
BUSINESS

OVERVIEW

Who We Are

Cellular IoT chips are application-specific integrated circuits designed based on cellular mobile communication technology (2G/3G/4G/5G) standards. They primarily enable wireless connectivity for IoT devices.

We are a provider of cellular IoT chips, featuring a highly optimized engine that enables devices to communicate over cellular LTE/5G networks, with our revenue ranking third in the global cellular IoT chip market (market share: 3.9%), according to the F&S Report. Headquartered in Shanghai, we primarily operate our business in Chinese Mainland. Our chip portfolio spans low, medium, and high-speed wireless transmission, optimizing the “PPA (Power, Performance, and Area/Cost)” balance. This ensures high performance, low power consumption, and cost-effectiveness to meet diverse needs and withstand harsh operating conditions across a wide range of applications. Our chips form the foundation of the IoT ecosystem, enabling physical objects such as smart meters, vehicles, and industrial devices to exchange data seamlessly. Moreover, our chip portfolio enables devices not only to connect but also to become intelligent, allowing them to gather, process, and exchange information efficiently via Edge-AI and Open-CPU technologies. This broad capability unlocks a wide range of applications, from smart sensors, AI toys, and mobile payments to more complex systems such as wearables, connected vehicles, and industrial automation.

Core Technologies

At the heart of our business lies a comprehensive suite of proprietary technologies and patents, which form the cornerstone of our competitive edge in the cellular IoT chip industry. These technologies are designed to address the evolving demands of next-generation communication systems, enabling superior performance across diverse IoT applications.

The following are the core technologies that underpin our innovative products:

- **Advanced Cellular Communication Algorithm:** Our advanced algorithm forms the foundation of cellular communication systems, optimizing 4G/5G radio performance. This technology enhances sensitivity and reliability in weak signal environments, enabling high throughput with efficient resource utilization. The algorithm also significantly reduces network access latency, ensuring that data transmission is both fast and stable. Our advanced algorithm performance far exceeds industry standards.
- **Integrated Modem Baseband, Radio Transceiver, and Power Management Chip Design:** We pioneered the single-chip integration of baseband, RF, and power management, a rare feat for Cat.1bis device chips. Building on this core technology, we are also currently the world’s only chip provider that has realized full monolithic integration of baseband, RF and power-management functions within Cat.4 device chips. For NB-IoT, this integration extends to include the power amplifier, RF front-end filters, and antenna switches. This high level of integration simplifies packaging, reduces BOM costs, and facilitates easier module design.
- **Super Power Saving Technology:** Our power-saving innovations combine several key technologies, such as precise power and clock domain design, a unique power control algorithm, efficient hardware circuits, and full system optimization. Our chips achieve significant reductions in power consumption, providing extended device lifetime, which makes our products particularly suited for low-power, long-life applications, aligning with the global demand for IoT solutions.

