
- **Smart Manufacturing Sector.** In this field, production terminals need to process multi-dimensional data from visual, temperature, pressure, flow, and material identification sensors. After real-time analysis, this data directs actuator modules to make adjustments, effectively enabling predictive maintenance and intelligent scheduling. This directly increases the adoption and value of high-precision sensors and highly responsive actuators.
- **Semiconductor Thermal Management Sector.** As semiconductor IC chip capabilities advance rapidly, single-chip power consumption has surpassed the kilowatt level, with heat flux density soaring to 1,000 W/cm². Traditional passive cooling mechanisms would be unable to cope with the extreme thermal load dissipation demands of intelligent servers and cloud computing centre racks. The active thermal management systems, which integrates “on-chip microchannel heat extraction, intelligent flow regulation for heat conveyance, and MEMS fan for heat dissipation,” establishes an efficient, stable, and green cooling solution. The systems effectively unleash the computing, inference, and decision-making capabilities of high-end IC chips. In addition, the systems hold broad application potential in the liquid cooling systems for large-scale computing centres.
- **Embodied AI Robots Sector.** As AI agents capable of interacting with the physical world, embodied AI robots are able to accumulate knowledge and skills through perception and autonomous learning. They are poised to see broad application across various fields such as home services, industrial manufacturing, and commercial services in the future. A single robot can be equipped with hundreds of sensors and actuators, which is expected to significantly drive demand for these components.

Our Technology Innovation System and Market-Oriented Solutions

Our technological innovation begins with the R&D of sensitive materials, where we have gained a deep understanding of their physical properties across a broad frequency range. We further integrate core technologies such as signal processing, data conversion, simulation, intelligent algorithms, and micron-level precision manufacturing to establish an independent and proprietary technology platform. This platform enables us to develop a full-chain innovation path with sensors and actuators as the primary hardware products.

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The diagram below illustrates our complete technology innovation system and value chain:



Our technology innovation system enables us to meet the demands of the market and our customers for miniaturisation, integration, and multi-modal, forming a sustainable competitive advantage and positioning us to capitalise on opportunities in the era of automation and intelligence.

- **Miniaturisation.** Leveraging our self-developed sensitive materials, micrometer-level precision manufacturing capabilities, and microchip processing and packaging technologies, we integrate sensing and actuation into micro-devices to improve space efficiency and structural flexibility, making our products suitable for devices with stringent size requirements, such as smart cockpit, wearable devices, and portable appliances.
- **Integration.** We offer modular solutions that integrate standardised interfaces, functional packaging, and layered architectures, featuring unified interaction methods. These solutions consolidate complex hardware designs for intelligent sensor signal processing and actuators, as well as fundamental communication protocols and control algorithms, delivering high-value-added products that meet diverse customer needs.
- **Multi-modal Capabilities.** Our products are capable of achieving “sensing + actuation” functionalities within one device. Moreover, we integrate multi-modal technologies that enable sensors and actuators to coordinate in perceiving or outputting multiple types of signals simultaneously, such as tactile, acoustic, and motion information. For instance, in service robots, a single module can simultaneously perform liquid level, obstacle detection and operational status notifications. These multi-modal integrated devices help customers reduce the number of separate components, streamline system architectures, and enhance user experience.

Our International Delivery Capabilities and Sales Network

Since our inception, we have been committed to serving international markets with premium products while building a proprietary brand as the cornerstone of our market strategy. During the Track Record Period, over 40% of our revenue was derived from overseas sales outside mainland China. With sales reaching over 46 countries and regions, including Asia, Europe, North America and others, we serve customers in various industries, demonstrating our strong international delivery

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capabilities and sales network. We have strategically established four production plants in Guangzhou, Zhaoqing, and Jingdezhen, China, as well as in Selangor, Malaysia, to ensure our product delivery capacity and promptly meet the developing demands of key global customers.

Our Financial Performance

We have achieved significant growth in revenue and profit during the Track Record Period. In 2023, 2024 and 2025, our revenue was RMB467.1 million, RMB617.2 million and RMB683.3 million, respectively, representing a CAGR of 21.0%. In 2023, 2024 and 2025, our profit for the year was RMB77.0 million, RMB94.0 million and RMB94.0 million, respectively, representing a CAGR of 10.5%. In 2023, 2024 and 2025, our net profit margin was 16.5%, 15.2% and 13.8%, respectively.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths are crucial to our current success and future growth:

An International Provider of Diverse Sensing and Actuation Solutions, Empowering Smart Transformation Across Diverse Scenarios

We are an international provider of smart sensing and actuation solutions in China, having established a deeply integrated product matrix of sensors and actuators and pioneered multiple industry-advanced concepts, breakthrough technologies, and innovative products, such as flexible electronic skin, lead-free piezoelectric sensing and actuation technologies, and gas composition detection sensing technologies.

According to Frost & Sullivan, we maintain a strong market position in the commercialisation of related products. Our market position allows us to strengthen our brand recognition and reputation, attract premium customers and partners, and capitalise positive market trends, all of which help further expand our market reach.

- **Smart Home Solutions.** We provide sensing solutions for household service robots for cleaning, disinfection, pool maintenance, and lawn care; precise metering solutions for water, heat, gas and other smart home scenarios; and smart alarm system solutions for home security. According to Frost & Sullivan, in terms of the global revenue of sensors for smart home products, we ranked first among China players with a market share of approximately 0.2% in 2025; we are one of the pioneers in pure essential oil atomization solutions; and our alarm system actuators hold an 11.2% market share within the North American smoke alarm market and a 24.5% market share within the European smoke alarm market.
- **Smart Automobile Solutions.** Our automotive electronics business is one of our most important growth engines, and we have established a strong foothold in China, the largest and most dynamic smart automobile market in the world. We are a major supplier of automotive ultrasonic sensors in China, with products widely used in traditional parking assistance systems (UPA/APA), blind spot detection, and increasingly in advanced features supporting L2+ autonomous driving, such as automated valet parking (AVP). According to Frost & Sullivan, in terms of the global shipment volume of automobile ultrasonic sensors and actuators, we ranked third among global players in 2025; in terms of the global revenue of automobile sensors, we ranked 12th among China players with a market share of approximately 0.1% in 2025; we are one of the first Chinese brands to supply ultrasonic sensors to automobile OEMs.
- **Smart Device Solutions.** We have developed a microchannel thermal management system for use in IC chips, built around micro jet fans and micro piezoelectric pumps, enabling efficient and stable heat dissipation. Our compact, low-power micro motors with millisecond-level response speeds can be applied to robotic eye-tracking systems and focusing system of mobile phone lens to enhance user experience and interactivity.

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Additionally, we have created tactile switches for smartphones that deliver realistic mechanical button sensations, simulating camera operation feel and tactile feedback for scrolling operations during web browsing.

- **Smart Manufacturing Solutions.** Our subsidiary, Guangzhou Audiowell, serves the automation industry with its precision dispensing robots and dexterous hands with tactile feedback, supporting the smart upgrade of manufacturing. Our vortex flow sensor targets the rapidly growing niche market of AI server liquid cooling systems, providing a key monitoring component for solving heat dissipation challenges caused by high computing power.

Over the years, through dedicated efforts and expertise, we have achieved significant recognition in the field of smart sensing and actuation solutions. Our accomplishments are widely acknowledged through multiple provincial- and national-level awards and recognition, including designation as a “Specialised and Innovative Little Giant Enterprise” (專精特新“小巨人”企業), Guangdong Province Manufacturing Individual Champion Product Award, Guangdong Province Top 500 Manufacturing Enterprises (廣東省製造業單項冠軍產品) and so on.

Customer-oriented Operations Foster a Broad and Strong Customer Base

We possess an extensive customer portfolio in the global sensor and actuator solutions market, having served over 3,000 customers across different regions and industries, including many renowned multinational corporations. As of the Latest Practicable Date, our average cooperation period with our top ten customers by sales revenue in 2025 exceeded 12 years. Supported by our brand, , we have extensive international coverages, with operations spanning over 46 countries and regions. During the Track Record Period, over 40% of our revenue was derived from overseas sales outside of mainland China. Our extensive, long-term experience in international operations has created a significant and durable competitive barrier that is difficult to replicate in the short term. In the smart automobile sector, according to Frost & Sullivan, six of the top ten Chinese new energy vehicles manufacturers by sales volume in 2025 utilise our sensor or actuator products. In the household cleaning robot market, three of the top five global brands by global shipments of home cleaning robot in 2025 are our customers.

To align with our customers’ global footprint, we have established localised customer service centres in the U.S. and Germany, delivering premium customer support through effective communication and responsive service. The customer service centre in the United States primarily serves customers in North and South America, while the one in Germany primarily serves customers in Europe. We have protocols to ensure to address customer queries within 24 hours. For hardware issues, our local service teams can dispatch technical personnel on-site within 48 hours. Our implementation of a series of systems designed to respond efficiently to customer needs and enhance satisfaction, coupled with a customer-first principle embedded throughout every stage of our R&D, production and sales processes, facilitates our global deployment and development.

Self-Developed and Integrated Technology Platform Drives Continuous Innovation

We take pride in our self-developed and integrated core technology platforms. Our portfolio of proprietary core technologies cover multiple critical fields, from sensitive material development to innovative practices combining precision processing and algorithm model computing, deep integration of precision mechanical processing and precision design manufacturing, alongside profound technical expertise in hardware circuitry, core components, and microelectronic solutions. This end-to-end integration allows us to rapidly commercialise advanced technologies and deliver market-competitive products.

Consistent investment in R&D has been the foundation of our continuous technological advancement. In the years ended 31 December 2023, 2024 and 2025, our R&D expenditures were RMB43.9 million, RMB51.4 million and RMB54.7 million, respectively, accounting for 9.4%, 8.3%, and 8.0% of our revenue for the respective years. As of 31 December 2025, our R&D team included

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167 professionals, with core team members mostly having over 15 years of experience in the sensing and actuation solutions industry and possessing extensive R&D experience and profound professional expertise in material selection, circuit design, microstructure design, and IC chip application. We operate a provincial-level enterprise technology centre, two provincial-level engineering technology research centres, and a CNAS-certified professional laboratory.

As of the Latest Practicable Date, we held 270 patents, including 82 invention patents, and were recognised as a “National Intellectual Property Advantage Enterprise” by the China National Intellectual Property Administration. Furthermore, we collaborated with Lanzhou University to establish a joint research institute and with South China University of Technology to establish a joint innovation laboratory, with the aim of tackling cutting-edge technical challenges.

IDM Model Provides Fully Integrated and Independent Supply Chain for High-Quality, Scalable Production

Our integrated IDM model is a key differentiator that underpins our market position. Our competitive barrier is in our comprehensive mastery of advanced sensing and actuation technology, from technical material formulations, sensing and actuator components to the precision manufacturing of associated modules, building a complete, integrated technology chain covering product design, manufacturing, and sales. Our independent industrial chain under the IDM model support the long-term, sustainable development of our product commercialisation:

- **Intergrated Design Capability.** Our integrated in-house production capacity allows us to optimise equipment investments, efficiently allocate product design resources, improve manufacturing processes and enhance product quality.
- **Stable and Efficient Mass Production Capability.** Our primary production plants are strategically located in Guangzhou, Zhaoqing, and Jingdezhen, China. These facilities have an aggregate annual production capacity exceeding 80 million units of sensors and 120 million units of actuators, while maintaining the flexibility to adapt to evolving customer demands.
- **Optimised Production Efficiency and Economies of Scale.** Our factories employ multiple automated production processes, intergrating personnel, machinery, materials, methods, environment, and information systems; industrial IoT-driven equipment interconnectivity and data collection; automated precision assembly; and automated warehousing and logistics coordination. Furthermore, we can self-develop automated equipment to swiftly respond to customer’s tailored requirements at competitive costs.
- **Multi-regional Supply Chain Deployment.** We are actively deploying a diversified supply chain. Our overseas factory in Malaysia will cater to international demand. Our domestic Jingdezhen factory leverages abundant local ceramic industry resources and mature industrial infrastructure to focus on the production of sensitive materials and key components. Meanwhile, our domestic Zhaoqing factory, benefiting from its superior geographical location and convenient transportation network, undertakes the crucial tasks of final product assembly and logistics distribution.
- **Systematic Quality Management.** We maintain a comprehensive quality control system and have obtained a series of international and domestic certifications, including ISO 9001 for our quality management system, IATF 16949 for our automotive quality management system, ISO 26262 for automotive functional safety processes, IECQ QC080000 for hazardous substance process management and ANSI/ESD S20.20 for electrostatic discharge control.

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Visionary and Experienced Management Team

We are steered by our founder, Mr. Zhang Shuguang, a pioneering industry veteran with over three decades of deep experience in the sensing and actuation field. Having witnessed the evolution of the sensor technology in China, he has consistently anchored our development direction through multiple market fluctuations, guided by his profound insight into industry trends and firm strategic resolve. Some of our key strategic decisions, from the successful early focus on the ultrasonic sensor segment to driving our strategic transformation towards integrated “Sensing and Actuation + AI” products, demonstrate Mr. Zhang’s exceptional strategic judgement of the industry’s long-term development trend.

Our core management members have an average tenure of over 15 years with us, demonstrating high stability and extensive practical expertise. Amid repeated external challenges including raw material price volatility, accelerated technology iteration, and shifting trade policies, our management team has consistently demonstrated the ability to rapidly coordinate with R&D, production, and marketing departments. By forming dedicated task forces, they enable swift decision-making and effective problem-solving, thereby robustly ensuring our sustained and healthy development. Our daily management incorporates a wide range of IT systems, including ERP, PLM, MES, and CRM, to standardise workflows and enhance efficiency. See “— Information Technology.”

OUR STRATEGIES

The key elements of our growth strategies include:

Continue Research and Development Investment to Enhance Product Matrix and Solutions

Going forward, we will prioritise R&D and commercialisation of core products such as e-skin, micro motors, piezoelectric air pumps, and next-generation *Audiowell* robots to capture opportunities in AI-enabled fields such as robotics and AUV. We plan to continue iterating products in response to customer needs, aligning our product offerings with application scenarios, and introducing innovative, market-competitive products to further strengthen our first-mover advantage in these niche segments. Furthermore, we will continuously strengthen technical cooperation with leading domestic universities, research institutes, and upstream/downstream enterprises in the industrial chain.

We plan to use approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] million, for next-generation sensor and actuator R&D projects. For details, please refer to “Future Plans and [REDACTED]” in this Document.

Strengthen Sales Network and Enhance Sales Channel Development and Brand Influence

We have adopted an international business development strategy from our inception. Our long-term presence in overseas markets has built a solid base of premium customers worldwide. Going forward, we will continue to enhance the international market influence of our *Audiowell* brand.

- **Expanding Sales and Service Network.** We have been and will continue to expand our network worldwide, particularly in North America and Europe, including for example the United States, Ireland, and Denmark. This approach enhances our responsiveness and service quality for international customers, thereby accelerating the growth of our international revenue.
- **Increasing Marketing Investment and Brand Operation.** We plan to increase our marketing investment through recruiting seasoned marketing professionals to establish a dedicated, professional marketing team, participating in international trade shows, forums, and

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targeted market research activities to identify high-demand customers and diversify our customer mix, and improving international customer operation and service processes to uncover customers’ potential needs for product iteration and upgrades.

We plan to use a portion of the approximately [REDACTED]% of the [REDACTED] from the [REDACTED] [REDACTED] for working capital and general corporate purposes, or HK\$[REDACTED] million, to support the implementation of the above strategy, namely, expanding our sales and service network and enhancing our brand influence. For details, please refer to “Future Plans and [REDACTED]” in this Document.

Advance Production Layout to Promote Supply Chain Resilience and Delivery Capability

To support our expanding business growth and enhance supply chain stability, we are implementing a supply chain strategy focused on:

- **Capacity Expansion.** To better serve international customers, we plan to strengthen our overseas manufacturing presence by expanding the production capacity of our Malaysia facility. This facility will help provide stable supply support to overseas customers and further optimise our supply chain system.
- **Production Technology Upgrades.** We plan to construct a new headquarters in Guangzhou, which will serve as our next-generation high-performance sensor research and development and production plant and be equipped with extensive intelligent production capabilities such as industrial service robots, precision sensor sealing lines and SMT mounting.

We plan to use: (i) approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] million, to increase our production capacity in Malaysia; and (ii) approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] million, for the construction of our next-generation high-performance sensor and actuator production plant in China, with the remaining HK\$[136.1] million to be funded by internal resources and other funding arrangements. For details, please refer to “Future Plans and [REDACTED]” in this Document.

Advance AI-Driven Operational Intelligence to Enhance Production and Operational Efficiency

We aim to optimise the production and operation system through an intelligent transformation of the entire process:

- **AI Facilitated Research and Development.** We intend to apply AI to the R&D and production processes of sensors, aiming to boost product output and efficiency, and implement AI assistance in knowledge and process management to maximise operational efficiency.
- **Smart Production Upgrades.** We will continue to increase automation rates on core production lines, introduce intelligent production management systems, and achieve data-driven, visualised process control. This will help establish an efficient, coordinated intelligent production system, thereby reducing unit production costs.
- **Quality and Operational Efficiency Improvement.** We plan to introduce AI-powered systems to achieve faster, more accurate quality control while reducing human error. Intelligent technologies will also be integrated into our procurement, inventory, logistics, and other operational processes to strengthen full-chain cost control and enhance overall operational efficiency.

We plan to use approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] million, for digitalisation development, including AI-enabled research and production system and MES upgrades. For details, please refer to “Future Plans and [REDACTED]” in this Document.

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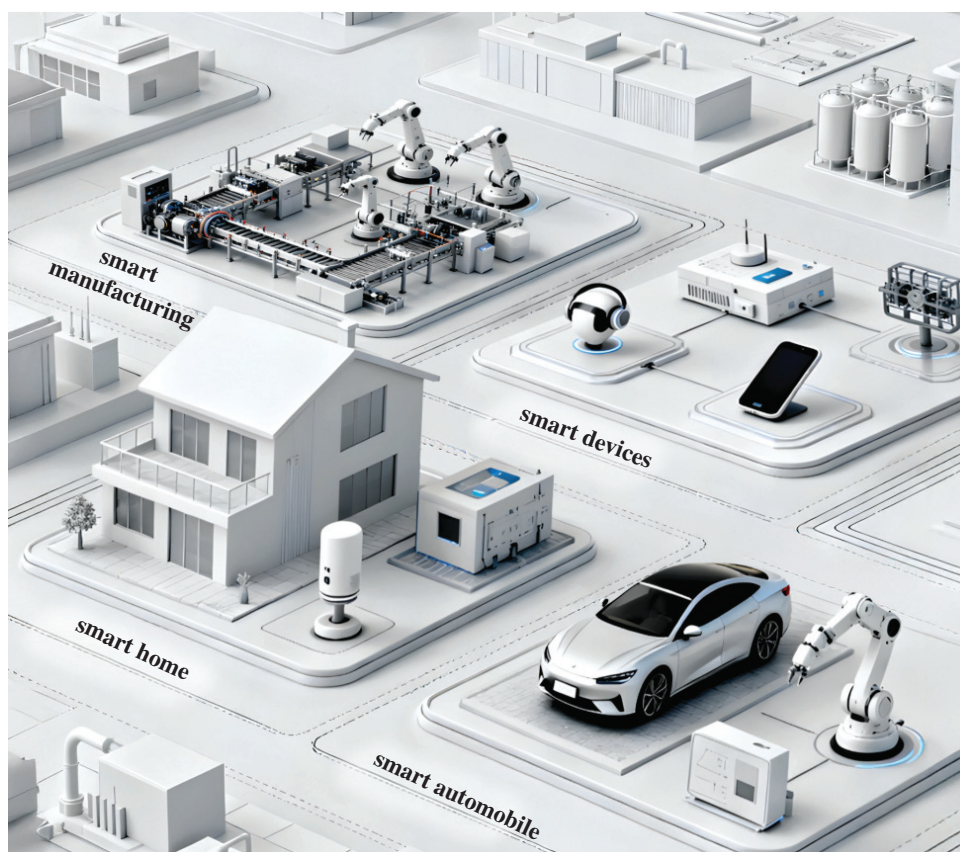
Build a Robust Talent System to Support the Execution of Our Strategic Objectives

Talent is the core driver of our technological leadership and business growth. We will build a talent pipeline with an open and inclusive culture by focusing on three key areas: “Attract, Develop, and Select”. In particular, we plan to (i) cultivate a supportive talent development environment with improved career paths, personalised training and competitive incentives to attract suitable talent, (ii) expand our core technical team by recruiting specialists in intelligent algorithms, microstructure design, and advanced materials, (iii) build an open talent ecosystem through university partnerships and joint laboratories, and (iv) recruit locally experienced engineering and business professionals to strengthen regional service and international execution.

We plan to use approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] million, for the recruitment and retention of R&D talent, in order to support the implementation of our talent development strategy and the ongoing advancement of our R&D initiatives. For details, please refer to “Future Plans and [REDACTED]” in this Document.

OUR BUSINESS MODEL

We are principally engaged in the R&D, manufacturing, and sales of sensors, actuators and related smart modules, with a dedicated focus on providing comprehensive smart sensing and actuation solutions for multiple high-growth downstream application sectors. Our business currently focuses on four core solution scenarios: (i) smart home solutions; (ii) smart automobile solutions; (iii) smart device solutions; and (iv) smart manufacturing solutions. Each solution is tailored to the functional requirements and application scenarios of specific downstream industries, covering diverse settings including home environments, in-vehicle systems, industrial control, and human-machine interaction.