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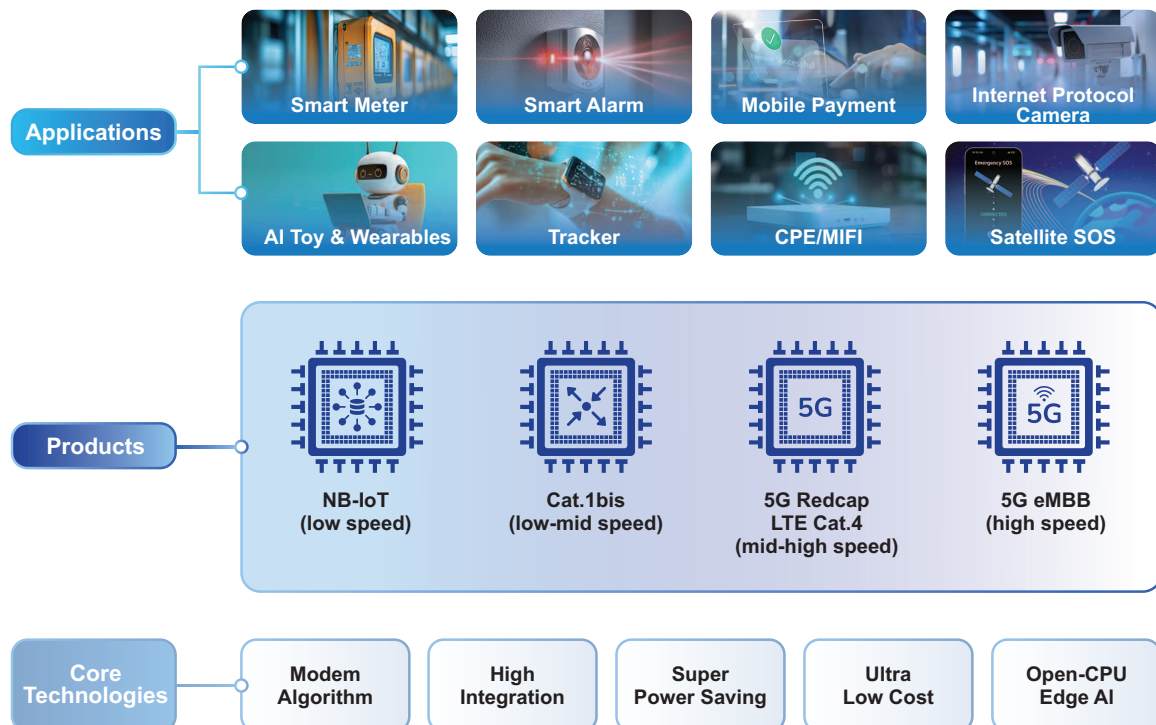
- **Ultra Low-Cost Solution:** To enable large-scale IoT deployments, achieving cost-efficiency is critical. We leverage advanced technologies, including new process platforms, hardware acceleration for baseband processing, resource sharing, low-cost packaging, and specialized RF link design. This comprehensive approach allows us to drive down the per-unit cost of devices, making them more affordable and scalable for diverse industries.
- **Scalable Open-CPU and Edge-AI Capability:** Our products offer adaptable system configurations, including scalable CPU power, memory resources, and Edge-AI capabilities. This flexibility allows for Edge-AI integration into various end-use applications, empowering devices with programmable features that enhance processing power, energy efficiency, and user flexibility. As the world moves toward edge computing and AI-enabled devices, we provide the necessary foundation for “intelligent connectivity”, allowing real-time data processing at the edge.

These core technologies are the result of our extensive research and development efforts, reflecting our commitment to driving innovation in the cellular IoT chip industry. By embedding these technologies in our products, we are not just responding to current market needs but anticipating the future. Our technologies support a low-power, and highly efficient IoT ecosystem, paving the way for a truly interconnected world, where intelligent devices communicate effortlessly across industries, communities, and cities.

Our Product Portfolio and Roadmap

We offer cellular IoT chips that span all transmission speed domains, from low to high, supporting a broad array of real-world applications. Based on technical characteristics and application scenarios, cellular IoT chips can be categorized as low-speed, medium-speed, high-speed, and ultra-high-speed.

Our products are integral to sectors involving data transmission, and we continue to expand our footprint across mass connectivity, industrial control, broadband connectivity, consumer electronics, and satellite communications.



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Our product families are divided into several categories based on cellular IoT standards they support, offering solutions for a wide range of market demands.

- **NB-IoT:** Ideal for low data-rate, long-range, and ultra-low power applications like smart metering, environmental sensors, and smart city devices.
- **4G Cat.1bis:** Balanced performance for medium-speed applications such as POS terminals, asset tracking, AI devices, wearables, and IoT devices requiring voice support.
- **5G RedCap (Reduced Capability)/LTE Cat.4 and 5G eMBB (enhanced Mobile Broadband):** Tailored for industrial IoT applications requiring speed and low-latency, such as connected vehicles, CPE devices, and real-time multimedia.

Since launching our first NB-IoT product in 2019, we have continually expanded and refined our portfolio to meet the evolving needs of the IoT market. Our product family now includes the EC616, EC616S and EC626 for NB-IoT, as well as the EC618, EC716, EC718 and EC718M for Cat.1bis, as well as the EC800L for LTE Cat.4, addressing low-speed, medium-speed and medium-to-high speed transmission requirements. These products have cemented our industry leadership, with a strong emphasis on high integration, low power consumption, and cost efficiency.