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The table below sets forth a breakdown of our revenue by solution scenarios for the years/periods indicated:

	For the year ended 31 December					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue						
Smart home solutions	254,921	54.6	343,574	55.7	363,332	53.2
Smart automobile solutions	196,944	42.2	255,630	41.4	287,036	42.0
Smart device solutions	2,195	0.5	3,473	0.6	5,541	0.8
Smart manufacturing solutions	201	0.0	1,019	0.2	1,206	0.2
Others	12,820	2.7	13,468	2.1	26,201	3.8
Total	467,081	100.0	617,164	100.0	683,316	100.0

Note:

- (1) Others primarily include revenue from solutions in other application areas and the sale of scrap materials generated during our production processes, product molds and product samples, as well as the provision of technical services to customers relating to our products. Such technical services primarily consist of (i) customised solution design, such as selecting appropriate product models, specifications and integration plans based on intended product application scenarios, (ii) providing product analyses, covering products' environmental adaptability, signal output performance, anti-interference capability, etc., (iii) joint product development services, including tracking design revisions, version upgrades and coordinated troubleshooting, and (iv) product testing and verification services.

During the Track Record Period, we primarily generated revenue from our sensing and actuation solutions for smart home, smart automobile, smart devices, and smart manufacturing applications. We provide domestic and overseas automotive systems manufacturers, smart home brands, consumer electronics companies, and industrial automation equipment manufacturers with sensing and actuation solutions — from core components to integrated system modules.

The table below sets forth a breakdown of our revenue by geographic region for the years/periods indicated:

	For the year ended 31 December					
	2023		2024		2025	
	Revenue (RMB'000)	% of Total Revenue	Revenue (RMB'000)	% of Total Revenue	Revenue (RMB'000)	% of Total Revenue
Mainland China	231,167	49.5	330,558	53.6	409,869	60.0
Overseas	235,914	50.5	286,606	46.4	273,447	40.0
Total	467,081	100.0	617,164	100.0	683,316	100.0

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OUR PRODUCTS AND SOLUTIONS

Our Products

We produce two types of products, sensors and actuators, which serve as the core carriers enabling practical implementation. Our sensor products include standalone sensors and sensor modules; similarly, our actuator products comprise standalone actuators and actuator modules. These modules integrate signal-processing circuits, algorithm-control IC chips and chip-level system design with our standalone sensors or actuators, enabling direct output of AI-readable digital signals, which allow us to provide downstream manufacturers and system-integration customers with plug-and-play, system-level solutions that form a complete functional loop covering “perception — analysis — execution.”

Our sensor products are primarily based on mechanical wave piezoelectric transducer technology. By independently developing sensitive materials such as piezoelectric ceramics, our products can be applied to a broad frequency range of mechanical waves, covering tactile sensation, acoustic waves, pressure, sound waves, ultrasound, and high-frequency ultrasound. As a result, our sensor products are capable of accurate sensing and signal output of multi-dimensional physical information including distance, flow, material composition, and tactile feedback. Our sensor product typically consists of an transducer unit, signal-acquisition and amplification circuits, System-on-Chip (SoC), System-in-Package (SiP). By transmitting and receiving analogue signals, transferring to digital signals and applying proprietary algorithms to calculate time-of-flight differences and Doppler effect phase shift, our sensors accurately measure distance, flow velocity, moving direction and obstacle characteristics within various media, outputting digital signals directly to upper-layer systems. Compared with traditional analogue sensors, our products offer rapid response, low power consumption, strong anti-interference performance and high environmental adaptability, allowing long-term stable operation even in complex conditions. Our sensor portfolio includes distance sensors, flow sensors and a broad suite of specialised sensors designed for human-machine interaction and specialised detection scenarios — for instance, touch sensors for virtual buttons, medical ultrasonic sensors for 3D diagnostic imaging, floor-material identification and particle sensors for cleaning robots, and urea-concentration sensors for automotive exhaust-treatment systems. These products reflect our extensive technical reach across tactile interaction and environmental monitoring, further reinforcing our leadership in the sensing domain.

Our actuator products are also built on mechanical wave piezoelectric transducer, enabling precise conversion of electrical signals into mechanical motion, acoustic output or atomisation. This supports a wide range of functions including sound generation, alerts, atomisation and microfluidic drive. Typically comprising a piezoelectric vibrator, driver circuitry and functional modules, our actuators utilise the inverse-piezoelectric effect to generate controllable vibration or displacement, ensuring efficient energy conversion and transmission. Drawing on our expertise in material formulation, structural design and packaging processes, our actuators are compact, energy-efficient, fast-responding and reliable, enabling stable operation across multiple application scenarios. Our actuator portfolio includes electroacoustic components, ultrasonic atomisers and a variety of advanced actuators such as piezoelectric fans, air pumps, liquid pumps, dispensing valves and piezoelectric motors. These products offer precise fluid and motion control and deliver significant performance advantages in high-end applications including semiconductor packaging, electronics manufacturing and precision instrumentation.

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Product Customisation

Our product portfolio primarily consist of customised products to meet the diverse needs and requirements of our customers. In particular, for each of the years ended 31 December 2023, 2024 and 2025, our revenue from customised products represented 98.8%, 99.3% and 97.8% of our total revenue, respectively, and our revenue from standardised products represented 1.2%, 0.7% and 2.2% of our total revenue for the same periods. Our products and solutions are customisable across key parameters including frequency band, functionality, appearance, materials, and dimensions to address specific customer requirements. We collaborate closely with customers early on to define their specific product requirements. Following feasibility review and confirmation, a product development plan is established in our product lifecycle management (PLM) system. Production commences after product specifications are finalised and sales orders are confirmed by the customer. For standardised products, customers have no special requirements and as such there are no tailored R&D processes. There is no material difference between customised and standardised products in terms of production cycles. For both types of products, we sell them as stand-alone offerings, not on a project basis.

We provide end-to-end solutions tailored to meet our customers’ customisation needs. Usually, customers specify only the functional requirements and operating details for the products, and we then launch a dedicated project and carry out the product development process. For example, we worked with a leading cleaning robot manufacturer in China to develop a material identification sensor module. The customer needed the robot to identify floor materials and switch cleaning modes automatically. Based on these requirements and the intended operating conditions for the robots, we developed a complete sensor module solution that includes sensors, electronic circuits and algorithms. In another case, we partnered with a well-known domestic automobile manufacturer to develop ultrasonic sensor hardware and integrated software, a critical component of its intelligent driving system. Responding to the customer’s customised requirements for product performance, software, and structural design, we delivered a solution covering both hardware and software, including over ten ultrasonic ranging sensor modules, associated algorithm software, and communication protocols. In yet another example, we supplied a customer with an intelligent flow controller solution, consisting of an ultrasonic flow meter, pressure sensor, temperature sensor, electrically controlled ball valve, intelligent flow control module, supporting control software, and a communication module.

Product Integration

Our sensors and actuators can be applied either independently or in combination, with the latter growing steadily driven by trends toward integration, compact all-in-one design, intelligence, and increasing customer demands for enhanced functionality. Combined applications may take the form of a sensor paired with an actuator, multiple sensors, or a grouping of multiple sensors plus multiple actuators, all of which can be delivered in the form of our module products. These modules, which include sensors, actuators, processing chips, and/or algorithms, function as subsystems that perform one or more functions. They are then embedded into customers’ main systems and further connected to domain controllers such as GPUs (Graphics Processing Units) as needed.

Customers independently choose between standalone sensors and actuators or combined modules. We work closely with customers from the early development stage to customise product design, functionality, and structure. For example, we supply an alarm and a distance sensor to the same customer, used within a single fire alarm system to provide alarm sounding and obstruction detection functions; we provide a flow sensor module to a customer, which performs temperature, pressure, and flow measurements within the same monitoring system; and we supply multiple ultrasonic distance sensors that are integrated within a single intelligent driving system, working with visual sensors and millimeter-wave radars from other suppliers to enable features such as ADAS and UPA.

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We do not engage in tied or bundled sales. In combined applications, we sell the integrated module as a whole, not its individual components.

Product Compatibility

Our sensors, actuators, and modules may or may not be compatible across different application scenarios. In some cases, when similar technical approaches are used to achieve intended functions, we can adapt the product for use in different fields by moderately adjusting technical parameters, structure, size, etc. For example, an ultrasonic distance sensor designed for automotive smart driving can, with slight modifications, also be used for obstacle avoidance or motion sensing in service robots.

However, in other cases, even if similar technology is involved, cross-application scenario compatibility may not be possible. For example, flow meters used in smart water meters cannot be directly used to measure flow in liquid cooling systems for servers or smart computing centers because of significant differences in industry standards, measurement accuracy, installation methods, data collection, monitoring points, and operating environments. In still other cases, even when the intended functions are similar, differences in the physical medium or environmental conditions make the products incompatible. For example, smart water meters measure water, while smart gas meters measure gas; the physical properties differ, so they cannot be used interchangeably.

Our Solutions

We provide comprehensive and specialised smart sensing and actuation solutions across our four core application scenarios, namely smart home solutions, smart automobile solutions, smart device solutions, and smart manufacturing solutions. All our scenario-based solutions are built upon our self developed sensors and actuators, together with their corresponding smart modules, which serve as the core carriers enabling practical implementation. These solutions deliver high-performance, integrable foundational support for a broad range of downstream intelligent applications. Our solution system is highly modular and easily scalable, enabling flexible configuration and expansion to meet differentiated requirements across multiple sectors. Leveraging our flexibly embeddable underlying technologies and our extensive system platforms, we believe that we are also able to rapidly penetrate emerging application scenarios — such as embodied AI robots and AUV — continuously extending the technological boundaries of smart sensing and actuation.

Smart Home Solutions

As IoT and AI technologies accelerate in their convergence, smart homes are becoming a critical gateway to connected and intelligent living. Its primary application scenarios include smart flow meters, smart home service robots, smoke alarm and similar devices. With rising expectations for household safety, comfort and energy efficiency, reliance on multi-modal sensing and automated environmental control has become increasingly prominent. Building on our deep expertise in smart sensing and actuation, we provide end-to-end solutions ranging from core sensing components to system-level modules, enabling real-time environmental perception and adaptive regulation in home settings. Through a range of technical support and customised services, we assist customers in delivering safer, more efficient, and more convenient smart-living experiences.

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Smart Sensing Solutions

By delivering multiple types of sensors, including ultrasonic, acoustic, and touch sensors, flow meters, and home service robots, we are capable of providing a range of environmental perception solutions. The solutions accurately capture multi-dimensional physical-world information and provide the control systems with real-time and reliable data inputs. They form the foundation for automation and personalised control in smart-home scenarios, acting as the “sensory organs” of all intelligent applications.

Smart Environmental Adjustment Solutions

By collecting precise environmental data, our diverse solutions can further automatically adjust and personalise parameters such as temperature, humidity, air quality, and fragrances. Incorporating atomisation, aromatherapy and alarm modules, the solutions are deployed across scenarios such as smart homes, smart buildings, and smart planting, enhancing comfort, safety, and energy efficiency.

Set forth below are our top three products under smart home solutions in terms of total revenue during the Track Record Period.

			Sales revenue as a percentage of our total revenue for the year ended 31 December		
Product	Function	Application	2023	2024	2025
 Ultrasonic flow sensor	Leveraging physical principles governing ultrasonic wave transmission speeds across different mediums, this sensor measures water or gas flow with high precision in real time using the time-difference method.	Suitable for pipe water flow measurement, industrial pipeline flow monitoring, liquid cooling systems, and pipeline natural gas metering applications.	19.7%	18.4%	22.9%
 Material identification sensor	Using ultrasonic spectrum analysis technology, this sensor identifies floor materials (wood, plastic, stone, carpet, etc.) based on the distinct signal characteristics of different media. The identification result is sent to a central processor, which then triggers different operating modes according to the surface type, such as sweeping, mopping, or vacuuming.	Currently mass-produced for cleaning robots, this sensor is also suitable for industrial water quality inspection.	8.7%	12.5%	16.6%
 Smoke alarm actuator	Using the piezoelectric effect, this device generates high-frequency vibrations that produce a high-intensity audible alarm in the event of a fire or excessive carbon monoxide concentration. While a common actuator in fire alarm systems, it demands high standards in volume, service life, and weather resistance.	Applied in fire protection systems.	19.3%	18.9%	10.1%

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Set forth below are the examples of other representative products under our smart home solutions:

Products	Description	Details of Components ¹
Underwater Distance Sensor 	Leveraging ultrasonic wave propagation and reflection in water, this sensor enables distance measurement and communication capabilities. It is suitable for home service robots and specifically designed for pool cleaning applications.	Sensor, communication protocol, software, and signal processing circuit with IC chips
Aromatizer Module 	Employing ultrasonic technology, the module enables direct atomisations of pure essential oils without the need for water dilution, thereby achieving superior aroma fidelity and a purer, more true-to-origin scent profile. It provides precise ambience management capabilities for a wide range of household, in-vehicle, and commercial aroma diffusers.	Actuator, software, and signal processing circuit with IC chips
Smart Disinfection Atomisation Module 	Utilising ultrasonic technology, the sensor performs non-contact distance measurement of obstacles and outputs digital signals. It features limited blind zone and quick response, corrosion resistant, meeting diverse ranging requirements in air management scenarios. It is widely used in service robots, security systems, and unmanned aerial vehicles.	Actuator, software, and signal processing circuit with IC chips

¹ All components are produced or sourced by us, and then assembled and sold to customers as our products.

Case Study

A leading domestic smart-service-robot brand sought to upgrade its high-end product line to enhance intelligent functionality and improve user experience beyond simple collision-prevention features. As its products evolved, we provided an integrated solution covering multi-modal smart functions including sweeping-mopping, route obstacle-avoidance, environmental adaptation, virtual buttons and auxiliary disinfection. These upgrades significantly improved the products’ performance and user experience, demonstrating our system-integration capabilities in multi-modal sensing and adaptive environmental control within smart-home scenarios.

Smart Automobile Solutions

The automotive industry is undergoing rapid transformation towards ADAS/AVP intelligence, and connectivity, with vehicles evolving from traditional transport tools into intelligent mobile spaces. With rising demand for ADAS/AVP, smart cockpit and human-machine interaction, sensing and actuation technologies have become foundational components for intelligent driving and safety monitoring. Our systematic smart sensing and actuation solutions cover key functions including external environment perception, in-cabin interaction, providing customers with complete offerings from core components to module-level systems to support safer, more intelligent and more user-centric mobility experiences.

BUSINESS



Smart Driving Solutions

The solutions offer key perception and decision-support capabilities for ADAS/AVP and intelligent collision systems. Integrating high-performance ultrasonic radar systems, the solutions achieve highly accurate near-range obstacle detection, parking assistance and blind-spot monitoring. With strong reliability and robust environmental adaptability, they safeguard safe vehicle operation in diverse scenarios.

Smart Cockpit Solutions

The solutions enhance in-cabin intelligence and human-machine interaction by integrating haptic feedback (for virtual buttons), acoustic sensing (for voice prompts and alerts), and ROA (rear occupant alert). By combining intelligent interaction, ambience creation and safety monitoring, the solutions redefine the human-vehicle relationship and contribute to safer, more comfortable and immersive smart-cockpit environments.

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Set forth below is our top-selling product under smart automobile solutions in terms of total revenue during the Track Record Period.

Product	Function	Application	Sales revenue of this sensor as a percentage of our total revenue for the year ended 31 December		
			2023	2024	2025
Ultrasonic distance measuring sensor 	Based on the physical principle governing ultrasonic wave transmission speed in air, this sensor measures distance in a given direction, detects obstacle height, and enables real-time obstacle avoidance.	Suitable for smart vehicle driver assistance such as APA and UPA in smart automobile applications. In addition, this sensor can also be used in other application scenarios, such as robot obstacle avoidance during movement, and automatic collision avoidance, liquid level detection, material level detection and other multi-scenario applications in industrial equipment. Revenue from such sensors applied in smart automobile solutions accounted for 83.8%, 84.8% and 90.4% of our total revenue from such sensors for the years ended 31 December 2023, 2024 and 2025, respectively.	39.2%	38.6%	39.8%

Set below are the examples of other representative products under our smart automobile solutions:

Key Products	Description	Details of Components ¹
virtual switch 	Embedded in automotive steering wheels, this product integrates tactile sensing and haptic feedback to replace conventional mechanical buttons. It supports tapping and touching interactions, enabling functions such as volume adjustment, cruise control setting and menu switching.	Actuator
Vehicle Alarm Module 	In response to the increasing electromagnetic compatibility requirements in smart automotive electronic systems, this product, which contains no rare earth elements, features a high-volume alarm.	Actuator and driving circuit
Ultrasonic Life-Detection Sensor 	Based on a MEMS child presence detection architecture, this ultra-compact design enables concealed installation and supports in-vehicle vital signs monitoring. Its technical advantages include miniaturization, high integration, and excellent mass production cost efficiency.	Sensor, software, and signal processing circuit with IC chips

¹ All components are produced or sourced by us, and then assembled and sold to customers as our products.

Case Study

A leading Chinese new-energy vehicle manufacturer sought to enhance the reliability and responsiveness of its AVP and in-cabin safety-monitoring systems under complex environmental conditions. Leveraging our proprietary ultrasonic sensors and optimised algorithm modules, we delivered a comprehensive solution covering external obstacle detection, side blind-spot monitoring and in-cabin vital-sign detection. The upgraded solution significantly improved near-range sensitivity, response speed, anti-interference capability and detection range, showcasing our system-integration and commercialisation capabilities.

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Smart Device Solutions

With the rapid advancement of smart-wearable devices, consumer electronics and human-machine interaction technologies, mobile device products are evolving towards multi-modal sensing, high responsiveness and immersive user experiences. Equipped with our expertise in sensing, actuation and acoustic technologies, we provide system-level solutions that integrate haptic feedback, acoustic sensing and structural integration, meeting customer requirements for lightweight design, low power consumption and high performance.



Smart Interaction Solutions

Focusing on natural and responsive human-machine interaction, the solutions support multi-modal interaction — including haptic, voice and gesture recognition — within a single device. Applicable to a broad range of consumer electronics and wearable devices, the solutions deliver smooth, lightweight and immersive user experiences.

Smart Audio Solutions

Extending beyond traditional “sound-output” functions, our solutions integrate advanced acoustic components and algorithms to deliver features such as high-frequency compensation, directional sound output and high-field speakers. They ensure clarity, penetration and precision in audio delivery, transforming audio prompts into reliable intelligent-interaction media with enhanced environmental adaptability.

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Set below are the examples of key products under our smart device solutions:

Key Products	Description	Details of Components ¹
High-Frequency Speaker Unit 	Driven by voltage, the metal of the piezoelectric substrate vibrates to generate sound, delivering an ultra-wide frequency response with high sensitivity. This design compensates for the high-frequency limitations of conventional diaphragm speakers and is used in wireless earbuds, Bluetooth earphones, hybrid-drive earphones and Hi-Fi headphones.	Actuator and driving circuit
Feedback Actuator 	Integrating tactile sensing and haptic feedback into a single component based on positive and inverse piezoelectric effects, it simulates realistic and nuanced tactile experiences while supporting multiple interaction modes including swiping, tapping and touching. It is used in solid-state smartphone buttons, smart cockpit displays, laptop touchpads, and touch panels for augmented reality (AR) and wearable devices.	Actuator and driving circuit
Piezoelectric Air Pump 	Provides stable and controllable inflation and deflation functionality while offering advantages such as low power consumption, low noise, and high precision. It is primarily used in smartwatches, portable health monitoring devices, and similar applications.	Actuator and driving circuit

¹ All components are produced or sourced by us, and then assembled and sold to customers as our products.

Case Study

A global leading consumer-electronics brand sought to upgrade the interaction system of its flagship wearable devices to achieve more natural haptic feedback, lower power consumption and a more compact structure. We supplied an integrated solution built on our proprietary piezoelectric actuators and drive algorithms, embedding a high-sensitivity haptic module into an ultra-thin structure while achieving multi-modal coordination with voice and gesture-recognition systems. Compared with traditional motor-based solutions, our solution improved response speed by approximately 150%, reduced energy consumption by around 90%, and reduced structural thickness to one fifth. The project demonstrated our solutions’ advantages in miniaturisation, integration and intelligent design for high-end wearable devices.

Smart Manufacturing Solutions

Global manufacturing is undergoing a transformation from automation to intelligence. With increasing digitalisation and flexibility in production processes, demand for high-precision sensing and accurate control continues to grow. Through modularised intelligent-equipment control solutions, we provide solutions that are capable of precise regulation of fluids, motion and environmental parameters, widely applied in industrial automation and precision assembly. Supported by our integration capabilities and industry experience, we provide customers with a range of intelligent-manufacturing support across “sensing — decision-making — execution,” enabling improvements in both production efficiency and quality.

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Smart Equipment Control Solutions

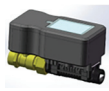
Built on a modular technological architecture, the solutions offer precise and efficient actuation for diverse scenarios. Our piezoelectric dispensing valves achieve high-precision fluid control, while smart robotic hands provide sensitive motion-control capability suitable for industrial production (such as precision dispensing and automated assembly). The solutions address stringent requirements for accuracy and efficiency across diverse sectors.

Smart Flow-Monitoring Solutions

Designed for monitoring liquids and gases, the solutions deliver high-accuracy, low-power flow measurement. Our self-developed sensing components ensure long-term stability and exceptional environmental adaptability under complex conditions. With broad applications in industrial process control, these solutions provide reliable data for resource-management systems.

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Set below are the examples of key products under our smart manufacturing solutions:

Key Products	Description	Details of Components ¹
Piezoelectric Dispensing Valve 	Precisely controls the volume of liquids during dispensing by rapidly actuating a pin or needle valve via the deformation of piezoelectric ceramics. It is suitable for micro-volume, high-speed dispensing and is applicable in semiconductor packaging, SMT assembly, precision electronics manufacturing, 3D printing and other high-accuracy specialised equipment.	Actuator, driving circuit and installation accessories
Ultrasonic Flow Meter 	Integrated design features, such as non-contact measurement, micro-drip detection, and digital signal output, provide precise and efficient solutions for water resource management and industrial process control.	Sensor, software, signal processing circuit, and actuator with electronic valve
Gas Flow Meter 	Using non-contact ultrasonic technology, it measures gas flow in different media and in real time, achieving accurate and stable data measurement. It can be applied to natural gas meters and similar devices.	Sensor, software, and signal processing circuit
Smart Flow Controller 	Used for flow control and regulation, it adjusts the ball valve quickly based on the desired flow rate, using real-time feedback from an ultrasonic flow meter to achieve demand-based flow control. Additionally, it can be connected to external sensors such as pH sensors, conductivity sensors, and relays to adjust the flow control value and determine whether a valve-closing action is needed. Its communication module can upload relevant information to the cloud. It can be applied in flow monitoring for PCB manufacturing, textile factories, laser facilities, smart buildings, and smart agricultural irrigation.	Sensor, actuator, communication module, and touchscreen

¹ All components are produced or sourced by us, and then assembled and sold to customers as our products.

Case Study

A leading domestic industrial-automation-equipment manufacturer sought to upgrade the fluid-control and precision-dispensing processes in its production line to improve efficiency, product consistency and long-term operational stability. Our integrated solution, featuring piezoelectric dispensing valves and intelligent-control modules, achieved microsecond-level dispensing control, and offered real-time connectivity with the customer’s MES system for digital process monitoring and quality tracking. Our offering significantly improved dispensing precision, shortened production cycles and reduced maintenance frequency, enhancing production stability and yield. The project demonstrated our strengths in system integration and technological value in high-end equipment manufacturing.

OUR KEY TECHNOLOGIES

We have accumulated a robust portfolio of proprietary technologies that underpins the competitiveness of our multi-application scenario smart sensing and actuation solutions. Our key technologies include:

- **Self-developed high-performance sensitive materials.** The characteristics of sensitive materials directly determine the sensitivity, output power, reliability, temperature stability and operational lifespan of the final product. Our self-developed sensitive material system covers piezoelectric ceramic materials, piezoelectric composite materials, multilayer ceramic materials and environmentally friendly lead-free materials. We achieve an optimal balance among stability, sensitivity, power output and temperature

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coefficients through the precise proportioning, mixing, grinding, and sintering of sensitive materials. In addition, we have developed multilayer low-temperature co-sintering technology, enabling high material density, multilayer lamination and low power consumption under low-temperature sintering conditions. Our in-house electrode-material technology also reduces costs. Together, our sensitive material system forms a strong technological barrier and allows us to rapidly develop high-performance materials tailored for different application scenarios.

- **High-precision analogue-digital and digital-analogue conversion.** Analogue-to-digital conversion transforms the analogue signals captured by sensors into digital signals for subsequent intelligent or AI processing, while digital-to-analogue conversion translates digital commands into analogue drive signals executable by actuators. Our signal-conversion technology is characterised by high-precision conversion for accurate capture of weak signals, ultra-fast response for high-frequency applications, a low-power chip architecture, and multiple signal-filtering methods. The precision and speed of such conversion directly determine the sensing accuracy and control precision of intelligent and AI-enabled systems.
- **Application-scenario data modelling.** With decades of experience in the sensing and actuation industry, we have accumulated substantial real-world data resources and digital models. These data models facilitate rapid interpretation and simulation of customer needs in areas such as smart automobile sensing solutions, smart home flow-sensing solutions and smart manufacturing solutions. Such modelling capabilities allow us to conduct early-stage quality planning, enhance the success rate of product development, shorten product development cycles and reduce the time required for tuning and integration at the application-terminal level.
- **Embedded intelligent algorithms.** Our embedded intelligent algorithms provide our products with enhanced decision-making and adaptability. By integrating big-data-driven AI modelling, lightweight architectures, engineering algorithms and deep-learning, our devices intelligently analyse environmental signals for accurate identification of obstacle characteristics, noise filtering and precise ultrasonic obstacle avoidance. These algorithms also allow sensors to output cleaner, more meaningful data and enable actuators to perform more complex operations. In addition, we can provide an SDK plugin for client system integration. As a result, our sensors and actuators evolve from signal converters into intelligent terminals capable of interpreting environments and making preliminary decisions.

In addition, embedded intelligent algorithms and big-data-driven AI modeling are deeply integrated throughout our R&D and production processes. In the planning stage, we employ AI systems for data collection and technical analysis, providing data support for R&D and production processes directions. In the design and development stage, embedded intelligent algorithms are deployed to support the standard retrieval process and the execution of design failure mode and effects analysis (DFMEA). In the production validation stage, AI systems are embedded within the engineering verification test (EVT) and design verification test (DVT) processes, as well as facilitating the accurate transfer of R&D and production processes parameters to manufacturing in the pilot production phase. In addition, we employ big-data-driven AI modelling to optimise manufacturing processes. In critical production stages, an AI-assisted system is deployed in continuous training of models based on daily production data for calibration parameters to be vectorised, enabling rapid look-ups and completion of calibration, thereby enhancing manufacturing quality control and operational efficiency.

From a regulatory perspective, AI is applied in our operations in the following two ways only: (1) to enhance product performance via embedded intelligent algorithms and deep learning models, and (2) to improve production efficiency through big-data-driven AI

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modeling. These applications do not involve the provision of any Internet information services to end-users utilising technologies such as algorithmic recommendation, deep synthesis, or generative artificial intelligence. Accordingly, based on this analysis and the advice of our PRC cybersecurity and data privacy legal advisor, our Directors are of the view that the Group’s operations are not subject to any relevant PRC AI regulations as of the Latest Practicable Date.

- **High-reliability signal processing.** Our signal processing technology collects mechanical wave transducer signals and enhances them through adaptive filtering, false-alarm suppression, multipath signal processing and other professional signal processing techniques. By extracting effective features from weak raw signals and conducting digital power-spectrum analysis based on mechanical wave characteristics, the system converts unstable raw information into stable and reliable digital signals suitable for downstream circuitry or algorithms. This processing yields a high signal-to-noise ratio signal and is fundamental to high-precision ranging, vital-sign detection, flow monitoring and multi-modal sensing applications.
- **Sub-micron level precision manufacturing.** Micron-level precision manufacturing technology involves precision packaging, microstructural processing and thin-film deposition, which are critical for piezoelectric devices operating through micro-scale deformation. Manufacturing accuracy directly determines the performance limits of such devices and is essential to achieving miniaturisation, high performance, high reliability and scalable mass production. We apply semiconductor microfabrication techniques to process and assemble components within micro-sized structural spaces, enabling key components such as diaphragms to reach machining accuracy at the sub-micron level with significantly enhanced tolerance control. Products manufactured using this process exhibit high dimensional precision and spatial efficiency.

RESEARCH AND DEVELOPMENT

Overview

We regard R&D as the cornerstone of our sustainable growth and long-term competitiveness and have therefore devoted substantial R&D resources to support our technological advancement and product diversification. For the years ended 31 December 2023, 2024 and 2025, our R&D expenses amounted to approximately RMB43.9 million, RMB51.4 million and RMB54.7 million, representing approximately 9.4%, 8.3% and 8.0% of our total revenue for the same periods, respectively.

As of the Latest Practicable Date, we held a total of 270 patents, including 82 invention patents, 176 utility model patents and 12 design patents. We also had 103 patent applications pending in the PRC and seven patent applications pending overseas. Our patent portfolio covers key technological areas such as ultrasonic sensing, piezoelectric actuation, flow measurement and atomisation, forming the technological foundation of our products.

We operate a provincial-level enterprise technology centre, two provincial-level engineering technology research centres, and a CNAS-certified professional laboratory, all of which are located in Guangzhou, China. Since 2023, we have been recognised as a “National Specialised and New ‘Little Giant’ Enterprise” by the Ministry of Industry and Information Technology of the People’s Republic of China (工業和信息化部). We also play an active role in shaping industry standards. Notably, we served as the sole drafter of the “General Specification for Ultrasonic Distance Sensors (《超聲波測距感測器總規範》)” (Project Code: 2015-1810T-SJ), a standard recommended by the China Electronic Components Association and included in the Ministry of Industry and Information Technology’s Notice on the Fourth Batch of Industry Standard Formulation and Revision Plans in 2015 (《2015年第四批行業標準修訂計劃的通知》). This achievement reflects our technical leadership in the ultrasonic sensor field in China.

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In addition to our in-house R&D activities, we emphasise collaborative innovation and have established partnerships with leading academic and research institutions. We have collaborated with Lanzhou University (蘭州大學) to establish a joint research institute focusing on new materials and design technologies for sensors, and with South China University of Technology (華南理工大學) on the innovative design, manufacturing and integration of miniature thermal control devices and systems.

The salient terms of our agreements with these two universities are set out below: (i) *scope of collaboration*: we typically collaborate with universities on various initiatives, including establishment of joint research institute or joint laboratory, professional training and talent development, and undertaking industry-academia-research collaboration projects and tackling cutting-edge technical challenges; (ii) *roles and responsibilities*: we are responsible for the provision of instalment payments based on project progress and certain research facilities, instruments and technical support. Universities are responsible for allocating sufficient human resources, facilities, instruments and materials to ensure the implementation of projects, advising on research focus and content, and fund management; (iii) *intellectual property*: all intellectual properties created from the joint development work performed in accordance with the agreement shall be co-owned by both parties; (iv) *confidentiality*: parties to the agreement shall not disclose project information to third party without prior written consent from each other; and (v) *dispute resolution*: the parties shall resolve any issues arising through negotiation. If such issues remain unresolved, parties may institute legal proceedings in the competent People’s Court.

Our Research and Development Team

As of 31 December 2025, our R&D team comprised 167 professionals with expertise in electronic engineering, mechanical engineering, materials science, chemical engineering and automation. Among them, 24 members (or 14.4%) held master’s degrees and 109 members (or 65.3%) held bachelor’s degrees. Our R&D centre consists of six closely coordinated functional divisions: materials research, product development, solutions development, automated-equipment development, process-technology research and the laboratory product-verification centre. Our R&D centre is led by an experienced management team, with each division head possessing more than 10 years of technical and project-management experience in the field of sensors and actuators.

Our Research and Development Process

We have implemented a comprehensive, process-driven research and development management system to promote efficiency, reliability, and traceability across the entire product development cycle from initial demand analysis through mass production. Our product research and development process is structured into five distinct stages, each governed by gate reviews to manage risks and optimise resource allocation: (i) product concept planning and definition; (ii) product design and development; (iii) production process design and development; (iv) production readiness validation; and (v) product feedback and continuous development.

Our Latest Research and Development Initiatives

We continuously refine our R&D priorities to align with evolving industry trends. Our planned key R&D areas for the next few years include:

D-TOF 4D Ultrasonic Imaging Technology and Solutions

We plan to continue advancing the ultrasonic array-based imaging technology, with a particular focus on achieving higher-dimensional and deeper 4D dynamic imaging capabilities. Our R&D directions include large-scale array architectures, high-speed D-TOF (Digital Time-of-Flight) depth-resolution technologies and on-chip intelligent reconstruction algorithms. In underwater detection, we intend to strengthen device stability under extreme conditions and scattering-interference resistance for applications in underwater unmanned systems and structural

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monitoring. We also plan to explore multi-modal fusion imaging that integrates acoustics, optics and vision, enabling more advanced composite-perception solutions for industrial non-destructive testing, spatial positioning and emerging robotics applications.

Next-generation Digital Obstacle-Avoidance Sensor Solutions

We aim to achieve this by deeply integrating AI systems, environmental-feature learning engines and predictive-diagnostics algorithms at the sensor front-end, enabling capabilities such as self-calibration, adaptive environmental response, real-time pattern recognition and proactive decision-making under complex operating conditions. This technology will extend to high-end AGVs (automated guided vehicles), collaborative robots, special-purpose vehicles, logistics automation and smart-retail equipment, establishing the sensor as a critical “perception-inference” node within intelligent systems.

Thermal-Management Solutions

We plan to develop a next-generation intelligent thermal-management architecture composed of “chip-level liquid cooling (heat extraction) + intelligent flow control (heat transfer) + air fans (heat dissipation).” The core technologies include our air fans and piezoelectric liquid pumps, intelligent fluid-path design and AI-based thermal-model prediction algorithms. This solution will utilise AI modules to monitor temperature gradients in real time and forecast thermal behaviour, dynamically adjusting the vibration of piezoelectric fans and the efficiency of liquid-cooling circulation. The solution will support a wide range of heat-dissipation needs, from high-heat-flux chips and edge-computing units to rack-level server systems, and can also be applied to industrial robots, drones and smart devices.

Multi-medium material Sensor Solutions

Our development roadmap focuses on significantly enhancing the resolution for identifying gas composition, solid material types, and liquid concentration, which are determined by measuring their absorption rates and propagation speeds through different media (solid, liquid, gas, etc.).

Electronic-Skin Solutions

We aim to develop a next-generation sensing technology, flexible sensors, also known as electronic skin, based on ionoelectric polymer sensing materials and micro-structural design. Compared with conventional approaches, this technology combines a wide measurement range with ultra-high sensitivity, enabling high-precision, multi-dimensional signal perception and feedback. It can accurately capture interactive signals among humans and objects, objects and objects, delivering excellent performance in applications such as touch sensing, pressure detection, force measurement, sliding, and temperature monitoring. With a current focus on force detection, our development roadmap calls for its development into a multi-modal array that integrates impact, sliding, and temperature sensing. Following its initial commercial application in electronic pet skin, we are actively promoting this technology in various scenarios including service robots, smart wearable devices, sports training, and rehabilitation equipment.

INTELLECTUAL PROPERTIES

We depend on our proprietary technologies and production know-how to maintain our competitive position, and we create intellectual property through our extensive R&D activities.

We seek to protect our intellectual property and proprietary rights primarily through intellectual property laws, relying on a combination of patent, trademark, trade secret and other intellectual property laws in China and other countries. As of the Latest Practicable Date, we held a portfolio of intellectual property worldwide, comprising 270 registered patents, 110 patent applications, 11 registered software copyrights and 102 registered trademarks. Our patents span core technological fields primarily including ultrasonic sensing, piezoelectric actuation, flow measurement and atomisation, which form the technological foundation of our major products.

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Among our patents in China, we had 82 invention patents, 176 utility model patents and 12 design patents. Moreover, we had six patents in overseas jurisdictions including the United States, Europe, and Japan, most of which were invention patents and design patents. As of the same date, we had filed approximately 103 new patent applications in China and seven patent applications in overseas jurisdictions. As of the Latest Practicable Date, we had 92 registered trademarks in China, covering our key product lines and business segments, and 10 registered trademarks overseas, including in the United States, the European Union and Malaysia.

We have established a series of internal control policies and measures to protect our intellectual property rights and trade secrets. We actively file patent applications for our technological innovations. At the same time, we closely monitor potential infringements of our intellectual property rights as well as any risks that our products may infringe the rights of others. We rely on non-disclosure agreements to protect our interests in non-patentable know-how and hard-to-patent manufacturing processes. To the best of our knowledge and belief, during the Track Record Period and up to the Latest Practicable Date, our intellectual property rights have not been subject to any material intellectual property claims by third parties.

PRODUCTION

We operate on an integrated IDM model, which is a key differentiator that underpins our market position. Under this model, we conduct all key production processes in-house, covering the manufacturing of sensitive materials and transducer chips, as well as the assembly of finished sensor and actuator units and modules. Certain ancillary production processes such as packaging and testing are conducted through outsourced labour services from one of our five largest suppliers, while other limited ancillary processes, such as coating and electroplating surface-treatment, are done by outsourced processing arrangements. See “— Raw Materials and Suppliers — Our Suppliers” for further details.

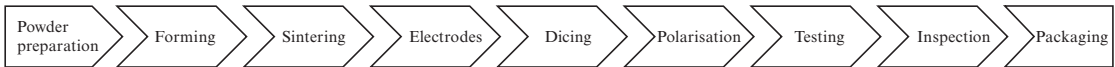
Our integrated control of production is rooted in deep expertise in advanced sensing and actuation technology, spanning material science, precision manufacturing, product design, and sales. Over the years, we have accumulated extensive technical know-how across energy conversion chip preparation, structural design, signal processing, intelligent algorithm development, and precision manufacturing. This integration allows complete oversight of key processes, optimised equipment investment, efficient design resource allocation, and continuous improvement in product quality and cost efficiency.

Supported by advanced automation and digital management systems, including integrated CRM-ERP production planning and MES traceability, we have achieved a high level of automation in our manufacturing process. In addition, a significant portion of our core production equipment is developed in-house, allowing us to retain strong control over equipment configuration. Together, these capabilities enable a production cycle that allows rapid response to customer demand while ensuring high product consistency.

Production Process

The following diagram illustrates the key manufacturing and assembly processes for our representative components and products:

The production process for transducer chips



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The production process for our transducer chips takes approximately three to four weeks. The main steps include:

- (1) Powder Preparation: The main raw materials, including PZT (PbZrO_3)/KNN (K/NaNbO_3) and sourced from domestic chemical suppliers, are formulated according to specific recipes and thoroughly mixed using specialised processes for pre-processing.
- (2) Forming: The pre-processed materials are ground and pressed using dedicated equipment to form green bodies with required standard shapes and dimensions.
- (3) Sintering: Formed green bodies are sintered under specific process conditions to create dense, high-strength transducer core substrates.
- (4) Electroding: Required electrode patterns are fabricated on the surface of the sintered transducer core substrates using precision electrode technology.
- (5) Dicing: Large core substrates are segmented into individual transducer chips using precision dicing technology.
- (6) Polarisation: A strong electric field is applied between the transducer chip’s electrodes to activate electrical properties in the transducer core.
- (7) Testing: Automated specialised test systems perform comprehensive electronic performance inspections while monitoring batch-to-batch stability and consistency.
- (8) Inspection: In-process quality control monitors each manufacturing step/s characteristics and process capability, while final quality control conducts inspection and labelling to ensure 100% qualification before warehousing.
- (9) Packaging: Qualified products are packaged internally according to operational guidelines, then packed into transport cartons and coded before warehousing.

The production process for sensors and modules



The production process for our sensors and modules takes approximately one to two weeks. The main steps include:

- (1) Transducer Chips: Primarily sourced from our in-house manufactured transducer chips.
- (2) Bonding: The transducer chip is bonded to the sensor housing using specialised adhesives or other bonding materials.
- (3) Curing: Under specific process conditions, the special adhesive materials are cured to form the carrier for signal transmission and reception.
- (4) Welding: Micro-welding technology is used to connect the electrodes of the transducer chip to electronic wires (or pins), enabling signal output and input.
- (5) Assembly: Various electronic components, PCB assemblies (including IC chips), and other flexible materials are precisely assembled within dedicated structural parts and secured with adhesive curing.
- (6) Calibration: Product calibration and initial tuning procedures are performed to ensure that the products’ specific characteristics meet 100% of the required standards.

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- (7) Programming: Specific software programmes are burned into the device according to different product models and specifications; devices must pass self-testing to qualify.
- (8) Testing: Automated multi-parameter measurement systems are employed to ensure measurement results meet final product standards. When necessary, the overall solution is tested synchronously with the customer-calibrated application system.
- (9) Inspection: In-process quality control monitors each manufacturing step/s characteristics and process capability, while final quality control conducts inspection and labelling to ensure 100% qualification before warehousing.
- (10) Packaging: Qualified products are packaged internally according to operational guidelines, then packed into transport cartons and coded before warehousing.

The production process for actuators



The production process for our actuators takes approximately a week. The main steps include:

- (1) Transducer Chips: Primarily sourced from our in-house manufactured transducer chips.
- (2) Die Attachment: The transducer chip is bonded onto substrates of different materials using specific processes, providing strong support and coordinated vibration characteristics.
- (3) Ageing: The attached transducer chips undergo controlled or natural ageing under specified process conditions to stabilise their performance.
- (4) Wire Bonding: Automated welding technology is used to connect the electrodes of the transducer chip to electronic wires (or pins) to enable electrical conduction.
- (5) Assembly: The transducer chip and auxiliary materials are fixed within the actuator structure to ensure excellent electronic performance.
- (6) Testing: Professional automated measurement systems conduct 100% electronic performance testing to ensure compliance with standards.
- (7) Inspection: In-process quality control monitors each manufacturing step/s characteristics and process capability, while final quality control conducts inspection and labelling to ensure 100% qualification before warehousing.
- (8) Packaging: Qualified products are packaged internally according to operational guidelines, then packed into transport cartons and coded before warehousing.

Production Equipment and Machinery

We own all equipment and machinery used in our production process. A significant portion of our core production equipment is developed by us in-house. Our capability to develop and manufacture equipment in-house enables us to make targeted adjustments to machine configuration and performance, significantly enhancing production flexibility and efficiency. Our major production equipment and machinery have an estimated useful life from three to 12 years. Depreciation is calculated on a straight-line basis to write off the cost of our production equipment and machinery to its residual value over its estimated useful life.

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Our main production equipment and machinery are set out below:

<u>Equipment and machinery</u>	<u>Main function</u>	<u>Approximate percentage of in-house developed components, measured by carrying value as of 31 December 2025</u>
Stamping equipment	Transducer chip production	80%
Electrode processing equipment	Transducer chip production	39%
Powder forming equipment	Transducer chip production	20%
Polarisation equipment	Transducer chip production	60%
Curing equipment	Transducer chip production	7%
Sintering equipment	Transducer chip production	None
Integrated final assembly line	Sensor production	10%
MEMS packaging and testing line	Sensor production	None
Dispensing equipment	Sensor and actuator production	89%
Welding equipment	Sensor and actuator production	54%
Machining equipment	Sensor and actuator production	14%
Ageing (burn-in) equipment	Sensor and actuator production	79%
Bonding equipment	Sensor and actuator production	66%
Automated module assembly line	Sensor and actuator production	67%

We carry out inspections and maintenance at our production facilities and for our machinery and equipment on a periodic basis. We have developed and periodically updated internal repair and maintenance protocols at our production facilities according to the characteristics of the particular equipment and machinery. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material or prolonged suspension of operations due to failures of our machinery or equipment.