Product	2019	2020	2021	2022	2023	2024/2025	2026/2027
5G						 EC800L LTE Cat4	 EC800 5G Redcap & LTE Cat4 EC900 5G eMBB
Cat.1bis			 EC618 Integrated PMU Mass production		 EC718 Integrated PMU Mass production	 EC716 Integrated PMU Data only Mass production	 EC718M 4 th Gen Cat.1bis Data & Voice Mass production
NB-IoT	 EC616 Integrated PA / PMU Mass production	 EC616S Integrated PA / PMU / Filter / ANT SW Mass production			 EC626 Integrated PA/PMU Mass production	 EC626C Integrated PA / PMU Mass production	

Our focus is on achieving the optimal “PPA balance,” ensuring that we deliver products with high performance, low power consumption, and cost-effectiveness to meet diverse application needs across all scenarios. According to the F&S Report, we ranked second globally in the cellular IoT chip industry by shipment volume. In the same year, we also ranked second globally for NB-IoT products and second globally for Cat.1bis products.

Looking ahead, we are preparing for the next phase of innovation with the upcoming release of our 5G RedCap product, which will deliver meaningful performance enhancements while maintaining cost-effectiveness. In addition, we started developing 5G eMBB products to extend our leadership into high-speed transmission applications and reinforce our position in 5G communications.

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The next generation of high and ultra-high data-rate products will pose more stringent PPA challenges. We will leverage our established core strengths while continuing to innovate in ultra-high integration, superior communication performance, ultra-compact form factors, and extreme cost efficiency. In addition, we are advancing our Open-CPU capabilities with a focus on Edge-AI to enable new application scenarios and accelerate module development. Meanwhile, we are extending our product offerings from terrestrial to satellite connectivity. These initiatives ensure we remain at the forefront of the industry development, with our products serving as foundational building blocks for “intelligent connectivity.”

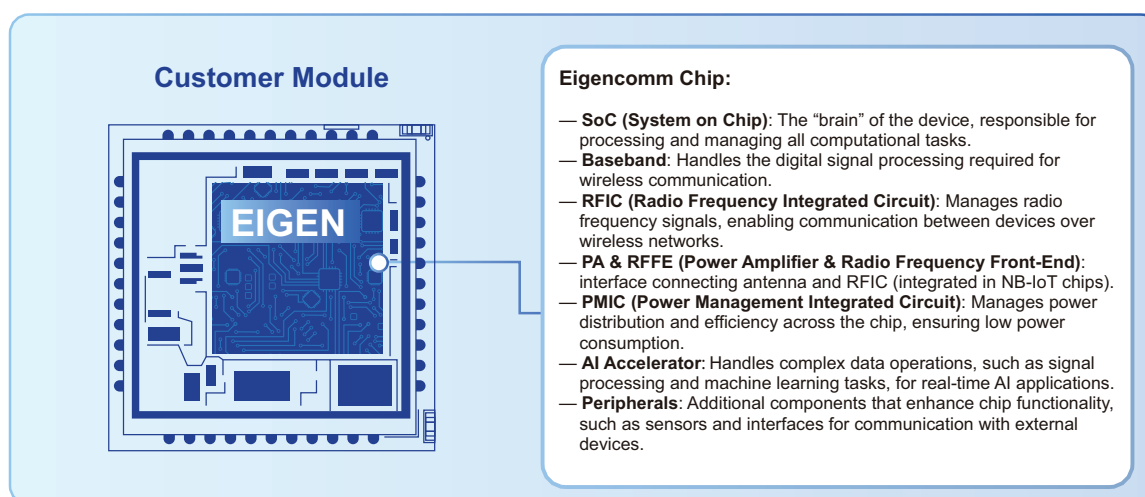
Beyond chip sales, we also generate revenue through license services, together with design services provided to Customer Q, a global semiconductor leader. These services complement our core business, further diversify our engagement models, and create added value for customers by enabling broader adoption of our technologies across various sectors.

Our Core Position in the Industry Chain

As a fabless company, we focus on the design, research, and sales of chips, outsourcing manufacturing to trusted foundries. Our primary customers are communication module manufacturers, who depend on our chips as essential components for their products.

Our chips serve as the “main chip” in communication modules, and designing and developing them requires specialized expertise. It presents significant challenges to integrate SoC, modem baseband, radio transceiver, and power management into a single chip, alongside developing the necessary communication firmware and application software. Only a select few companies can design such complex cellular IoT chips and create a comprehensive product portfolio that spans multiple communication standards, including NB-IoT, Cat.1bis, LTE Cat.4 and 5G.

The performance, cost, and power consumption of our chips directly influence the functionality, competitiveness, size, and development complexity of the entire communication module. Our highly integrated design minimizes the number and cost of external PCB components required for the module, enabling our customers to develop new devices quickly and efficiently. Typically, our chips account for 60%–75% of the total bill of materials (“BOM”) cost for the communication module. With our chips, customers can focus on their device applications, while we manage the complexity of ensuring the communication system operates seamlessly.