Production Plants

As of 31 December 2025, we had three domestic production plants located in Guangzhou, Zhaoqing and Jingdezhen, China, and one overseas production plant located in Selangor, Malaysia. Our Malaysia production plant has entered the pilot production stage in 2025 and is expected to commence mass production in 2026. They form a geographically complementary manufacturing network that enhances our operational efficiency and supply chain resilience. Details are set out below:

<u>Production Plant Location</u>	<u>Year of Commencement of Operation</u>	<u>Product Category</u>	<u>Total Gross Floor Area</u> <i>(square meters)</i>	<u>Land/Property Right</u>
Guangzhou, Guangdong, China	2010	sensors and sensor modules	Approximately 14,369	Self-owned
Zhaoqing, Guangdong, China	2014	sensors and actuators	Approximately 56,813	Self-owned
Jingdezhen, Jiangxi, China	2023	raw materials and transducer chips	Approximately 17,914	Leased
Selangor, Malaysia	2025	sensors	Approximately 1,088	Leased

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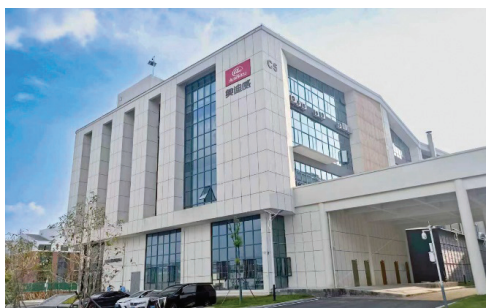
Set forth below are photos of our four production plants.



Guangzhou, Guangdong, China



Zhaoqing, Guangdong, China



Jingdezhen, Jiangxi, China



Selangor, Malaysia

The following table sets forth our overall production capacity, production volume and utilisation rate by our major product category for the periods indicated:

Product Category	Year ended 31 December								
	2023			2024			2025		
	Production capacity	Production volume	Utilisation rate	Production capacity	Production volume	Utilisation rate	Production capacity	Production volume	Utilisation rate
	(units, pieces in million)	(units, pieces in million)	(%)	(units, pieces in million)	(units, pieces in million)	(%)	(units, pieces in million)	(units, pieces in million)	(%)
Sensors	77.0	58.2	75.6%	87.8	70.6	80.4%	100.1	85.7	85.6%
Actuators	117.9	73.0	61.9%	129.1	81.8	63.3%	131.4	51.8	39.5%
Total	194.9	131.2	67.3%	216.9	152.4	70.3%	231.5	137.6	59.4%

Notes:

- (1) Our production capacity for each year is calculated using the following formula: Capacity = (daily working hours ÷ average time required for producing one unit product) × number of critical machines × number of shifts × total working days per year.
- (2) Our production capacity utilisation rate for each year is calculated by dividing the production volume by the production capacity. The increase in our production capacity utilisation rate for sensors from 2023 to 2025 was primarily driven by growth in sales orders, which in turn was mainly attributable to our continuous R&D investment, enabling product upgrades and further expanded production solutions in areas such as smart home and smart automobile sectors. Our production capacity utilisation rate for actuators declined from 2024 to 2025, primarily due to reduced production volume of actuators embedded in smoke alarms resulting from weaker demands in the overseas end-user retail market, particularly reduced demand in North America. In addition, our overall production capacity utilisation rate decreased from 2024 to 2025, primarily due to a reduction in the production volume of actuators, partially offset by an increase in the production volume of sensors. Actuators generally carry a lower selling price and have a disproportionately larger production volume, which has a greater impact on the overall production utilisation rate.
- (3) Our Malaysian production plant remained in the pilot production stage as at 31 December 2025 and had not commenced mass production. The relevant equipment and machinery of this new production plant are currently undergoing calibration. Therefore, no production volume, utilisation rate data or annual production capacity was available as at 31 December 2025.

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Expansion in Production Capacity

We plan to continue investing in expanding our production capacity to strengthen international delivery capabilities, meet growing customer demand for sensor and precision micro-actuator products and solutions, and maintain production flexibility and product competitiveness.

Expansion in Guangzhou, China

We are constructing a next-generation high-performance sensor and actuator production plant in Guangzhou. This expansion is aimed at alleviating current production capacity constraints and establishing an integrated complex combining manufacturing, R&D, and administrative functions. The project is targeted for completion in 2027, and upon full ramp-up of supporting production lines, it is expected to increase our annual production capacity of new high-performance sensors by 15.3 million units and new high-performance actuators by ten million units. The total cost for constructing the main structure and ancillary facilities and interior decoration work of the domestic base is estimated to be approximately HK\$[REDACTED] million, and approximately HK\$[REDACTED] million is to be funded by the [REDACTED] from the [REDACTED]. The remaining portion will be sourced from our internal resources or other financing arrangements. For details, please refer to “Future Plans and [REDACTED]” in this document.

Expansion in Selangor, Malaysia

As a key focus of our international strategy to enhance supply chain resilience and capture growth in the ASEAN region, we are expanding our production capacity in Selangor, Malaysia. This expansion is targeted for completion by end of 2028, and upon reaching full production capacity, the project is expected to add an annual production capacity of six million units of new high-performance sensors. The estimated total capital expenditure is approximately HK\$[REDACTED] million, which is expected to be fully funded by the [REDACTED] from the [REDACTED] and [REDACTED] towards site acquisition, facility construction and the purchase of major machinery and equipment. For details, please refer to “Future Plans and [REDACTED]” in this Document.

QUALITY CONTROL

We maintain a comprehensive quality control system and have obtained a series of international and domestic certifications, including ISO 9001 for our quality management system, IATF 16949 for our automotive quality management system, ISO 26262 for automotive functional safety processes, IECQ QC080000 for hazardous substance process management and ANSI/ESD S20.20 for electrostatic discharge control.

Our quality control processes are structured around the IATF 16949 Advanced Product Quality Planning (APQP) framework, which sets out detailed procedures on raw material management, supplier control, production and process control, finished product testing, inventory and warehousing, packaging and delivery. We set annual quality targets for all departments, with real-time performance monitoring by our Quality Management Department and manufacturing centres. Significant quality issues trigger dedicated reviews for root-cause analysis and recurrence prevention, complemented by annual internal audits to ensure ongoing system effectiveness. Our quality management department is responsible for planning, implementing, supervising and continuously improving our quality control processes. We also maintain annual and regular training programmes for quality personnel to strengthen their quality awareness and technical expertise.

From the beginning of the Track Record Period up to the Latest Practicable Date, we have not been subject to any material penalties imposed by regulatory authorities for violations of applicable laws or regulations relating to product or service quality.

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RAW MATERIALS AND SUPPLIERS

Our Suppliers

During the Track Record Period, our major suppliers primarily comprised suppliers of raw materials and suppliers of outsourced services. During each of the years ended 31 December 2023, 2024 and 2025, our cost of raw materials amounted to RMB121.6 million, RMB172.7 million and RMB197.0 million, representing 42.0%, 42.9% and 44.3% of our total cost of sale during the respective periods. Our raw materials primarily include electrode materials (e.g., silver and gold), electronic components (e.g., IC), rubber and plastic materials, electronic wires and base metal materials. Most of our raw materials are generic and standardised products that are available from multiple suppliers in a competitive market. Accordingly, we are able to select suppliers based on business needs, pricing and regional considerations without procurement restrictions. We primarily source raw materials from suppliers in mainland China, and maintain stable and long-term cooperative relationships with our key suppliers. During each of the years ended 31 December 2023, 2024 and 2025, our procurement of raw materials from suppliers in mainland China amounted to RMB144.0 million, RMB218.4 million and RMB211.4 million, representing 99.9%, 99.9% and 99.7% of the total procurement of raw materials during the respective periods. Apart from mainland China, we source an immaterial portion of our raw materials from abroad, including rubber and plastic materials from Italy and the United States, as well as electronic components from Hong Kong. We generally engage multiple suppliers to mitigate supply chain risks. During the Track Record Period, we did not encounter any material shortage in the supply of raw materials, nor did we experience any material quality issues with raw materials provided by our suppliers.

A portion of our sensor and actuator products use IC chips, which are used to assist in signal processing and drive functions of our sensors and actuators. We procure these IC chips through the following two channels: (i) direct procurement of standardised chips from external suppliers; and (ii) procurement of customised chips designed and supplied by suppliers according to our requirements. During the Track Record Period, the countries of origin for these chips included China and Germany. All chips, regardless of country of origin, are sourced from domestic suppliers. Procurement decisions are made based on downstream customer requirements and the availability of domestic alternatives.

During the Track Record Period, we outsourced certain ancillary production processes through outsourced labour services and outsourced processing. None of them involved our core technologies, critical material systems or key manufacturing steps.

Under the outsourced labour service arrangement, the providers, primarily our largest supplier during the Track Record Period, arrange their personnel to perform certain auxiliary production procedures such as testing and packaging. This approach has helped us reduce production costs and enhance operational efficiency. During the Track Record Period, our purchase amount of outsourced labour services amounted to RMB42.7 million, RMB81.4 million and RMB86.2 million. These amounts represented 20.5%, 25.9% and 27.7% of our total purchases for each respective year. We have cooperated with our largest outsourced labour service provider, who was also our largest supplier during the Track Record Period, for approximately 13 years. The salient terms of the agreements with our largest outsourced labour service provider are set out below: (i) *term*: the agreements typically have a term of two years; (ii) *service fee*: we pay the labour service provider on a monthly basis based on completed workload, which is determined by the quantity of processed products meeting our quality standards, as well as the overall quality of work performed; (iii) *our obligations*: we are responsible for paying the service fee as described above and providing outsourced workers with workplaces, infrastructure and equipment in compliance with the applicable PRC laws and regulations to ensure safety and work performance; and (iv) *the outsourced service provider's obligations*: the provider shall be responsible for all employment-related procedures with respect to the outsourced workers, including hiring, termination, wage payments, social insurance contributions, housing provident fund, other welfare benefits, income tax withholding, and the handling and resolution of any labor disputes. According to Frost &

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Sullivan, the terms of our cooperation with this provider are in line with industry norms, including volume-based pricing, 30-day payment terms and restrictions prohibiting suppliers from accessing or replicating our core designs, formulations or module architectures. Relevant suppliers are readily available in the market. Its position as our largest supplier does not result in material reliance risk to us.

Under the outsourced processing arrangement, we send work-in-process products to external providers for them to conduct other auxiliary production procedures such as coating and electroplating surface-treatment. During the Track Record Period, the purchase amount of outsourced processing arrangement was RMB11.2 million, RMB2.6 million and RMB1.3 million, representing 5.4%, 0.8%, and 0.4% of our total procurement for each year, respectively.

We implement stringent supplier admission and quality-management procedures, including qualification reviews, onsite assessments and ongoing sampling inspections, to ensure that the processed products meet required standards. We also maintain a reserve pool of alternative suppliers with comparable processing capabilities, ensuring substitutability and supply flexibility for outsourced procedures.

Purchases from our five largest suppliers for each of the years ended 31 December 2023, 2024 and 2025 amounted to RMB72.9 million, RMB132.5 million and RMB128.1 million, representing 35.0%, 42.2% and 41.2% of our total purchases during the respective years. Purchases from our largest supplier for each of the years ended 31 December 2023, 2024 and 2025 amounted to RMB40.8 million, RMB80.1 million and RMB85.6 million, representing 19.6%, 25.5% and 27.5% of our total purchases during the respective years.

We primarily accept payment by bank transfer. The following tables set forth the details of our five largest suppliers in each year during the Track Record Period:

For the year ended 31 December 2023

No.	Top Five Suppliers	Products or Services Purchased by Us	Purchase Amount (RMB '000)	% of Total Purchase Amount	Company Background	Typical Credit Term	Payment Method	Year of Establishing Relationship with Us
1	Supplier A	Labour services for auxiliary, and non-critical processes, such as packaging and testing	40,765	19.6	A company established in 2008 in the PRC, with a registered capital of RMB2.1 million, and engaged in human resource services; service provider	Monthly Payment	Bank transfer	2012
2	Supplier B	Electrode materials	8,312	4.0%	A company established in 2005 in the PRC, with a registered capital of RMB324.8 million, and engaged in passive component manufacturing; direct manufacturer	Monthly payment	Bank transfer and bank's acceptance bill	2021
3	Supplier C	Electronic components, rubber and plastic materials	7,964	3.8%	A company established in 2003 in the PRC, with a registered capital of RMB30.0 million, and engaged in electronic component manufacturing; direct manufacturer	Payment due 60 days after the monthly statement date	Bank transfer	2019
4	Supplier D	Chemical auxiliary materials, metal materials, outsourced processing, rubber and plastic materials	7,962	3.8%	A company established in 2005 in the PRC, with a registered capital of US\$5.0 million, and engaged in automobile electrical system manufacturing system manufacturing; direct manufacturer	Payment due 60 days after the monthly statement date	Bank transfer	2012
5	Supplier E	Electronic components	7,868	3.8%	A company established in 2011 in the PRC, with a registered capital of RMB10.0 million, and engaged in manufacturing of electronic components; direct manufacturer	Payment due 60 days after the monthly statement date	Bank transfer	2022

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For the year ended 31 December 2024

No.	Top Five Suppliers	Products or Services Purchased by Us	Purchase Amount (RMB '000)	% of Total Purchase Amount	Company Background	Typical Credit Term	Payment Method	Year of Establishing Relationship with Us
1	Supplier A	Labour services for auxiliary, and non-critical processes, such as packaging and testing	80,087	25.5%	A company established in 2008 in the PRC, with a registered capital of RMB2.1 million, and engaged in human resource services; non-manufacturer	Monthly Payment	Bank transfer	2012
2	Supplier B	Electrode materials	14,293	4.5%	A company established in 2005 in the PRC, with a registered capital of RMB324.8 million, and engaged in passive component manufacturing; direct manufacturer	Monthly payment	Bank transfer and bank's acceptance bill	2021
3	Supplier E	Electronic components	13,998	4.5%	A company established in 2011 in the PRC, with a registered capital of RMB10.0 million, and engaged in manufacturing of electronic components; direct manufacturer	Payment due 60 days after the monthly statement date	Bank transfer	2022
4	Supplier F*	Electronic components	12,533	4.0%	A company established in 2017 in the PRC, with a registered capital of RMB12.8 million, and engaged in IT services; direct manufacturer	Payment due 60 days after the monthly statement date	Bank transfer	2023
5	Supplier G	Rubber and plastic materials	11,607	3.7%	A company established in 2006 in the PRC, with a registered capital of RMB10.0 million, and engaged in special equipment manufacturing; direct manufacturer	Payment due 90 days after the monthly statement date	Bank transfer	2012

* Supplier F is the same company as Customer J.

For the year ended 31 December 2025

No.	Top Five Suppliers	Products or Services Purchased by Us	Purchase Amount (RMB '000)	% of Total Purchase Amount	Company Background	Typical Credit Term	Payment Method	Year of Establishing Relationship with Us
1	Supplier A	Labour services for auxiliary, and non-critical processes, such as packaging and testing	85,591	27.5%	A company established in 2008 in the PRC, with a registered capital of RMB2.1 million, and engaged in human resource services; non-manufacturer	Monthly Payment	Bank transfer	2012
2	Supplier H	Metal, rubber and plastic materials	13,996	4.5%	A company established in 2017 in the PRC, with a registered capital of RMB50 million, and engaged in manufacturing of pumps and vacuum equipment; direct manufacturer	Payment due 30 days after the monthly statement date	Bank transfer	2022
3	Supplier E	Electronic components	10,634	3.4%	A company established in 2011 in the PRC, with a registered capital of RMB10 million, and engaged in manufacturing of electronic components; direct manufacturer	Payment due 60 days after the monthly statement date	Bank transfer	2022
4	Supplier I	Metal, rubber and plastic materials	9,480	3.1%	A company established in 2013 in the PRC, with a registered capital of RMB5 million, and engaged in manufacturing of electronic equipment and components; direct manufacturer	Monthly Payment	Bank transfer	2021
5	Supplier J	Metal materials	8,397	2.7%	A company established in 2013 in the PRC, with a registered capital of RMB0.5 million, and engaged in manufacturing of aluminum alloy profiles and hardware products; direct manufacturer	Payment due 60 days after the monthly statement date	Bank transfer	2006

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None of our Directors, their associates or any shareholders holding more than 5% of our issued share capital, to the best knowledge of our Directors, had any interest in any of our five largest suppliers in each year during the Track Record Period and as of the Latest Practicable Date. In addition, none of these suppliers are our connected persons. Furthermore, to the best knowledge of our Directors, during the Track Record Period, none of our five largest suppliers had any relationship with our Company, its connected persons or their respective associates.

Key Commercial Terms

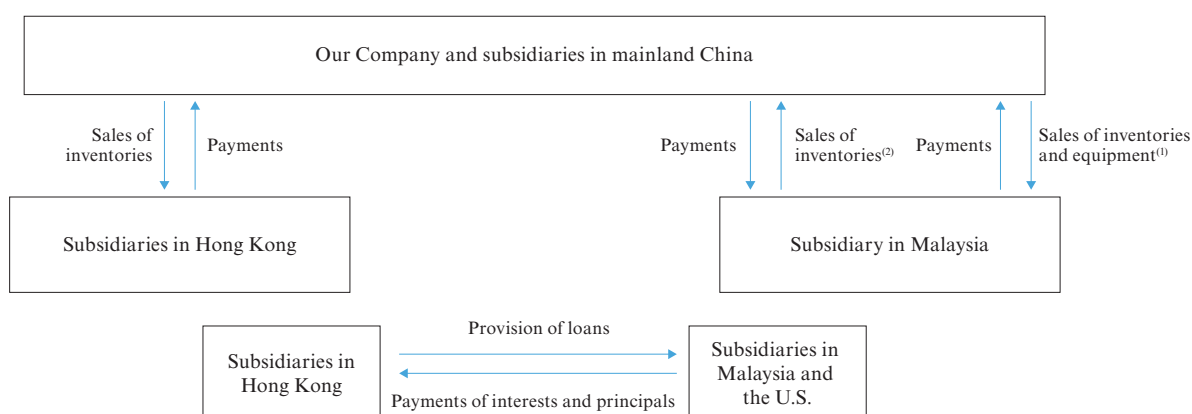
During the Track Record Period, we generally entered into framework agreements with our major suppliers, which typically have a term of one to two years and are renewed upon expiration. The salient terms of these framework agreements are set forth below:

- **Pricing:** The pricing of the products is specified in each purchase order, which is negotiated by the parties based on the market price fluctuations of the products. The final price shall be based on a valid quotation sheet confirmed by us. We generally do not include price adjustment mechanisms in our contracts with suppliers of raw materials.
- **Minimum purchase commitment:** We generally do not include minimum purchase commitments in our contracts with suppliers of raw materials.
- **Delivery terms:** Suppliers are responsible for delivering goods to our designated delivery location, with all transportation, packaging, and related costs borne by the suppliers. The risk of loss or damage during transit rests with suppliers.
- **Payment terms:** Invoiced amounts are confirmed monthly, with payment terms ranging from 30 to 90 days, depending on the supplier and circumstances.
- **Inspection and Quality Assurance:** Suppliers are required to provide products that meet the agreed-upon quality standards. All products are subject to inspection upon delivery. If we discover any quality issues with the products from suppliers after delivery, the suppliers shall be held responsible for such quality defects.
- **Product returns:** We are entitled to reject any products that are delivered prematurely, in excess of ordered quantities, or that fail to conform to the contract specifications (including but not limited to variety, model, specification, pattern, or quality). The supplier’s liability shall not be discharged solely by reason of our acceptance, inspection, storage, or waiver of inspection of the products.
- **Confidentiality:** Both parties are obligated to maintain confidentiality regarding the management information, the technical materials, intellectual property, and agreement contents involved in the contract. Such information shall not be disclosed or shared without prior written consent.
- **Warranty:** Suppliers warrant to us that the products supplied conform to the required quality standards and shall be responsible for any defective products identified during use. Suppliers warrant that our orders shall be given priority in processing and that quotations offered to us shall be fair and reasonable. We reserve the right to procure the same goods from third parties at any time. Suppliers of raw materials typically provide a warranty period of five years since our written acceptance. The warranty periods must also meet the requirements of our end customers and be no shorter than any applicable national or industry standards.
- **Dispute resolution:** The parties shall resolve any issues arising through negotiation. If such issues remain unresolved, parties may institute legal proceedings in the competent People’s Court at the place of contract execution.

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TRANSFER PRICING ARRANGEMENT

We operate through our Company and our subsidiaries in several jurisdictions, including mainland China, Hong Kong, Malaysia and the U.S. In the ordinary course of our business, we engage in certain cross-border intra-group transactions to facilitate our operations. These transactions primarily consist of (i) the sale of inventories including finished goods, work-in-progress and/or raw materials between our Company and our subsidiaries in mainland China and the subsidiaries in Hong Kong and Malaysia, (ii) the sale of equipment between our Company and our subsidiaries in mainland China and the subsidiary in Malaysia, and (iii) the provision of loans between the subsidiaries in Hong Kong and the subsidiaries in Malaysia and the U.S. The transaction flows are set out as follows:



Notes:

- (1) As our Malaysia production plant is under construction, certain equipment is currently required to be exported from mainland China to Malaysia.
- (2) As our Malaysia production plant is under construction, certain work-in-progress is currently required to be imported from Malaysia to mainland China for assembly and calibration purposes.

Transfer Pricing Report

Our Group engaged Shinewing (Beijing) Certified Tax Agents Co., Ltd. (the “**Transfer Pricing Advisor**”) to conduct transfer pricing review on our Group’s intra-group transactions during the Track Record Period, to evaluate our compliance with the relevant transfer pricing regulations and prepare reports. The Transfer Pricing Advisor applied the transaction net margin method and cost plus method as the transfer pricing review methodology, with the full cost plus margin, operating profit margin and gross profit margin as the independent transaction price level indicators. Our Transfer Pricing Advisor performed comparable searches by employing a third-party database, where different quantitative and qualitative screening were used to come up with a set of comparable companies for each relevant transaction and establish an arm’s length profit range based on the latest financials of the comparable companies accordingly.