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Our Customers

We have established a globally recognized brand and earned the trust of leading industry players. We cover six out of the top ten module manufacturers globally. Our products are designed to address highly price-sensitive cellular IoT applications, where customers place strong emphasis on overall system cost, power efficiency and reliability. While we operate in a competitive industry characterized by ongoing ASP pressure and limited bargaining power as a fabless company, we primarily focus on delivering cost-effective solutions at the system level through design and integration rather than solely through supply-chain leverage. In this context, “cost-effective” refers to our ability to achieve an optimized balance of power consumption, performance and integration in our chip designs, which can lower our chip costs and simplify module design, collectively reducing customers’ total BOM, and improve energy efficiency in end devices. This design-driven efficiency allows our customers to enhance the competitiveness of their end products even in an environment of declining market prices, notwithstanding our exposure to wafer procurement costs and intense competition within the cellular IoT chip industry.

Our direct customers refer to customers that contract directly with us. Under our direct sales channel, all customers are direct customers. Under our channel sales channel, our direct customers refer to the channel partners that contract directly with us, while end customers refer to the underlying customers of such channel partners. The table below sets forth certain key operating metrics relating to our direct customers and end customers during the Track Record Period.

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
Number of direct customers	30	24	37	37
Average revenue per customer (RMB'000)	17,769.2	23,016.8	18,632.2	11,239.1
Customer Retention rate ⁽¹⁾	100.0%	70.0%	53.3%	56.7%
Net Dollar Retention Rate ⁽²⁾	—	94.0%	84.9%	85.1%

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
Number of end customers	29	27	34	37
Average revenue per customer (RMB'000)	18,381.9	20,459.4	20,276.2	11,239.1
Customer Retention rate ⁽¹⁾	100.0%	82.8%	69.0%	69.0%
Net Dollar Retention Rate ⁽²⁾	—	98.4%	122.7%	120.8%

Notes:

- (1) Customer retention rate = number of customers in the 2023 cohort that remained active (i.e., generated revenue) in the relevant year/period ÷ total number of customers in the 2023 cohort × 100%.
- (2) Net Dollar Retention Rate = revenue in the relevant year/period generated from customers that also generated revenue in the immediately preceding year ÷ revenue in the immediately preceding year/period generated from the same customer cohort × 100%.

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The number of our direct customers decreased from 30 in 2023 to 24 in 2024, primarily reflecting changes in our sales channel mix and customers’ procurement arrangements, with certain customers increasingly purchasing through their appointed channel partners rather than contracting directly with us. The number of direct customers increased to 37 in 2025, mainly due to an expanded base of contracting counterparties and broader customer coverage as our commercialization continued to scale. The number of direct customers remained stable at 37 for the six months ended June 30, 2026. Our 2023-cohort customer retention rate decreased from 70.0% in 2024 to 53.3% in 2025, before recovering to 56.7% for the six months ended June 30, 2026. Our net dollar retention rate decreased from 94.0% in 2024 to 84.9% in 2025, before rebounding to 85.1% for the six months ended June 30, 2026, primarily due to changes in the procurement mix and contribution among our direct customer base.

The number of end customers decreased slightly from 29 in 2023 to 27 in 2024, followed by an increase to 34 in 2025 and 37 for the six months ended June 30, 2026, reflecting continued penetration of our products among downstream application customers through channel arrangements. End-customer retention remained higher than direct-customer retention, with the 2023-cohort retention rate at 82.8% in 2024, 69.0% in 2025 and 69.0% for the six months ended June 30, 2026, reflecting continued activity among a substantial portion of end customers. End-customer net dollar retention rate increased to 122.7% in 2025 from 98.4% in 2024, indicating revenue expansion among end customers that remained active in both years, which is consistent with increased procurement volumes among certain continuing end customers. End-customer net dollar retention rate decreased slightly to 120.8% for the six months ended June 30, 2026.

Our Market Opportunities and Growth Drivers

In 2022, the total number of cellular IoT terminal users across China’s three major telecom operators reached 1.84 billion, surpassing the 1.68 billion mobile phone users for the first time. This marked the moment when the scale of the IoT terminal network, represented by “things,” exceeded the scale of the “people” network. Since then, the number of cellular IoT users in China has continued to grow rapidly, reaching 2.99 billion in 2025, maintaining its position as the world’s largest IoT connection market.