Based on the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and the regulations of relevant jurisdictions, our Transfer Pricing Advisor concluded that our Group’s intra-group transactions complied with the arm’s length principle and there is no significant tax risk in our Group’s intra-group transaction pricing. Our Directors are of the view that we complied with all applicable transfer pricing laws and regulations in the relevant jurisdictions during the Track Record Period based on the above analysis and the fact that our Group was not subject to any transfer pricing adjustment requests from any PRC tax authority regarding intra-group transactions throughout the Track Record Period. Based on the due diligence work conducted by the Sole Sponsor, the Sole Sponsor concurs with the Directors’ view in this regard.

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MARKETING, SALES AND CUSTOMERS

Sales and Marketing

We primarily adopt a direct sales model, which facilitates direct communication with customers, enabling us to swiftly respond to their technical requirements and establish long-term strategic partnerships with them. During the Track Record Period, our customers mainly comprised direct customers and a few trading company customers. Our direct customers are primarily manufacturers, and our trading company customers purchase our products as principal for their manufacturing customers. During the Track Record Period, revenue derived from direct customers accounted for 89.6%, 96.1% and 97.4% of our revenue, respectively, and revenue derived from trading company customers accounted for 10.4%, 3.9% and 2.6% of our revenue, respectively. Trading company customers do not enter into distribution agreements with us. They conduct transactions independently under their own names and manage their own inventory and customer demands. We had buyer-seller relationship with our trading company customers. The sales terms we agree with them are generally consistent with those for direct customers, including payment terms, quality standards, and delivery arrangements. We implement uniform credit and quality management mechanisms to all customers. According to Frost & Sullivan, it is customary industry practice for manufacturing enterprises in the sensor and actuator industry to have trading companies as independent procurement entities.

In 2024 and 2025, we entered into consignment arrangements with certain existing established and creditworthy customers, primarily at their request. Under these arrangements, we place certain products, such as sensors and actuators, at the customers’ designated warehouses. The relevant customers then utilise such products in their production processes. We recognise revenue from the consigned products when they are utilised by the customers in accordance with the contractually agreed settlement schedule. During the Track Record Period, revenue generated from such consignment arrangements amounted to approximately nil, RMB0.2 million and RMB25.8 million, representing approximately nil, 0.1% and 3.8% of our revenue for the respective years.

To secure new customers and expand our market presence, we actively participate in industry exhibitions, technical forums and trade fairs. We emphasise customised collaboration with our customers. In the early stages of cooperation, we engage in technical exchanges to understand functional requirements and application scenarios, followed by prototype development, testing and validation. Upon successful qualification, both parties confirm product specifications, models and pricing terms, and enter into a supply relationship. Our sales department manages contract execution in line with customer requirements and internal delivery procedures, including order fulfilment and after-sales service coordination. We routinely conduct similar customisation exercises with existing customers as well.

Pricing Strategy and Policy

We have established a comprehensive internal pricing management system that governs the pricing of products, including new quotations, price adjustments and renewals. We determine the prices of our products by taking into account a variety of factors, including production costs, our expected profit margin, customers’ payment cycles, exchange rate and the level of market competition. Our sales representatives collect and analyse customer requirements and market data, and propose quotations accordingly. Quotations undergo multi-level internal review covering product cost analysis, gross profit assessment, and financial verification before being approved by senior management. Our pricing policy incorporates cost considerations. For example, fluctuations in raw material costs or manufacturing expenses are periodically reviewed to ensure margins remain aligned with our targets. Our cost centre conducts monthly gross margin reviews, and any deviation from internal benchmarks may result in corrective measures, such as price adjustments, internal cost optimisation or product upgrades.

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We offer rebates to certain customers, whereby they become eligible for corresponding rebate incentives upon reaching specified purchase volumes. Rebate incentives are offered to customers on a case-by-case basis and are not differentiated by business lines. We offer rebates to certain long-term, credit-worthy customers to reward loyalty and help them capture greater market share. Such rebates offset the customer’s payment of purchase amount.

SEASONALITY

During the Track Record Period, we generally recorded lower revenues for our products and solutions in the first quarter of the year, primarily because certain customers in the PRC and overseas markets may reduce production and operations, or defer procurement and project implementation, during Chinese New Year and Christmas holidays. Other than the impact of these holiday periods, our business does not generally exhibit significant seasonality.

OUR CUSTOMERS

Our customers during the Track Record Period primarily include direct customers and trading company customers, engaged in a wide range of downstream sectors including smart home, smart automobile, smart devices, smart manufacturing, etc.

Revenue generated from our top five customers in each year during the Track Record Period accounted for 38.0%, 35.7% and 37.3% of our total revenue for the same years, respectively. Revenue generated from our largest customer in each year during the Track Record Period accounted for 13.9%, 13.2% and 18.1% of our total revenue in the same years, respectively. We maintain long-term and stable business relationships with our major customers, including tier-1 suppliers, OEMs and branded consumer product manufacturers.

The following tables set forth the details of the five largest customers in each year during the Track Record Period:

For the year ended 31 December 2023

No.	Top Five Customers	The principal types of solutions provided	Revenue (RMB '000)	% of Total Revenue	Company Background	Typical Credit Term	Payment Method	Year of Establishing Relationship with Us
1	Customer A	Smart automobile solutions	65,153	13.9%	A company established in 1979 in Taiwan, China, with a registered capital of NT\$1.3 billion, and engaged in the research, development and manufacturing of automotive electronic products and intelligent driving assistance systems	Payment due 130 days after the monthly statement date	Bank transfer and bank’s acceptance bill	2007
2	Customer B	Smart home solutions	33,927	7.3%	A company established in 1997 in Ireland and engaged in manufacturing of residential fire and carbon monoxide detection products	Payment due 60 days after the monthly statement date	Bank transfer	2003
3	Customer C	Smart automobile solutions	31,943	6.8%	A Shenzhen Stock Exchange-listed company established in 2010 in the PRC, with a registered capital of RMB\$1.3 million, and engaged in manufacturing of automotive electronic products	Payment due 90 days after the monthly statement date	Bank’s acceptance bill	2010
4	Customer D	Smart home solutions	26,260	5.6%	A company established in 1946 in Denmark and engaged in providing intelligent metering solutions	Payment due 90 days after the monthly statement date	Bank transfer	2007
5	Customer E	Smart home and smart automobile solutions	20,688	4.4%	A private limited company established in 1976 in Hong Kong, China and engaged in acoustic components	Payment due 90 days after the monthly statement date	Bank transfer and bank’s acceptance bill	2003

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For the year ended 31 December 2024

No.	Top Five Customers	The principal types of solutions provided	Revenue (RMB '000)	% of Total Revenue	Company Background	Typical Credit Term	Payment Method	Year of Establishing Relationship with Us
1	Customer A	Smart automobile solutions	81,458	13.2%	A company established in 1979 in Taiwan, China, with a registered capital of NT\$1.3 billion, and engaged in the research, development and manufacturing of automotive electronic products and intelligent driving assistance systems	Payment due 130 days after the monthly statement date	Bank transfer and bank's acceptance bill	2007
2	Customer B	Smart home solutions	43,050	7.0%	A company established in 1997 in Ireland and engaged in manufacturing of residential fire and carbon monoxide detection products	Payment on delivery	Bank transfer	2003
3	Customer F	Smart automobile solutions	41,399	6.7%	Subsidiary of a Shenzhen Stock Exchange-listed company that was established in 1995, has a registered capital of RMB9.1 billion, is engaged in manufacturing of new energy vehicles	Payment due 60 days after the monthly statement date	Commercial bill	2006
4	Customer G	Smart home solutions	28,073	4.5%	A company established in 2008 in Tunisia and engaged in broadband, audio video solutions and energy markets	Payment due 30 days after the monthly statement date	Bank transfer	2020
5	Customer C	Smart automobile solutions	26,844	4.3%	A Shenzhen Stock Exchange-listed company established in 2010 in the PRC, with a registered capital of RMB51.3 million, and engaged in manufacturing of automotive electronic products	Payment due 90 days after the monthly statement date	Bank's acceptance bill	2010

For the year ended 31 December 2025

No.	Top Five Customers	The principal types of solutions provided	Revenue (RMB '000)	% of Total Revenue	Company Background	Typical Credit Term	Payment Method	Year of Establishing Relationship with Us
1	Customer A	Smart automobile solutions	123,646	18.1%	A company established in 1979 in Taiwan, China, with a registered capital of NT\$1.3 billion, and engaged in the research, development and manufacturing of automotive electronic products and intelligent driving assistance systems	Payment due 130 days after the monthly statement date	Bank transfer	2007
2	Customer H	Smart automobile solutions	37,980	5.6%	A company established in 1986 in China, with a registered capital of RMB554.9 million, and engaged in the research, development and manufacturing of automotive electronic products, smart cockpits and smart driving	Payment due 120 days after the monthly statement date	Bank transfer	2019
3	Customer I	Smart home solutions	36,329	5.3%	A company established in 2024 in Portugal and engaged in the wastewater industry	Payment due 120 days after the monthly statement date	Bank transfer	2024
4	Customer J*	Smart automobile solutions	29,643	4.3%	A company established in 2017 in China, with a registered capital of RMB10.0 million, and engaged in information technology services; a direct manufacturer	Payment due 90 days after the monthly statement date	Bank transfer	2023
5	Customer D	Smart home solutions	27,088	4.0%	A company established in 1946 in Denmark and engaged in providing intelligent metering solutions	Payment due 90 days after the monthly statement date	Bank transfer	2007

* Customer J is the same company as Supplier F.

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None of our Directors, their associates or any shareholders holding more than 5% of our issued share capital, to the best knowledge of our Directors, had any interest in any of our five largest customers in each year during the Track Record Period and as of the Latest Practicable Date. None of these customers are our connected persons. Furthermore, to the best knowledge of our Directors, during the Track Record Period, none of our five largest customers had any relationship with our Company, its connected persons or their respective associates, except for: (i) Customer H, our second largest customer in the year ended 31 December 2025, was a shareholder of the Company. In particular, it became our customer in 2019 and a shareholder of the Company on 8 November 2021; from 1 January 2023 to 27 September 2024, it held approximately 5.47% of the Company’s shares; from 27 September 2024 to 15 October 2024, it reduced its shareholding to approximately 3.71%; and thereafter, it continued to reduce the shareholding, and held none of our shares as of the Latest Practicable Date; and (ii) a former deputy general manager of Customer H served as a non-executive Director of our Company from 1 January 2023 to 11 March 2025.

Key Commercial Terms

During the Track Record Period, we generally enter into framework agreements with our major customers, which typically have a term of one to 10 years and are renewed upon expiration. The salient terms of these framework agreements are set forth below:

- **Pricing:** The pricing of the products is negotiated by the parties in each specific purchase order. Prices under purchase orders are generally fixed. Certain long-term agreements provide for price adjustment mechanisms triggered by material fluctuations in key raw material costs, under which prices may be adjusted based on agreed benchmarks, pre-determined formulas or mutual negotiations.
- **Delivery terms:** We are generally responsible for arranging delivery. Title and risk of loss pass to the customer upon delivery.
- **Payment terms:** Payment is due after the customer receives the products. Invoiced amounts are typically confirmed monthly, with payment required within 30 to 150 days.
- **Inspection and Quality Assurance:** We provide customers with relevant quality documentation and after-sales support. We also grant customers reasonable access to our production facilities for quality supervision.
- **Confidentiality:** Both parties are obligated to maintain confidentiality regarding commercial secrets obtained during the transaction.
- **Warranty:** We warrant that our products comply with agreed quality standards, are free from encumbrances and would not infringe any third party’s rights.
- **After-sales:** We provide after-sales services within the period set forth in the sales order, which typically ranges from 1–4 years. Our after-sales services primarily include repairment, maintenance, and replacement of defected products other than damages caused by customers.
- **Product returns/exchanges:** Other than defective products, we do not accept returns. Once our products are sold to consumers, we accept product exchange and return for defective products within the warranty period following product delivery based on the contract.
- **Dispute Resolution:** Disputes are first resolved through amicable negotiation, failing which disputes are generally required to be submitted to the competent courts or arbitration institutions at the customer’s location or place of contract conclusion.

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- **Liability:** We are liable for direct losses arising from our breach of contract, including product quality issues or delivery delays. Such liability may include liquidated damages, compensation for actual losses and costs relating to the return or repair of defective products, and is generally capped by reference to the contract value or the transaction value of the relevant batch of products.

Generally, we allow product returns if there exist product defects for which we are responsible, and the relevant products in question are still within the warranty duration prescribed in sales contracts or production specifications. During each of the years ended 31 December 2023, 2024 and 2025, the amount of returns for our sensing and actuation products was approximately RMB1.6 million, RMB2.6 million and RMB5.4 million, representing 0.34%, 0.43% and 0.79% of the total revenue of our sensing and actuation products for the same periods, respectively.

Third Party Payment Arrangement

Background

During the Track Record Period, certain of our customers (the “Relevant Customer(s)”) settled their payments with us through third-party payers (such payer(s), the “Third-Party Payer(s),” and such arrangement(s), the “Third-Party Payment Arrangement(s)”). The aggregate amount of third-party payments (the “Third-Party Payments”) we received from Third-Party Payers was approximately RMB224,000, RMB58,800 and RMB167,638, which respectively accounted for 0.05%, 0.01% and 0.02% of our revenue in 2023, 2024 and 2025. The amount of Third-Party Payments represented an immaterial proportion of our revenue during the Track Record Period. No individual Relevant Customer had made material contribution to our revenue during the Track Record Period. To the best knowledge of our Directors after making reasonable inquiries, the Relevant Customers or their respective Third-Party Payers during the Track Record Period were Independent Third Parties. As of 15 October 2025, we had ceased all third-party payment arrangements. During the Track Record Period and up to the Latest Practicable Date, the Group had not received any claims from Third-Party Payers or its liquidators.

During the Track Record Period and up to the Latest Practicable Date, we had not initiated any Third-Party Payment Arrangements, but only accepted the Third-Party Payments paid by the third-party payers at the request of the Relevant Customers. In addition, during the Track Record Period and up to the Latest Practicable Date, (i) we have not provided any discount, commission, rebate, or other benefits to any of the Relevant Customers or the Third-Party Payers to facilitate or encourage the Third-Party Payment Arrangements; and (ii) none of the settlements made by the Third-Party Payers were financed, directly or indirectly, by our Company, its subsidiaries, shareholders, directors, senior management or any of their respective associates. As advised by our PRC Legal Advisor, our Directors confirm that our acceptance of payments through the Third Party Payment Arrangements (i) does not constitute money laundering under the relevant PRC laws and regulations; (ii) is not circumventions to the relevant PRC laws and regulations; (iii) does not commit any acts as stipulated under Article 191 of the Criminal Law of the PRC for the purpose of covering up or concealing the source and nature of such proceeds or gains; and (iv) does not violate any mandatory provisions of applicable laws or regulations in China. Based on the due diligence work conducted by the Sole Sponsor and taking into account the PRC Legal Advisor’s views, the Sole Sponsor concurs with the Directors’ view. Considering that the Third Party Payments represented an immaterial proportion of our revenue during the Track Record Period, our Directors are of the view that the Third Party Payments do not have any material adverse impact on our business operations.

Reasons for Utilising Third-Party Payment Arrangements

During the Track Record Period, the Third-Party Payers generally comprised (i) affiliates of Relevant Customers, such as entities within the same group or under common control with the Relevant Customers, and individuals who are owners, directors, or employees of the Relevant Customers or their family members; and (ii) independent third parties engaged by the Relevant

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Customers, such as third party settlement agents and business partners of the Relevant Customers. According to Frost & Sullivan, it is customary market practice for sensor and actuator purchasers to settle payments through third-party payers to their vendors to facilitate payments, particularly for cross-border transactions. To the best knowledge of our Directors, the main reason for the Relevant Customers to utilise Third-Party Payment Arrangements is for the convenience and efficiency of fund settlement.

Internal Control Measures for Third-Party Payment Arrangements

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our internal control system. To safeguard our Group’s interest against risks associated with Third-Party Payment Arrangements, the following internal control measures have been adopted by our Group:

- (1) Since 15 October 2025, we have started to cease allowing our customers to settle payments through Third-Party Payers;
- (2) We circulated notice internally to alert and inform relevant staff members of requirements on identification of, and prohibition on accepting, Third-Party Payments;
- (3) Our finance department is responsible for maintaining a receipt settlement management ledger, which records, among other information, the customer’s name, content of transaction, payment data, payment sum, payment method and the payer’s name, so as to ensure that relevant payments are made directly by the relevant customer.

Considering that our revenue generated from Third-Party Payment Arrangements as a percentage of our total revenue was immaterial, our Directors confirm that the cessation of the Third-Party Payment Arrangements would not have any material adverse impact on our business, financial conditions or results of operations.

Overlapping of Major Suppliers and Customers

During the Track Record Period, Customer A was one of our five largest customers, and the products we sell to it primarily comprise sensors and actuators. During the same period, we also made a small number of purchases of general-purpose injection-moulded housings and pin materials from it for limited products. Supplier F/Customer J was one of our five largest suppliers in 2024 and was also one of our five largest customers in 2025. During the Track Record Period, the products we sold to it primarily comprised sensors, while the materials we purchased from it mainly consisted of electronic components and circuit boards in 2024. Some of the sensors sold to Supplier F/Customer J require customer-specified electronic components, and therefore we need to procure these specialised electronic components from it. Supplier D was one of our five largest suppliers in 2023 and also constitutes one of our customers. We supply sensors to it and purchases surface treatment services and plastic materials from it. These transactions represent independent commercial decisions, based on factors including cost, delivery lead time, and product quality.

Sales revenue and purchase amounts associated with the overlaps were as follows:

		Year ended 31 December 2023		Year ended 31 December 2024		Year ended 31 December 2025	
		Amount	% of Total	Amount	% of Total	Amount	% of Total
		(RMB '000)	Amount	(RMB '000)	Amount	(RMB '000)	Amount
Customer A	Sales Revenue	65,153	13.9%	81,458	13.2%	123,646	18.1%
	Purchase Amount	617	0.3%	86	0.03%	7	0.002%
Supplier F/ Customer J	Sales Revenue	191	0.04%	10,863	1.8%	29,643	4.34%
	Purchase Amount	—	—	12,533	4.0%	—	—
Supplier D	Sales Revenue	183	0.04%	165	0.03%	71	0.01%
	Purchase Amount	7,962	3.8%	244	0.08%	208	0.07%

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All of the transactions that we entered into with the above overlapping suppliers and customers were on an arm’s-length, mutually independent basis under normal commercial terms. According to Frost & Sullivan, having such overlaps is not uncommon in our industry. Negotiations of the terms of our sales to and purchases from these overlapping customers and suppliers were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other.

WAREHOUSING, LOGISTICS AND INVENTORY MANAGEMENT

Warehousing

We maintain dedicated warehousing facilities at our production centres in Jingdezhen, Zhaoqing, Guangzhou, China, and Selangor, Malaysia to manage raw materials, work-in-progress, and finished goods for our domestic and international operations. Our warehouse operations follow strict internal guidelines, including a warehouse management manual, which set detailed procedures for material receipt, storage conditions, labelling, segregation of defective items and safety compliance.

Logistics

Our logistics operations manage the transport of materials between our manufacturing centres and the delivery of finished products to customers. We partner with established logistics providers for domestic and international transportation to serve overseas customers efficiently. Throughout the Track Record Period up to the Latest Practicable Date, we have not experienced any material logistics disruptions affecting customer delivery.

Inventory Management

Our inventories primarily comprise raw materials, work-in-progress and finished goods. We manage inventory levels based on production plans, delivery schedules and customer demand forecasts to reduce obsolescence risks, and generally apply a FIFO approach. Inventory levels are reviewed regularly to ensure alignment with operational needs and prevent backlog accumulation. Digital modules within our integrated ERP and MES systems provide real-time inventory monitoring and traceability throughout production and warehousing processes.

Inventory Management under our Consignment Business

We have consignment arrangements with certain customers under which we ship finished goods to their designated warehouses according to their sales forecast. We maintain ownership and pricing control over the consigned products and record them as inventories in our books. We conduct periodic reconciliation with consignees based on sales reports and inventory records, and perform regular inventory ageing reviews. Typically, consignees are responsible for safekeeping, daily inventory monitoring and sales reporting of the consigned products, and placing replenishment orders as needed. We are responsible for purchasing insurance for our products, product quality and delivery. During the year ended 31 December 2025, the average inventory turnover days for consigned product inventories were 39 days (calculated using the average of the beginning and ending balances of the consigned product inventories for the year, divided by the corresponding cost of sales, multiplied by 365 days). We only started consignment arrangements with certain customers in November 2024, and as such did not present average inventory turnover days for 2024. In addition, based on our assessment, the average time gap between delivery of our products to customers and their actual use during the Track Record Period was approximately 31 days. During the Track Record Period, products returned under the consignment arrangements amounted to approximately nil, nil and RMB3,329, respectively. See “Risk Factors — Risks Relating to our Business and Industry — We are exposed to risk on consignment arrangements for the sales of our products.” During the Track Record Period and up to the Latest Practicable Date, we did not record any material obsolete inventories arising from the consignment arrangements.

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PROPERTIES

As of 31 December 2025, we owned properties in Guangzhou and Zhaoqing, China; we leased properties in Guangzhou, Zhaoqing, Jingdezhen and Suzhou, China, as well as in Malaysia, Germany, and the United States. These properties are mainly used as production facilities, R&D departments, warehousing and office premises.

As of the same date, we did not have any single property with a carrying amount of 15% or more of our total assets. Accordingly, pursuant to Rule 5.01A of the Hong Kong Listing Rules, we are not required to include a property valuation report in this Document. Further, under section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is exempted from the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in respect of paragraph 34(2) of the Third Schedule thereto, which would otherwise require a valuation report on all of our interests in land or buildings.

Owned Properties

As of 31 December 2025, we owned nine properties in Guangzhou and Zhaoqing in China with an aggregate gross floor area of approximately 71,000 square meters. They are primarily used for production, R&D, warehousing, employee dormitory and administrative purposes.

As of the Latest Practicable Date, we had (i) five buildings with an aggregate gross floor area of approximately 780 square meters for which we did not obtain the relevant construction approvals, nor did we obtained the relevant property ownership certificates (“**Properties A**”), and (ii) one property with a gross floor area of approximately 2,800 square meters where the actual use is inconsistent with the designated use stated in the property ownership certificate (“**Property B**”). The non-compliance with respect to Properties A arose from the historical existence of certain ancillary facilities which pre-dated our acquisition of the relevant plant site as a whole and were not constructed or altered by us in contravention of applicable PRC laws or regulations. The inconsistency between the actual use and the designated use of Property B arose from adjustments made to accommodate our business development needs. We mainly use Properties A for employee activities, gatehouse use, public facilities and storage and Property B for ancillary office and R&D supporting purposes.

With respect to Properties A, we are advised by our PRC Legal Advisor that the relevant authority may order us to demolish the relevant construction within a prescribed time limit. Under applicable PRC laws and regulations, administrative penalties are imposed on the construction entity that failed to complete required approval formalities. As we are not the constructing entity of Properties A, we are not subject to any relevant penalties and bears no potential fines. Furthermore, Properties A are ancillary facilities located within our industrial park, and accordingly we do not need to source any comparable alternative properties. Considering that, among others, the non-compliance existed prior to our acquisition of the plant site as a whole, the property is an ancillary facility with a small gross floor area that is immaterial to our production activities, and written confirmations have been obtained from the competent local government authorities, certifying that no administrative action or penalty had been imposed by the relevant regulatory authorities, our PRC Legal Advisor is of the view that the absence of construction approvals or property title certificates for Properties A would not have material adverse impact on our business operations.

With respect to Property B, we are advised by our PRC Legal Advisor that we may be subject to administrative penalties by the competent urban management department authority, with applicable PRC laws stipulating that the maximum fine payable may amount to 10% of the property’s construction cost. As the Group acquired Property B from a third party and is unable to source its actual construction cost, the acquisition price of approximately RMB3,602,400 is adopted as the deemed construction cost, and the resultant maximum potential fine is approximately RMB360,200. Considering that, among others, Property B is not a principal production site and is only used for

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ancillary office and R&D supporting purposes, our manufacturing centres have largely been relocated to other available facilities that can sufficiently meet our production needs, and written confirmations have been obtained from the competent local government authorities, certifying that no administrative action or penalty had been imposed by the relevant regulatory authorities, our PRC Legal Advisor is of the view that the inconsistency between the actual use and the designated use of the above properties would not have material adverse impact on our business operations.

Leased Properties

As of 31 December 2025, we leased properties in Guangzhou, Zhaoqing, Jingdezhen and Suzhou, China, as well as in Malaysia, Germany, and the United States with an aggregate gross floor area of over 25,000 square meters, which are mainly used for production, R&D, warehousing, employee dormitory and/or administrative purposes. We have entered into lease agreements with the respective lessors, and to the best of our knowledge, we have complied with the material terms of such leases.

As of the Latest Practicable Date, we had (i) three properties in Jiangxi, China, with a gross floor area of approximately 18,000 square meters, the landlord to which are still in the process of obtaining property ownership certificate (“**Properties C**”), and (ii) one property in Malaysia where certain renovation works at such leased property were not fully in compliance with the approved building plan (“**Property D**”). We mainly used Properties C for development, production and employee dormitory purposes and Property D as a factory.

With respect to Properties C, considering that, among others, the industrial park where Properties C are located has completed the requisite completion inspection and filing procedures and is fit for use, the lessor has confirmed that the ownership of such properties is clear and free from third-party rights or disputes, and the property ownership certificates for Properties C are being duly processed with no material obstacles that would prevent their issuance, our PRC Legal Advisor is of the view that the absence of property ownership certificates for these leased properties would not have a material adverse impact on our business operations.

As of the Latest Practicable Date, our Malaysia subsidiary had yet to obtain the certificate of completion and compliance (“**CCC**”) for Property D. The CCC is required to be issued by the principal submitting person (“**PSP**”), being the professional architect appointed for the relevant works. The CCC serves as confirmation that the renovation works at Property D have been completed in accordance with the approved plans and the safety requirements prescribed by the local municipal council and the fire department. As advised by our Malaysian Legal Advisor, our Malaysia subsidiary shall ensure that all the renovation work be done in accordance with the revised building plan, pay the penalty and obtain the local authority’s consent, failing which the municipal council may impose further penalties, require removal of unauthorised structures, or cancel/decline to renew our business licence, and the landlord may terminate the tenancy and seek compensation. Based on the advice of our Malaysian Legal Advisor upon we procure and rely upon the said PSP’s opinion that all renovation works have been duly carried out in full compliance with the requisite approvals obtained and PSP’s undertaking to issue the CCC, there is no material legal impediment or burden that would prohibit or prevent us from obtaining the certificate of completion and compliance. As further confirmed by our Malaysian Legal Advisor, as of the Latest Practicable Date, the relevant renovation works have been substantially completed in accordance with the revised building plan, the applicable penalty has been paid, and the local authority’s consent is in the process of being obtained. Based on communications with the PSP, the CCC for Property D is expected to be issued by the end of 2026.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines, orders or enforcement actions in relation to our use of properties. To the best of our knowledge, we have not experienced any material interruption to our operations arising from property-related matters. Our Directors are of the view that (1) except for Properties A which serves as gatehouse and ancillary facility within our existing premises, we will be able to find comparable

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properties as alternatives to Properties B, C and D at commercially acceptable terms to us, since each property is located within a vibrant industrial park or manufacturing zone, which are characterised by active leasing markets and a pool of vacant or soon-to-be-available facilities suitable for our operations, and (2) the aggregate relocation cost of the four properties, including (a) the cost for the disassembly, transportation and assembly of the relevant office, R&D and ancillary equipment, and (b) the overtime compensation to our staff in connection with the relocation (the relocation is not expected to result in any loss of revenue, as our multiple production bases maintain sufficient capacity to ensure uninterrupted operations), is estimated to account for less than 0.1% of our total revenue in 2025, and as such the relocation of these properties, should it becomes necessary in the unlikely case, will not have a material disruption on our operations and will not have a material adverse effect on our financial condition or our results of operations.

In addition, our PRC Legal Advisor is of the view that Properties A, B and C are compliant with the production safety and fire safety requirements in all material respects pursuant to the relevant PRC laws and regulations, having considered that (i) Properties A is used as an employee activity centre, guardhouse, public utility area and storage/tool room, which does not involve any production activities and is only used as ancillary facilities; (ii) Property B is used as ancillary facilities for office and R&D purposes, does not constitute our Group’s principal production or business premises and does not involve any significant or core production processes of our Group; (iii) our Group has obtained the relevant fire safety inspection opinions and filing records from the competent fire control authorities in respect of Property B; (iv) Property C is a leased property used as factory premises and staff dormitory, and the property owner has obtained the relevant fire safety acceptance and filing records from the competent fire control authorities; and (v) our Group has obtained written confirmations from the relevant competent authorities confirming that our Group had not been subject to any administrative penalties imposed by the production safety or fire safety authorities in relation to Properties A, B and C during the Track Record Period. Based on the analysis and conclusions made by our PRC Legal Advisor above, our Directors are of the view that these properties are compliant with the production safety and fire safety requirements in all material respects pursuant to the relevant PRC laws and regulations and none of these properties poses any material production safety or fire safety risks to our Group.

In terms of Property D, our Malaysian Legal Advisor is of the view that, based on the documents produced to them, Property D has obtained the material statutory approvals required under the relevant Malaysian laws and regulations in respect of production safety and fire safety, having considered that (a) the relevant fire safety approval for the old building plan has been issued by the Fire and Rescue Department of Malaysia, and (b) in respect of all renovation works carried out at Property D, the PSP has confirmed that there is no material legal impediment to such building works obtaining the requisite compliance status under the applicable Malaysian laws and regulations.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Legal Proceedings

We have been and may from time to time continue to be, a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business. As of the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings pending or threatened against us or any of the Directors which 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 were no litigation, arbitration or administrative proceedings against us or any of the Directors which had caused a material and adverse effect on our business, results of operations or financial condition.

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Compliance

For details of certain of our non-compliances relating to our properties and employee matters, see “— Properties” and “— Employees.” For additional information relating to the potential impact of such non-compliances, see “Risk Factors — Risks Relating to our Business and Industry — Any failure to make adequate contributions to employee benefit plans as required by PRC regulations may subject us to regulatory risks” and “Risk Factors — Risks Relating to our Business and Industry — Our title to certain land and buildings we own may be defective and our right to lease and use the properties may be challenged, or we may fail to extend or renew our current leases or locate desirable alternatives for our facilities on commercially acceptable terms, which could adversely affect our business.” For the view of our legal advisors on the effect of these non-compliances on our business, results of operations and financial conditions, see “— Properties” and “— Employees.”

Our Directors are of the view that, during the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material non-compliance incidents that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, results of operations and financial conditions.

EXPORT CONTROLS AND SANCTIONS

We have a diversified customer base in the PRC and export our products to various countries and regions. As a result, we are subject to export control and sanctions laws and regulations administered by authorities in multiple jurisdictions, including but not limited to the United Nations (“UN”), the People’s Republic of China (“PRC”), the United States (“U.S.”) and the European Union (“EU”). We have conducted our business operations in a manner that complies with applicable export control and sanctions requirements.

U.S. Export Control Risks

During the Track Record Period, we had limited transactions with certain customers designated on the Entity List maintained by the U.S. Department of Commerce Bureau of Industry and Security (“BIS”) or subject to export control restrictions under the U.S. Export Administration Regulations (“EAR”). We sold actuators and sensors to those customers. The revenue generated from such customers was approximately RMB0.3 million in 2023, RMB0.1 million in 2024 and RMB0.4 million in 2025, represented approximately 0.07%, 0.02% and 0.06% of our total revenue of each year during the Track Record Period.

Under the EAR, for a violation to occur, the items involved in the transactions with designated persons must be subject to the EAR.

Based on the following reasons, our Directors are of the view that our sales activities are not subject to the EAR:

- Our products are developed and produced outside the U.S. and are not U.S. origin or transshipped from the U.S.
- The U.S.-origin controlled content incorporated into our products is valued less than 25% of the total value of the products. Therefore, our products are not subject to the EAR pursuant to the De Minimis rule under the EAR.
- The development and production of our products do not involve the concerned software, technology or equipment controlled under applicable Foreign-Direct Product (“FDP”) rules as defined in § 734.9 of EAR. Therefore, our products are not subject to the EAR pursuant to the FDP rules under the EAR.

Accordingly, our international sanctions legal adviser is of the view that our products are not subject to the EAR pursuant to the “De Minimis” and “FDP” rules.

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With reference to the international sanctions legal adviser’s view, our Directors consider there is no apparent risk of violation under the EAR in connection with our sales to such customers.

Regarding procurement activities, we source U.S.-origin glue and electronic components from domestic suppliers, which do not require export licenses for exports to China and only account for a small portion of our procurement. No other suppliers have notified us of license requirements. Under the EAR, it is the exporter or transferor’s obligation to inform the purchaser of license requirements applicable to purchased items. Since we were never made aware of any license requirement nor asked to assist in export licenses applications, without any red flags, we can assume that no licenses are required for the U.S.-origin item. Since we do not transfer the procured item for restricted end users or end uses, the risk of EAR violation associated with our procurement activities is low.

U.S. Sanction Risks

During the Track Record Period, we made limited sales to customers located in Russia and Belarus. The products sold mainly comprised sensors, actuators and related components used in civilian and household applications, such as flow sensors and smoke alarms. The counterparties were not designated persons under any sanctions lists maintained by the U.S., the EU, the UN, or the PRC. The revenue derived from such transactions accounted for less than 0.1% of our total revenue during the Track Record Period (approximately 0.04% in 2023, 0.04% in 2024), and we have ceased all sales to these countries since August 2024. In any event, our products are not subject to the EAR or the EU Dual-Use Regulation (EU) 2021/821 and were supplied for civilian end uses only. Furthermore, our international sanctions legal adviser is of the view that we engaged in a one-time transaction with one supplier subject to blocking sanctions because more than 50% of its shares are owned by an entity designated on the SDN List. The transaction had no U.S. nexus (no U.S. items, U.S. dollars settlements or U.S. persons were involved) and accordingly our international sanctions legal adviser is of the view that we have not engaged in any primary sanctioned activity. Non-U.S. persons may be subject to secondary sanctions for providing “material assistance” to or conducting “significant transactions” with blocked persons. When deciding whether transactions are “significant”, the Office of Foreign Assets Control (“OFAC”) under the U.S. Department of Treasury may consider the following factors: (a) the size, number, and frequency of the transactions; (b) the nature of the transactions, or the goods or services for sale, supply, or transfer, including their type, complexity, and commercial purpose; (c) the level of awareness of management and whether the transactions are part of a pattern of conduct; (d) the nexus between the transactions and the sanctioned persons; (e) the impact of the transactions on the sanctions objectives; (f) whether the transactions attempt to obscure or conceal the actual parties or true nature of the transactions, or evade sanctions; and (g) other relevant factors that the Secretary of the Treasury deems relevant. The transaction value was relatively small (accounting for 0.06% of our total procurement in 2025) and occurred only once. It involved the purchase of equipment components for our self-manufacturing of automated equipment, which is not for sales to Russia. Thus, the transaction bears no relevance to the reason for the supplier’s parent company being designated on the SDN List. As such, our international sanctions legal adviser is of the view that our activities during the Track Record Period carried a low risk of secondary sanctions.

With reference to the international sanctions legal adviser’s view, our Directors consider that there is no apparent risk of violation under applicable export control and sanctions regimes in connection with our sales to such customers. While the secondary sanction risks cannot be ruled out due to the large discretion of sanctions enforcement agencies, our Directors are of the view that the risk of violation is remote.

EU Export Controls and Sanctions Compliance

During the Track Record Period, all of our products are manufactured outside the EU, and all of our exported products were shipped from China. Our international sanctions legal adviser is of the view that our products sold were not subject to the EU Dual-Use Regulation.

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Further, based on the screening results, our international sanctions legal adviser is of the view that we have no dealings with any entities or individuals designated under any sanctions lists maintained by the EU.

PRC, UK, AUS and UN Sanctions Compliance

We have not engaged in any transactions involving individuals or entities included on the PRC’s Unreliable Entity List or Anti-Foreign Sanctions List, nor have we participated in or facilitated the implementation of foreign discriminatory restrictive measures within the meaning of PRC law. In addition, based on the screening results, our international sanctions legal adviser is of the view that we have no dealings with any entities or individuals designated under the UN consolidated sanctions list.

With reference to the international sanctions legal adviser’s view, our Directors consider our operations comply with the PRC and UN sanctions regimes, and our Directors consider there is no apparent risk of violation under the PRC and UN sanctions regimes.

We do not have subsidiaries or branches in the United Kingdom or Australia and are consequently not subject to the rules and regulations applicable in the United Kingdom or Australia. Also, we had no dealings with restricted or sanctioned parties listed under the United Kingdom and Australia regime during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any investigations, penalties or enforcement actions initiated by any governmental or regulatory authorities in connection with export control or sanctions compliance. No member of the Group was designated as a sanctioned target or located, incorporated or resident in a comprehensively sanctioned jurisdiction.

Based on the foregoing, our Directors consider that sanctions-related matters have not had and are not expected to have any material adverse impact on our business operations, financial condition or results of operations.

Export Control and Sanctions Internal Control Measures

We have internal control measures related to export control and sanctions compliance, including but not limited to: (i) assigning the Investment Department as the centralised management department for compliance work; (ii) conducting due diligence on transaction parties, items, destinations, end-users, and end-uses to identify risks in business operations (procurement, sales, and other business operations), especially whether restricted or sanctioned entities or sanctioned countries/regions are involved; (iii) reviewing identified risks; (iv) providing compliance training to ensure employees are aware of export control and sanctions compliance requirements; (v) conducting audits to promptly and effectively identify potential violations; (vi) formulating contingency plans to deal with export control and sanctions compliance risks that may affect the company’s business operations; and (vii) maintaining relevant documents and records properly.

TARIFFS

U.S. tariffs have had limited direct impacts on our business. In particular, during the Track Record Period, we directly exported our products produced in China to the U.S. Revenue from such exports accounted for a relatively small portion of our total revenue, representing approximately 8.0%, 7.9% and 7.3% in 2023, 2024 and 2025. Our products exported to U.S. are subject to U.S. Section 301 Tariffs, which was implemented prior to the Track Record Period and had no material changes during the Track Record Period. In 2025, the U.S. implemented a series of tariff measures, including reciprocal tariffs on numerous trading partners. Recent U.S. tariff policies are general policies applicable to a broad range of industries and enterprises in China rather than measures specifically targeting us. We have been affected in a manner broadly consistent with other Chinese enterprises. Our exports to the U.S. were also conducted primarily on a FOB basis, with all

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applicable taxes and fees borne by customers. In addition, our procurement exposure to the U.S. was immaterial. Raw materials and components sourced from the U.S. accounted for only 0.03%, 0.02% and 0.01% of our total raw material procurement in 2023, 2024 and 2025, respectively.

Changes in U.S. tariff policies have also had some indirect impacts on our business. Specifically, to the best of our knowledge, some of our overseas customers sold finished smoke alarms assembled with our actuators to the U.S., and sales of these finished products were negatively affected by U.S. tariff policies, which in turn indirectly reduced our sales of such actuators. In particular, our revenue derived from sales of actuators decreased by RMB36.7 million, or 29.3%, from RMB125.3 million in 2024 to RMB88.6 million in 2025. For a detailed discussion of the reasons for this decrease, including tariff-related reasons, see “Financial Information — Key Components of Our Consolidated Statement of Profit or Loss and Other Comprehensive Income — Revenue by product type”. However, these tariffs primarily affected sales of our actuators, which represented only a minor portion of our total revenue, and our revenue during the Track Record Period was predominantly derived from sensor sales. Specifically, during the Track Record Period, revenue derived from sales of actuators amounted to RMB99.1 million, RMB125.3 million and RMB88.6 million, representing only 21.2%, 20.3% and 13.0% of our total revenue.

Notwithstanding these limited impacts, to mitigate potential geopolitical risks associated with tariff policies, we have implemented a series of strategic measures, including:

- ***Establishing overseas production capacity.*** We are expanding our production capacity in Selangor, Malaysia, leveraging its regional trade advantages to help secure a stable supply channel to the North American market. For details of this expansion, please see “Business — Our Strategies — Advance Production Layout to Promote Supply Chain Resilience and Delivery Capability” and “Business — Production — Production Plants — Expansion in Production Capacity — Expansion in Selangor, Malaysia” in this Document. Among others, we have allocated approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] million, for this expansion. For details, please see “Future Plans and [REDACTED]” in this Document.
- ***Expanding into other intentional markets.*** During the Track Record Period, we strengthened our presence in Europe, adding six key customers across Portugal, Switzerland, Austria, Romania, and other countries. We will continue to grow our market share in Europe, Southeast Asia, and other regions with local production and consumption of related products, further diversifying our regional sales structure.
- ***Strengthening R&D and enhancing our products’ core competitiveness.*** Consistent investment in R&D has been the foundation of our continuous technological advancement. For example, during the Track Record Period, we developed and launched a range of new products for overseas markets, including digital flow sensor modules and next-generation material identification sensors for robots. We plan to further increase R&D investments to keep pace with industry technology developments, strengthen our products’ pricing power, and raise product barriers to entry. For details of our R&D strategy and latest initiatives, please see “Business — Our Strategies — Continue Research and Development Investment to Enhance Product Matrix and Solutions” and “Business — Research and Development — Our Latest Research and Development Initiatives” in this Document.

Directors’ View

Based on the foregoing, including (i) the limited direct impacts of U.S. tariffs on the Group’s business, (ii) the decline in our actuator sales in 2025, partially and indirectly caused by these tariffs, with actuator sales representing only a minor portion of our total revenue, and (iii) the Group’s strategic mitigating measures, the Directors are of the view that, based on the tariff measures in effect as at the Latest Practicable Date, U.S. tariffs have not had, and are not expected to have, any material adverse impact on the Group’s business or results of operations. The Directors’ view is

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based on the assumptions that (a) there will be no material escalation of existing tariff measures or imposition of additional tariffs, (b) the Group will continue to be able to implement its mitigating measures effectively, and (c) there will be no material deterioration in macroeconomic conditions that would disproportionately affect the Group’s industry. In any event, the Directors acknowledge that trade and tariff policies are inherently uncertain, subject to change at short notice, and influenced by geopolitical, economic, and regulatory factors beyond the control of the Group.

Sponsor’s View

Having performed independent due diligence (including a review of the Group’s internal analyses, representations, and financial records for the Track Record Period, as well as discussions with the Directors), and having considered the bases and assumptions underlying the Directors’ view, nothing has come to the Sponsor’s attention that would cause the Sponsor to disagree with the Directors’ view in any material respect as at the Latest Practicable Date.

RESTRICTION ON INVESTMENTS BY U.S. PERSONS

Under the Outbound Investment Rules, U.S. persons are subject to notification requirements or prohibitions if they engage in “covered transactions” involving “covered foreign persons”. “Covered transactions” include a U.S. person’s direct or indirect acquisition of an equity interest or contingent equity interest in a person that the U.S. person is aware, at the time of acquisition, is a “covered foreign person”. “Covered foreign persons” are defined as entities with a principal place of business in, or that are headquartered in, incorporated, or otherwise organized under the laws of the People’s Republic of China, including Hong Kong and Macau, that engage in “covered activities.”

Under the Outbound Investment Rules, because we are registered and have principal place of business in China, we are considered a person of a country of concern. Nevertheless, based on the following, we are not classified as a covered foreign person as we do not engage in the covered activities defined by the Outbound Investment Rules:

- We do not engage in the development or production of semiconductor fabrication/package equipment or electronic design automation software, nor do we design, fabricate, package integrated circuit, or develop, install, sell, or produce supercomputers. The transducer chips, sensors and actuators that we develop and produce differ from integrated circuits in function, structure, and manufacturing process. Therefore, with reference to the international sanctions legal adviser’s view, our Directors are of the view that our business does not fall within the microelectronics sector under the Outbound Investment Rules.
- We do not engage in the development or production of quantum sensing platforms, or quantum network/communication systems.
- We do not develop AI systems designed or intended to be exclusively used for military end uses, government intelligence/mass-surveillance end uses, or other restricted end uses, or trained using computing power that meets the threshold established in the Outbound Investment Rules.

In addition, we are not listed on any restricted lists specified in the Outbound Investment Rules.

Therefore, our international sanctions legal adviser is of the view that we are not a covered foreign person as defined under the Outbound Investment Rules. U.S. persons are allowed to [REDACTED] in the [REDACTED], and the [REDACTED] in our publicly traded shares after [REDACTED] will not be prohibited or subject to reporting requirements. Based on the foregoing, our Directors consider that Outbound Investment Rule have not had, and are not expected to have, any material adverse impact on the Group’s business operations or financial performance.

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DATA PRIVACY AND CYBERSECURITY

Data privacy and cybersecurity are increasingly important regulatory and operational considerations in China and globally. We engage in cross-border data transmission during our operations. The scenarios are as follows:

- customer contact information collected from mainland China on our official Chinese website being stored on servers located in Hong Kong. Such information is collected through the online submission interfaces on our official website. We consider that hosting the website server in Hong Kong improves website access speed for users around the world, in particular for those outside mainland China;
- recruitment, onboarding and operational documents (including records relating to manufacturing activities, inventory management, finance, accounting, quality management and internal business operations) of our Malaysian subsidiary being backed up and centrally stored on servers in mainland China;
- business contact information of existing and potential customers collected by our sales personnel in the United States and Germany being entered into our customer relationship management system located in mainland China; and
- the cross-border exchange of contracts, trade documents, and relevant business information necessary for international sales of products, which is limited to necessary business contact and commercial information, including contracts, trade documents and relevant commercial marketing materials required for the international sale of products, and does not involve large-scale or sensitive personal data.

As advised by our PRC cybersecurity and data privacy legal advisor, under the Provisions on Promoting and Regulating Cross-Border Data Flow (《促進和規範數據跨境流動規定》), the Group is not required to apply for a security assessment for cross-border data transfer, because the volume of personal data transferred outside mainland China does not reach the statutory threshold of one million individuals, does not involve sensitive personal data or important data, and the Group is not a critical information infrastructure operator. In addition, the cross-border transfer of personal data from Malaysia is governed by Section 129 of the Personal Data Protection Act 2010 of Malaysia (“PDPA”) and the Personal Data Protection Guidelines on Cross-Border Transfer of Personal Data issued by the Personal Data Protection Commissioner on 29 April 2025. As advised by our Malaysian legal advisor, the Group’s cross-border data transfer arrangements from Malaysia are not subject to any prior approval, licensing or regulatory authorisation requirement under Malaysian law.

Data generated during operations is primarily stored within mainland China, including in our own data centers, local servers, and private cloud services provided by domestic cloud service providers. For data generated and collected overseas, electronic data is stored in mainland China, while physical documents are kept locally by overseas subsidiaries. In Malaysia, ADW Electronics Sdn. Bhd. maintains local server infrastructure, which forms part of the Group’s broader information technology architecture and is connected to the Group headquarters in mainland China via a dedicated communication line. Employee personal data for payroll and human resource management purposes are transmitted and stored in the centralized IT environment in mainland China, whereas original physical application forms and personnel files remain stored in Malaysia.

We collect and process data generated from our business operations, primarily involving (i) employee-related personal data, including information collected for recruitment, onboarding, employment administration, attendance management, payroll administration and other human resource management purposes; (ii) operational and administrative records relating to manufacturing activities, inventory management, procurement, finance, accounting, quality management and internal business operations; and (iii) ordinary business contact information relating to suppliers, business partners and commercial counterparties. We do not provide services

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directly to individual consumers and therefore generally do not process personal data of end-users. Such information is stored in our self-owned server rooms, local servers, and private clouds provided by domestic cloud service providers.

We have established internal policies and procedures to manage data security and protect our information systems. Our information technology, human resources and legal departments are jointly responsible for implementing data protection measures, including access control, data classification, system monitoring and regular data backup. We have also adopted information confidentiality policies, including the Confidentiality Management Provisions for Personal Private Information (《個人私隱信息保密管理規定》), and our employees are required to sign confidentiality agreements and comply with relevant data handling protocols.

To enhance system security and operational continuity, we maintain network protection mechanisms, firewall systems and host security mechanisms, and conduct periodic reviews and drills for potential cybersecurity incidents. We have obtained ISO/IEC 27001 certification for information security management.

Our Directors are of the view that, during the Track Record Period and up to the Latest Practicable Date, we have not experienced any material data leakage or been involved in any litigation, arbitration or administrative proceedings related to personal information protection. As advised by our PRC cybersecurity and data privacy legal advisor, during the Track Record Period, we were not subject to any administrative penalties, law enforcement investigations, interviews, warnings, notifications, or other regulatory measures related to data privacy and security and as of the Latest Practicable Date, we have complied with applicable data privacy and security laws and regulations of the People’s Republic of China in all material respects. As advised by our Malaysian legal advisor, no material non-compliance with the Personal Data Protection Act 2010, the Cybersecurity Act 2024 or the Computer Crimes Act 1997 of Malaysia has been identified.

As advised by our PRC cybersecurity and data privacy legal advisor, in connection with this offering and listing, (i) our business does not involve the operation of critical information infrastructure; (ii) a listing in Hong Kong does not constitute “listing abroad” as stipulated in the Measures for Cybersecurity Review (《網絡安全審查辦法》); and (iii) our data processing activities during its actual business operations do not involve circumstances that affect national security. As of the Latest Practicable Date, we have not received any any notice, investigation, or penalty from relevant departments of the State Council identifying that this offering and listing may endanger national security in accordance with the law. Accordingly, no filing for a national cybersecurity review is required.

INFORMATION TECHNOLOGY

Information technology systems are essential to our operational efficiency and competitiveness. We have established an integrated IT infrastructure that supports key aspects of our business operations, including production management, inventory control, quality assurance, procurement, finance and internal administration. Our major information systems include enterprise resource planning (“ERP”) system, product lifecycle management (“PLM”) system, manufacturing execution system (“MES”), supplier relationship management (“SRM”) system, customer relationship management (“CRM”) system, office automation (“OA”) system and business intelligence (“BI”) system.

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

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AWARDS AND RECOGNITIONS

We have received numerous awards and recognition in respect of our products, technology and innovation. The following table sets out some major ones:

Year	Award/Recognition	Awarding Entity
2023 to 2025	Specialised and Innovative “Little Giant” Enterprise* (專精特新“小巨人”企業)	Ministry of Industry and Information Technology of the People’s Republic of China (工業和信息化部)
2024	Guangdong Provincial Science and Technology Achievement Promotion Award* (廣東省科技成果推廣獎)	People’s Government of Guangdong Province (廣東省人民政府)
2024	Outstanding Achievement Award for 15 Consecutive Years as a High-Tech Enterprise* (連續十五年高新技術企業卓越成就獎)	Guangzhou High-Tech Enterprise Association* (廣州市高新技術企業協會)
2023	CNAS Laboratory Accreditation Certificate* (CNAS實驗室認可證書)	China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會)
2023	Guangdong Provincial Manufacturing “Single-Champion” Product* (廣東省製造業單項冠軍產品)	Department of Industry and Information Technology of Guangdong Province (廣東省工業和信息化廳)
2022	Top 500 Manufacturing Enterprises in Guangdong Province* (廣東省製造業企業500強)	Guangdong Manufacturers Association (廣東省製造業協會), Institute of Industrial Economics Jinan University (暨南大學產業經濟研究院), Guangdong Development and Reform Research Institute* (廣東省發展和改革研究院)
2019 to 2022	National Intellectual Property Advantage Enterprise* (國家知識產權優勢企業)	China National Intellectual Property Administration (國家知識產權局)
2019	Guangdong Provincial Enterprise Technology Centre* (廣東省省級企業技術中心)	Department of Industry and Information Technology of Guangdong Province (廣東省工業和信息化廳), Department of Finance of Guangdong Province (廣東省財政廳), Guangdong Sub-administration of GACC (海關總署廣東分署), and Guangdong Provincial Tax Service of State Taxation Administration (國家稅務總局廣東省稅務局)
2017 to Present	High and New Technology Enterprise* (高新技術企業證書)	Department of Science and Technology of Guangdong Province (廣東省科學技術廳), Department of Finance of Guangdong Province (廣東省財政廳), Guangdong Provincial Tax Service of State Taxation Administration (國家稅務總局廣東省稅務局)

We have also received a number of awards and recognitions in the areas of Environmental, Social and Governance (ESG), some of which are set forth below:

Year	Award/Recognition	Awarding Entity
2024	Enterprise Credit Rating Certificate (AAA Rating)* (企業信用等級證書 (AAA證書))	China Electronic Components Association* (中國電子元件行業協會)
2022 to 2024	Tax Credit Honour — Class A Certificate* (納稅信用A級榮譽證書)	Guangzhou Municipal Tax Service of State Taxation Administration (國家稅務總局廣州市稅務局)
2024	IECQ Hazardous Substance Process Management QC080000 Certification* (IECQ QC080000 有害物質過程管理體系要求)	TUV SUD Management Services Co., Ltd.* (TUV SUD管理服務有限公司)
2024	ISO14001 Environmental Management System Certification* (ISO14001環境管理體系認證)	SGS Standard Technical Services Co., Ltd.* (SGS 通標標準技術服務有限公司)
2024	ISO45001 Occupational Health and Safety Management System Certification* (ISO45001職業健康安全管理体系認證)	SGS Standard Technical Services Co., Ltd.* (SGS 通標標準技術服務有限公司)
2023	ISO 26262 Functional Safety Certification for Automotive* (ISO 26262汽車安全功能認證)	SGS Standard Technical Services Co., Ltd.* (SGS 通標標準技術服務有限公司)
2023	ISO/IEC 27001 Information Security Management System Certification* (ISO/IEC 27001信息安全管理体系認證)	TUV SUD Management Services Co., Ltd.* (TUV SUD管理服務有限公司)

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COMPETITION

The markets for sensors and actuators in which we operate are highly competitive. Our major competitors include domestic and international manufacturers of ultrasonic sensors, flow-measurement devices, haptic feedback components, acoustic modules, and related MEMS-based and smart sensing products, serving a wide range of applications such as automotive electronics, smart home, smart devices, and industrial automation. Competition in these markets is primarily driven by product performance and reliability; the level of intelligence and integration; capabilities in technological and process innovation; mass-production and supply-chain management; delivery stability; and overall cost efficiency. In addition, system-level solution capabilities and localised technical support have become increasingly important differentiating factors.

While new products and solutions comparable to ours continue to be introduced to the market, we believe that our long-standing technological accumulation in piezoelectric and acoustic sensing, our diversified application base in key segments such as automotive electronics and smart home, and our existing customer relationships together provide a solid foundation for sustaining our competitive position. See “Industry Overview” for more details on the competitive landscape of the industry in which we operate.

INSURANCE

We maintain insurance coverage in accordance with applicable laws, regulations and industry practices. We have procured social insurance for our employees as required by mainland China law, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. In addition, we have obtained various commercial insurance policies relevant to our operations, including vehicle insurance, elevator insurance, property insurance, work safety liability insurance and product liability insurance.

We believe that our existing insurance coverage is appropriate for our current operations and consistent with prevailing industry practice in China. However, our insurance may not cover all potential losses, and there is no assurance that our coverage will be sufficient for all future risks. For further details, see “Risk Factors — Our insurance coverage may not cover all losses.”

EMPLOYEES

As of 31 December 2025, we had 980 full-time employees. We do not engage in labour dispatch arrangements, and all of our employees have entered into formal employment contracts with us and are bound by confidentiality agreements or terms. The table below sets forth a breakdown of our employees by function as of the same date:

Employee Function	Number of Employees	% of Total
Production	583	59.5%
Research and development and engineering	249	25.4%
Management and administration	92	9.4%
Sales	40	4.1%
Finance	16	1.6%
Total	980	100%

We have established employee incentive schemes to further align the interests of key personnel with the long-term development of the Group. See “History, Development and Corporate Structure — Our Share Incentive Plan” for further details. As required by the PRC laws and regulations, we participate in various employee social security plans organised by applicable local, municipal and

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provincial governments, including housing, pension, medical, work-related injury, maternity and unemployment benefit plans. In addition, we organise various employee engagement activities to foster a cohesive and supportive workplace environment.

Social Insurance Plan and Housing Provident Fund

During the Track Record Period, we made social insurance and housing provident fund contributions for the vast majority of our employees in accordance with applicable laws and regulations. However, we did not make social insurance contributions for our employees in full. Separately, we did not make housing provident fund contributions for a small number of our employees as they voluntarily opted out for such housing provident fund scheme. The amount of the shortfall in respect of such social insurance and housing provident fund contributions amounted to RMB2.25 million, RMB3.02 million and RMB3.88 million for 2023, 2024 and 2025 respectively, which accounted for 0.47%, 0.48% and 0.57% of our total revenue in each year of the Track Record Period. Having considered our PRC Legal Advisor’s advice below, we did not make any provision in respect of such shortfalls during the Track Record Period. Furthermore, we have not been subject to any administrative penalties for non-compliance relating to social insurance and the housing provident fund during the Track Record Period. In view of the above, our Directors consider that such non-full contribution has not had, and is not expected to have, any material adverse impact on our Group’s business operations and financial performance.

Pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue fine that equals to 0.05% of the total unpaid amount per day. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times the amount of any overdue payment.

As of the Latest Practicable Date, (i) to the best of our knowledge and based on the written confirmations issued by the competent local government authorities, no administrative action or penalty had been imposed on our Company by the relevant regulatory authorities in respect of our social insurance and housing provident fund contributions; (ii) pursuant to the Circular of the General Office of the State Council on Issuing the Comprehensive Plan for Reducing Social Insurance Premium Rates (Guo Ban Fa [2019] No. 13) (《國務院辦公廳關於印發降低社會保險費率綜合方案的通知》(國辦發[2019]13號)) and the Notice of the State Taxation Administration on Implementing Measures to Further Support and Serve the Development of Private Economy (《國家稅務總局關於實施進一步支援和服務民營經濟發展若干措施的通知》), the relevant authorities are prohibited from organising a lump-sum collection of enterprises’ historical social insurance arrears; (iii) we had not received any order requiring us to make any collective settlement of any historical deficits; and (iv) we undertake to make timely payments of any outstanding amounts and late charges if and when required by the competent government authorities.

Based on the foregoing, and as advised by our PRC Legal Advisor, on the condition that there are no significant changes to the current laws, regulations, or the enforcement and supervisory requirements of the relevant local authorities, and no collective employee complaints, reports, or related litigation or arbitration arise, the risk that we and our PRC subsidiaries would be proactively required by the competent authorities to make lump-sum contributions for the historically unpaid social insurance and housing provident fund contributions and thereby be subject to material administrative penalties is remote.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Recognising that sustainable development is fundamental to long-term business growth and value creation, we have integrated environmental, social, and governance (ESG) considerations into our corporate strategy and daily operations.

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As advised by our PRC Legal Advisor, our Company and our PRC subsidiaries have complied with all of the applicable PRC laws and regulations on environmental protection, work safety and labor and employment in all material respects during the Track Record Period and up to the Latest practicable Date.

ESG GOVERNANCE STRUCTURE

Our Group has established a clear governance framework to oversee our ESG matters. The Board of Directors assumes overall responsibility for the supervision and management of our Group’s ESG performance, including the review and approval of relevant strategies, policies, and initiatives. The Board ensures that ESG-related considerations are integrated into our Group’s long-term strategic planning and risk management framework. The Board reviews our Group’s ESG performance on yearly basis to ensure alignment with our long-term business objectives and regulatory expectations.

At the operational level, ESG-related responsibilities are carried out by the heads of relevant departments — including Environmental, Health and Safety (EHS), Product Development, Human Resources, and Corporate Governance — who report directly to the Board or senior management on progress and key issues.

Although we have not yet established a dedicated ESG committee or working group, we plan to further enhance our ESG governance structure by formalising an internal ESG working group or committee to coordinate ESG management, performance monitoring, and disclosure across our operations. In particular, we intend to formally establish an ESG committee or working group within six months after [REDACTED], subject to the approval of our Board.

Our Group has also engaged an external ESG consultant to provide professional advice and technical support on ESG governance, data management, and reporting practices. The consultant assists our Group in identifying material ESG issues, improving internal controls and disclosure quality, and aligning our ESG performance with relevant international standards and the requirements of the Hong Kong Stock Exchange.

ESG STRATEGIES AND RISK MANAGEMENT

The Board of Directors assumes overall responsibility for determining and overseeing our Group’s risk management objectives and policies. ESG risk management has been integrated into our Group’s overall enterprise risk management framework, ensuring that sustainability-related risks are identified, assessed, and managed alongside other business and operational risks.

Our Group recognises that environmental, social and governance (ESG) factors may have a material impact on our business model, value chain, cash flows, financing channels and cost of capital over the short, medium and long term. Our Group has identified key ESG-related risks and opportunities that are most relevant to our operations and stakeholders.

(i) Product Quality and Reliability Risk

Our Group’s main products, including sensors, actuators, and modules, are widely applied in smart home, smart automobile, smart devices and smart manufacturing sectors. As our Group expands production, upgrades automation, and accelerates product innovation, downstream industries have imposed increasingly stringent quality requirements. Any lapse in quality control could lead to product defects, customer complaints, or financial and reputational losses.

Mitigation Measures: Our Group adheres to the IATF 16949 Quality Management System and implements total quality management across all production stages.

(ii) Supply Chain and Raw Material Risk

Volatility in raw material supply or supplier non-compliance with environmental or labour standards may affect production continuity and brand integrity.

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Mitigation Measure: Our Group maintains a stable network of qualified suppliers and implements strict supplier evaluation and audit processes to ensure compliance with environmental and ethical standards.

(iii) Climate Change Risk

Climate change poses both physical and transitional risks that may affect our Group’s operations and value chain. Extreme weather events such as typhoons, heavy rainfall, or heatwaves could disrupt production schedules, damage facilities, and increase maintenance and energy costs. In addition, the tightening of global and domestic environmental regulations, including carbon emission reduction targets, may lead to higher compliance and operational costs in the medium to long term.

Mitigation Measures: Our Group closely monitors relevant climate policies and regulatory developments, and actively integrates low-carbon principles into our production and management practices.

(iv) ESG Opportunities

The growing adoption of electric vehicles, smart home systems, and energy-efficient technologies presents significant opportunities for our Group. As a key supplier of sensing and actuators, our Group’s products have the potential to support intelligent control, energy optimisation, and carbon-reduction applications.

MATERIALITY ASSESSMENT

During the Track Record Period, our Group conducted a materiality assessment to identify ESG topics most relevant to our business and stakeholders. The assessment was carried out with reference to the GRI Standards and other applicable sustainability disclosure requirements. Based on the principle of double materiality, our Group assessed ESG topics from the perspectives of both impact materiality and financial materiality. The identified material topics form the basis of our Group’s ESG priorities.

- Step 3 — Validation:

Management reviewed the results against our Group’s strategy and risks, and external ESG experts provided independent validation. The final set of key material topics forms the basis of our Group’s ESG focus and disclosure for the year.

METRICS AND TARGETS

Environmental Matters

Our Group strictly complies with applicable environmental protection laws and regulations, including the Environmental Protection Law of the People’s Republic of China and other relevant national and local requirements.

Our Group has established environmental management system. It has obtained ISO 14001 Environmental Management System certification and has been recognised as a Clean Production Enterprise.

We have established a series of environmental management policies and procedures, including the Environmental Factors and Hazard Identification and Evaluation Control Procedure, Wastewater, Air Emissions and Noise Control Procedure, Waste Management Control Procedure, and Energy and Resource Consumption Control Procedure.

In daily operations, our Group implements the ISO 14001 standard, systematically integrating environmental management responsibilities into all levels of operation. By establishing the “three lines of defence” in factory environmental management, our Group ensures effective prevention at

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the source, control during processes, and evaluation of results. Regular environmental monitoring and internal audits are conducted to ensure that all indicators — such as emissions, wastewater discharge, and solid waste treatment — comply with national and local standards.

During the Track Record Period, our Group did not identify any significant breaches in relation to air and greenhouse gas (“GHG”) emissions, discharges into water bodies and land, or the generation of hazardous and non-hazardous waste.

We have adopted specific and measurable intensity-based targets for selected environmental matters where data coverage and operational baselines are sufficiently mature, including targets to reduce energy consumption intensity, waste generation intensity and water consumption intensity by 5% by 2030, using 2022 as the base year.

With respect to GHG emissions, as disclosed in this Document, We have not yet established a standalone quantitative GHG emission reduction target. We currently monitor and disclose its Scope 1 and Scope 2 GHG emissions and emission intensity in accordance with the ESG Reporting Code issued by the Stock Exchange. At the current stage, we focus on improving energy efficiency as a key management lever for emissions management and will continue to assess the feasibility of setting specific GHG reduction targets in the future with reference to regulatory developments, international standards and industry practices.

Our environmental management practices and disclosure methodologies are aligned with internationally recognised standards, including ISO 14001 Environmental Management System and the ESG Reporting Code issued by the Hong Kong Stock Exchange.

For industry comparison purposes, we have engaged an independent external ESG advisory institution to conduct a peer benchmarking analysis using intensity-based indicators, which are considered appropriate for companies with different operational scales. Based on the benchmarking analysis, our environmental intensity indicators generally fall within the range of industry reference levels.

During the Track Record Period, we incurred environmental compliance costs primarily in connection with pollution levies and environmental taxes, waste disposal, operation and maintenance of environmental protection facilities and equipment, as well as environmental monitoring, testing and consultancy services.

Such environmental compliance costs were incurred in the ordinary course of our manufacturing operations and varied across the Track Record Period. The level of costs was mainly influenced by factors such as changes in production volume and operational scale, evolving regulatory requirements, and the timing of environmental monitoring and third-party assessment activities.

For the years ended 31 December 2023, 2024 and 2025, the Group’s total environmental compliance costs amounted to approximately RMB0.35 million, RMB0.50 million and RMB0.27 million, respectively. These costs mainly comprised (i) pollution discharge fees and environmental taxes, (ii) waste treatment and disposal expenses, (iii) operation and maintenance costs of environmental protection facilities and equipment, (iv) environmental monitoring, testing and inspection fees, and (v) fees paid to third-party environmental consultants for compliance-related assessments.

Our Directors are of the view that the environmental compliance costs incurred during the Track Record Period were consistent with our Group’s scale of operations and applicable regulatory requirements, and did not have a material adverse impact on our Group’s financial position or results of operations.

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Emission Management

Air Emissions

Our Group places strong emphasis on air emission management and is committed to maintaining compliance with national and local environmental standards. Across our production bases, dedicated emission control systems have been installed to effectively reduce and treat exhaust gases generated from manufacturing processes such as synthesis, sintering, welding, and spray granulation. Typical air pollutants emitted include Sulphur Oxides (SO_x), Nitrogen Oxides (NO_x), and Particulate Matter (PM).

Throughout the Track Record Period, all exhaust gas treatment and control facilities were operated in good condition, and environmental monitoring results confirmed that air emissions complied with the relevant regulations.

Greenhouse Gas Emissions

Referring to “How to Prepare an ESG Report — Appendix II: Reporting Guidance on Environmental KPIs” (“Appendix II”) provided by the Stock Exchange, our Group’s greenhouse gas emissions are primarily classified into two scopes:

- (i) Scope 1: Direct emissions from the consumption of petrol and diesel by our Group’s vehicles; and
- (ii) Scope 2: Indirect emissions from the use of purchased electricity in our Group’s offices and production facilities.

The following table sets forth the amount of greenhouse gas emissions during the Track Record Period:

Greenhouse Gases Emissions	For the years ended 31 December		
	2023	2024	2025
Scope 1 Direct Emissions (tCO ₂ e)	103.93	102.48	117.55
Scope 2 Indirect Emissions (tCO ₂ e)	7,559.46	9,732.67	9,735.64
Total GHG Emissions (tCO ₂ e)	7,663.39	9,835.15	9,853.19
GHG Emission Intensity (tCO ₂ e/m ²)	0.09	0.11	0.11

At present, our Group has not yet commenced formal calculation or disclosure of Scope 3 emissions (other indirect greenhouse gas emissions). As our Group is principally engaged in the manufacturing and sale of sensors and actuators, with reference to the disclosure practices of comparable companies in the sensor and electronic components manufacturing industry, the Scope 3 emission categories that may be relevant to our business typically include, among others, purchased goods and services, capital goods, upstream and downstream transportation and distribution, use of sold products and end-of-life treatment of sold products, where applicable.

During the Track Record Period, our Group had not established a dedicated data collection and verification mechanism for Scope 3 emissions. In particular, the relevant activity data relating to raw materials and components purchased from suppliers, production equipment and other capital goods, logistics and transportation arrangements, downstream use of our products by customers and end-of-life treatment of our products had not been systematically collected. Accordingly, reliable and complete Scope 3 emissions data is currently not available for disclosure.

Going forward, our Group plans to gradually establish a Scope 3 data collection system, assess the applicable and material Scope 3 emission categories relevant to our business operations, and disclose Scope 3 emissions in our ESG reports after [REDACTED], subject to data availability, industry best practices and applicable regulatory requirements.

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In alignment with the national “Dual Carbon” goals (carbon peaking by 2030 and carbon neutrality by 2060), our Group is committed to actively promoting energy conservation and emission reduction. Through continuous optimisation of our production processes, enhancement of energy efficiency, and increased use of environmentally friendly technologies, our Group strives to reduce our overall carbon footprint.

Use of Resources

Energy Management

Our Group has established an Integrated Management Manual and an Energy Consumption Statistics Management Form to monitor and manage electricity consumption across departments, conduct monthly and annual analyses, identify abnormalities, formulate improvement measures, and develop a Production Workshop Energy Use Plan as part of the annual business plan.

Our Group has obtained Clean Production Certification and installed rooftop solar photovoltaic systems at both our Guangzhou and Zhaoqing factories, generating approximately 200,000 kWh and 1,000,000 kWh of electricity per year respectively. Each factory also utilises heat recovered from air compressors to provide hot water for canteens and dormitories, effectively reducing electricity consumption.

The following table sets forth the amount of energy consumption during the Track Record Period:

<u>Energy Consumption</u>	<u>For the years ended 31 December</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Direct Energy Consumption (MWh)	1,649.51	1,616.85	1,746.38
Indirect energy consumption (MWh)	14,087.70	18,137.66	18,143.20
Total Energy Consumption (MWh)	15,737.21	19,754.51	19,889.58
Energy Consumption Intensity (MWh/m ²)	0.18	0.22	0.22

Waste Management

Our Group is committed to reducing waste generation, promoting recycling, and ensuring the compliant treatment of all waste produced during our operations.

All hazardous wastes are properly classified, stored, and entrusted to qualified third-party organisations for lawful treatment and disposal in accordance with applicable environmental regulations. Non-hazardous wastes, such as general production residues, packaging, and recyclable materials, are collected, sorted, and sent for reuse or recycling to qualified recycling providers, ensuring effective utilisation of resources. Office waste, including used toner cartridges and ink boxes, is recovered through authorised service providers to ensure environmentally responsible handling.

The following table sets forth the amount of waste generation during the Track Record Period:

<u>Waste Generation</u>	<u>For the years ended 31 December</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Hazardous Waste (Tonnes)	9.26	9.88	9.04
Hazardous Waste Intensity (kg/m ²)	0.10	0.11	0.10
Non-hazardous Waste (Tonnes)	201.21	255.62	262.02
Non-hazardous Waste Intensity (kg/m ²)	2.26	2.87	2.94

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Notes:

- (1) Our Group’s hazardous wastes mainly include waste mineral oil, waste lubricating oil, waste cutting fluid, waste activated carbon, oily rags, contaminated packaging materials, wastewater treatment sludge, and other chemical residues from production processes.
- (2) Non-hazardous wastes mainly include general domestic waste, packaging materials, metal scraps, and machining residues, which are recycled or disposed of through qualified recycling and municipal service providers.

Water Consumption

Our Group places great importance on the effective management of water resources and is committed to minimising the impact of our operations on water usage. We strictly comply with the Water Law of the People’s Republic of China and other relevant regulations governing water resource utilisation. All water used by our Group is sourced from municipal water supply systems, with no issues relating to water access.

Our Group adopts a variety of water-saving and recycling measures, including the utilisation of recovered heat from air compressors to provide hot water for staff facilities, thereby reducing electricity consumption, as well as the reuse of treated wastewater (neutralised water) for cleaning, equipment washing, and other non-production purposes to reduce overall water consumption. Wastewater generated from production processes is treated through multi-stage filtration and purification facilities to ensure pollutant levels meet discharge standards before entering municipal sewage treatment systems.

The following table sets forth the amount of water consumption during the Track Record Period:

Water Consumption	For the years ended 31 December		
	2023	2024	2025
Water Consumption (m ³)	76,713	102,382	116,556
Water Consumption Intensity (m ³ /m ²)	0.86	1.15	1.31

Social Matters

Compliance in Employment

Our Group strictly complies with all applicable labour and employment laws and regulations of the People’s Republic of China, including the Labour Law of the PRC, the Labour Contract Law of the PRC and its Implementation Regulations, the Law on the Prevention and Treatment of Occupational Diseases, the Social Insurance Law of the PRC, the Work Safety Law of the PRC, and the Special Provisions on Labour Protection for Female Employees.

Our Group upholds the principles of respecting and protecting employees’ legitimate rights and interests and is committed to building a lawful, compliant, fair, and transparent employment environment. A comprehensive employment management system has been established, covering areas such as recruitment and promotion, remuneration and dismissal, working hours and leave management, equal opportunities, diversity, and anti-discrimination. These policies are clearly defined in the Employee Handbook and other internal management documents.

Employee Structure

Our workforce is organised by functional expertise, including production, research and development and engineering, management and administration, sales, and finance. Such functional classification reflects the professional expertise and roles of employees within our operations. See “— Employees” for more details on the relevant breakdown of employees by function and their respective proportions to the total workforce.

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During the Track Record Period, the composition of our Group’s workforce by category was as follows:

<u>Employment Indicators</u>	<u>As of 31 December</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Number of Total Employees	885	952	980
By Gender			
Male	440	506	531
Female	445	446	449

During the Track Record Period, the employee turnover rate of our Group was as follows:

<u>Employee Turnover Rate</u>	<u>For the years ended 31 December</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Total Turnover Rate	2.13%	1.58%	1.68%
By Gender			
Male	1.22%	0.92%	1.12%
Female	0.90%	0.65%	0.56%

Remuneration and Benefits

Statutory contributions are made to social insurance and housing provident funds for all employees in accordance with legal requirements. The remuneration structure follows a “position + performance + incentive” model, ensuring fairness, transparency, and market competitiveness.

Our Group offers a comprehensive range of employee benefits, including paid annual leave, marriage leave, maternity leave, sick leave, and all statutory public holidays. An Employee Care Fund has been established to provide financial support to employees and their families in the event of illness or hardship.

Labour Practice

Our Group strictly complies with the Labour Law of the People’s Republic of China and other relevant local regulations, and has adopted the SA8000 international social responsibility standard to ensure lawful, ethical, and responsible employment practices. All recruitment activities are conducted in a transparent and non-discriminatory manner, with identity verification carried out to confirm that all employees meet the statutory minimum working age requirements.

During the Track Record Period, no incidents of child labour or forced labour were identified within our Group.

Health and Safety

Our Group attaches great importance to occupational health and safety and has established a comprehensive management framework in strict accordance with the ISO 45001 Occupational Health and Safety Management System and the national standard GB/T 45001–2020.

Our Group provides employees in relevant positions with compliant and effective personal protective equipment such as dust masks, safety goggles, and earplugs. Routine safety inspections are conducted to identify and eliminate potential hazards in a timely manner, ensuring operational safety across all facilities. Professional third-party agencies are regularly engaged to monitor and assess occupational hazard factors, all of which have consistently met compliance standards.

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A Safety Committee has been established, led by a Safety Director and supported by departmental safety coordinators and officers responsible for supervision, guidance, and coordination of safety matters.

Key occupational health and safety targets include:

- Work injury frequency rate ≤ 0.25 cases per 100,000 working hours
- Fire-fighting equipment integrity rate 100%
- 100% completion rate for three-level safety training and job-transfer safety education
- 100% pass rate for safety equipment and protective devices

During the Track Record Period, our Group’s performance in occupational health and safety was as follows:

	Unit	For the years ended 31 December		
		2023	2024	2025
Number of Work-Related Fatalities	Person	0	0	0
Work-Related Fatality Rate	%	0	0	0
Lost Working Days due to Work Injuries	Day	0	106	0

Note:

- (1) All reported lost working days due to work injuries were attributable to minor injuries or traffic incidents occurring during employees’ commute to and from work. None of these cases involved serious workplace accidents, operational hazards, or systemic safety concerns.

Development and Training

Our Group has formulated an Employee Training Work Instruction as a guiding policy and prepares an Annual Training Plan each year to improve employees’ knowledge and skills. Training programmes cover company-level and departmental courses, including new employee onboarding, on-the-job training, functional and specialised training, and external training.

Supply Chain Management

Our Group has established a well-defined supplier management framework supported by formalised internal policies and procedures, including the Supplier Management Guidelines, the Supplier Performance Evaluation Method, the Supplier Audit Guidelines, and the Supplier Assessment Form. These management documents collectively regulate supplier selection, evaluation, audit, and performance monitoring to effectively identify, assess, and manage environmental and social risks throughout our supply chain.

Our Group adopts a standardised process to engage and manage suppliers, covering qualification assessment, onboarding, regular audits, and performance evaluation. Each supplier is required to complete the Supplier Assessment Form, which assesses key criteria including quality system management, production capability, environmental compliance, occupational health and safety management, and social responsibility performance. All new suppliers are required to sign a Sunshine Procurement Agreement to uphold ethical standards and prevent corruption. This practice is applied across our active supplier base. Supplier compliance is monitored through regular performance evaluations and annual integrity surveys.

Our Group integrates environmental considerations into supplier selection and management and gives preference to suppliers with recognised environmental management certifications, such as ISO 14001, or sound environmental practices, including low-emission, energy-efficient and resource-saving operations.

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Product Responsibility

Our Group is committed to delivering safe, high-quality, and environmentally responsible products. Our Group has obtained multiple product quality-related system certifications, including IATF16949, ISO 9001, QC080000, and the IECQ Conformity Certificate, demonstrating our robust quality management capabilities and commitment to delivering reliable and high-quality products.

We strictly follows our Customer Demand Review Procedures, under which every product must undergo internal evaluation before mass production and delivery. The review covers dimensions such as product health and safety performance, compliance with client specifications, and quality standards. All products delivered to customers conform to required labelling, safety, and quality requirements.

In the event of defective products at the client side, our Group has established sound return and recall mechanisms in accordance with Material and Product Defect Management Procedures and Customer Complaint and Return Handling Guidelines. During the Track Record Period, our Group did not record any product recall incidents due to safety or health reasons.

Anti-corruption

To prevent bribery, corruption, fraud, and other misconduct, our Group has established the Anti-corruption, Anti-bribery and Anti-fraud Code, which sets out clear principles, responsibilities, and reporting mechanisms. The policy applies to all directors, officers, employees, subsidiaries, and relevant business partners of our Group, and requires strict adherence to applicable laws and regulations.

During the Track Record Period, our Group had not been involved in any concluded legal cases relating to bribery, corruption, fraud, or money laundering. No incidents of corrupt practices were identified among directors, employees, or business partners during the same period.

Our Group maintains a “zero-tolerance” approach toward bribery and corrupt behaviour. All employees are prohibited from offering, soliciting, or accepting any form of bribe, commission, facilitation payment, or improper benefit in the course of performing their duties. Business partners, including suppliers and service providers, are also required to sign Sunshine Procurement Agreements to ensure transparency and ethical conduct in transactions.

Our Group has implemented a structured whistle-blowing mechanism that allows employees and external stakeholders to confidentially report suspected misconduct through multiple channels such as dedicated email, telephone, and written submission. The identity and information of whistle-blowers are strictly protected, and retaliation against informants is strictly prohibited.

Our Group organises regular anti-corruption and integrity training sessions for all employees, particularly for departments exposed to higher risks, including procurement and sales.

INFORMATION SECURITY AND DATA PROTECTION

To safeguard our information assets and customer data, the Group has implemented a certified information security management system (ISO 27001) and established a comprehensive set of policies and control procedures, including data protection control procedures, information security management control procedures, password control procedures, access rights and data access control procedures, and internal guidelines for the maintenance of our corporate information systems and data.

All major customers have entered into confidentiality agreements with the Group, and we strictly comply with our internal Confidentiality Management Procedures. Access to our internal management systems and customer systems is protected by passwords and granted strictly on a need-to-know basis. During the Track Record Period, the Group was not subject to any regulatory penalties or notices as a result of data leakage or any breach of information security requirements.

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LICENCES, APPROVALS AND PERMITS

We have obtained various permits, approvals and certificates for our business. As advised by our PRC Legal Advisor (as to PRC legal matters) and our Malaysian Legal Advisor (as to Malaysian legal matters), as of the Latest Practicable Date, we had obtained all requisite licences, approvals and permits from relevant authorities that are material to our operations, and such business licences had remained in full effect. The table below sets forth the relevant details of the material licences required for our operation:

No.	Holder	Name of Licence, Approval or Permit	Expiry Date	Jurisdiction
1	Guangdong Audiowell	Pollutant Discharge Permit* (排污許可證)	8 July 2030	PRC
2	Guangdong Audiowell	Permit for Discharging Urban Sewage into Drainage Networks* (城鎮污水排入排水管道許可證)	11 August 2026	PRC
3	Guangdong Audiowell	Certificate of Enterprise as Authorised Economic Operator (AEO)* (AEO認證企業證書)	N/A ⁽¹⁾	PRC
4	Guangdong Audiowell	Certificate of Registration for Customs Declaration Entity* (報關單位備案證明)	N/A ⁽¹⁾	PRC
5	Zhaoqing Audiowell	Registration for Pollutant Discharge from Fixed Pollution Sources* (固定污染源排污登記)	16 October 2030	PRC
6	Zhaoqing Audiowell	Certificate of Enterprise as Authorised Economic Operator (AEO)* (AEO認證企業證書)	N/A ⁽¹⁾	PRC
7	Zhaoqing Audiowell	Certificate of Registration for Customs Declaration Entity* (報關單位備案證明)	N/A ⁽¹⁾	PRC
8	Jiangxi Audiowell	Certificate of Registration for Customs Declaration Entity* (報關單位備案證明)	N/A ⁽¹⁾	PRC
9	Jiangxi Audiowell	Registration for Pollutant Discharge from Fixed Pollution Sources* (固定污染源排污登記)	20 July 2028	PRC
10	Guangzhou Audiowell	Certificate of Registration for Customs Declaration Entity* (報關單位備案證明)	N/A ⁽¹⁾	PRC
11	ADW Electronics Sdn. Bhd.	Manufacturing License	N/A ⁽¹⁾	Malaysia
12	ADW Electronics Sdn. Bhd.	Warehouse Licence	30 September 2027	Malaysia
13	ADW Electronics Sdn. Bhd.	Business License	30 September 2026	Malaysia
14	ADW Electronics Sdn. Bhd.	Registration with Department of Occupational Safety and Health (DOSH) under Occupational Safety And Health Act 1994	N/A ⁽¹⁾	Malaysia

Note:

(1) No specific expiry date is indicated on relevant certificate, approval or permit.

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RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors and our senior management are responsible for establishing and maintaining adequate risk management and internal control systems. Risk management is the process designed to identify potential events that may affect us and to manage risks to be within our risk appetite. Internal control is the process designed to provide reasonable assurance regarding achievement of objectives related to effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

Risk Management and Internal Control Policies

We have implemented a comprehensive set of risk management policies that establish a framework for identifying, assessing, evaluating, and continuously monitoring key risks aligned with our strategic objectives. Risks identified by management will be analysed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Group and reported to our Directors. The following key principles outline our Group’s approach to risk management and internal control we plan to implement:

- Our audit committee will oversee, evaluate, and enhance the internal control system, which includes: (i) reviewing internal control and risk management policies and providing suggestions for improvement; (ii) engaging in discussions with management to evaluate the effectiveness of internal control and risk management policies, ensuring that management fulfills its duties in formulating effective policies; (iii) analysing material findings related to internal control and assessing the measures taken by management; (iv) supervising potential misconduct by employees regarding internal control and establishing procedures to investigate and address complaints related to internal control within our Company.
- Our Board will be responsible for (i) formulating our risk management policy and reviewing major risk management issues of our Company; (ii) providing guidance on our risk management approach to the relevant teams in our Company; (iii) reviewing the relevant teams’ reporting on key risks and providing feedbacks; and (vi) supervising the implementation of our risk management measures by the relevant teams.
- The relevant departments within our Company bear the responsibility of implementing our risk management policy and executing day-to-day risk management practices. To standardise risk management procedures across our organization and ensure a consistent level of transparency and risk management performance, these teams will: (i) collect information regarding the risks associated with their respective operations or functions; (ii) conduct comprehensive risk assessments, encompassing the identification, prioritization, measurement, and categorization of all key risks that could impact their objectives; (iii) prepare an annual risk management report for review by chief executive of our Company; (iv) continuously monitor key risks pertinent to their operations or functions; (v) implement appropriate risk responses when necessary; (vi) develop and maintain a suitable mechanism to facilitate the application of our risk management framework.

We have also implemented or will adopt upon [REDACTED] a number of policies and measures to manage our risks and set up proper internal controls. These policies cover areas such as (i) the duties and roles of the Directors, the Board and our senior management; (ii) social and environmental matters, including policies on diversity; (iii) financial reporting; (iv) whistleblowing; (v) prevention of market misconduct and (vi) compliance with the Hong Kong Listing Rules. Under our risk management and internal control policies, the Board oversees risk management and internal control systems on an ongoing basis and reviews the effectiveness of these systems.

BUSINESS

In October 2025, we engaged an independent consulting firm (the “**Internal Control Consultant**”) to perform a review over our internal control. The Internal Control Consultant is an independent specialist business advisory firm, and has extensive experience in reviewing and advising on the internal control and corporate governance environment of companies [REDACTED] on the Stock Exchange. The key areas of inspection include financial reporting and disclosure, R&D management, management policies over sales, supply chain controls, trade receivables and payables management, product safety control, inventory management, intangible assets management, human resource and remuneration management, capital management, tax management, insurance management, contract control and information system control. The Internal Control Consultant made no further recommendation on the internal control measures. We have adopted the corresponding remediation actions to improve the effectiveness of internal control system. The Internal Control Consultant performed a follow-up review with regard to those actions taken by us and there are no further material findings identified in the process of the follow up review.