- **Expanding application scenarios:** The wave of digital transformation sweeping across industries has significantly increased the demand for device connectivity and data interaction. An increasing number of terminal devices are being integrated into the IoT ecosystem, bringing the vision of “intelligent connectivity” closer to reality. As new fields emerge (such as the expansion from traditional industrial monitoring to low-altitude transportation) and existing scenarios deepen (such as upgrading from simple device status collection to intelligent predictive analysis), the demand for “connectivity” as a core component grows in both stability and diversity. Cellular IoT chips serve as the foundation for this connectivity, becoming the cornerstone of market development. The vast number of IoT devices creates extensive market demand, with each application scenario requiring different performance capabilities from cellular IoT chips. Our comprehensive product portfolio is designed to meet these diverse, multi-layered needs.

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- **Network upgrades driving replacement demand:** The existing 2G and 3G mobile communication networks are being gradually phased out and replaced by more efficient networks. This macro-level industrial transition directly necessitates the technological upgrades and replacements of current IoT devices. A large number of existing devices must migrate to solutions based on 4G and 5G mobile communication technologies, creating a substantial, mandatory replacement market driven by technological iteration. Our product portfolio effectively supports both 4G and 5G networks, ensuring precise alignment with market demand.
- **Overseas market demand accelerates the global expansion of Chinese companies:** The international market is currently experiencing rapid development in the adoption and application of IoT technology. China’s mature ecosystem and comprehensive advantages within the industrial supply chain enable domestic companies to meet global market demands, driving the expansion of Chinese companies overseas. Entering international markets provides broader growth opportunities while enhancing the global development and competitiveness of domestic cellular IoT chip technologies. We have consistently supported our module customers in their international expansion, while actively driving product certifications and establishing overseas sales channels to build a global sales network.
- **Advancements in chip technology and manufacturing processes:** Continuous innovation in chip design and manufacturing technology is the core driver of industry growth. Advanced process technologies and architectural designs enable breakthroughs in computational power, integration density, and functional complexity, while significantly optimizing power consumption and physical size. These advancements allow terminal devices to achieve stronger connectivity performance, longer battery life, and more compact designs, meeting the increasingly diverse and demanding application requirements. Technological iteration not only unlocks new application possibilities but also propels the industry toward higher performance, lower power consumption, and better cost efficiency. We remain committed to the optimal “PPA” design philosophy, supported by robust research and development capabilities, giving us a competitive advantage in the market.
- **AI-powered product demand growth:** The rise of edge computing is driving the demand for localized intelligence in terminal devices to enhance AI capabilities. This trend is transforming cellular IoT chips from traditional connectivity solutions to SoC architectures that integrate AI processing capabilities. Future chips will need to maintain low-power connectivity while enhancing local data sensing, computation, and decision-making to meet the needs of intelligent applications requiring high real-time performance and strong privacy protection. This evolution will push products toward higher-value tiers. We are incorporating Edge-AI into chips, enabling specialized voice and video signal processing as well as deep learning tasks, thereby improving Edge-AI processing capabilities and efficiency.

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STRENGTHS

Leadership in Cellular IoT Chip Industry

The global cellular IoT chip market is highly competitive, with rapid growth and a high degree of concentration, dominated by a few key players. According to the F&S Report, we have firmly positioned ourselves at the top of this competitive landscape, with our NB-IoT chip shipment volume reaching 39.0 million units in 2025, capturing 40.2% of the global NB-IoT market. This dominant market share underscores our leadership in delivering low-power, long-range connectivity products that meet the growing demand for massive IoT deployments, including applications in smart metering, asset tracking, environmental monitoring, and industrial automation. Our early market entry and continuous innovation have made us the preferred supplier for module manufacturers and systems integrators globally, reinforcing our competitive edge in the NB-IoT space.

In addition to our leadership in NB-IoT, we have also emerged as a strong contender in the Cat.1bis chip market, further solidifying our industry leadership. Our Cat.1bis chips provide exceptional cost-effectiveness without compromising on performance. According to the F&S Report, our Cat.1bis chip shipments reached 104.8 million units in 2025, accounting for 26.1% of the global Cat.1bis market and positioning us as the second-largest player globally in this segment. This innovation enables us to cater to a wide range of applications, including POS terminals, trackers, IPCs, wearables, and AI-enabled IoT devices, and drives the next generation of advanced communication technologies.

Innovation-Driven Industry Benchmark with Proven Licensing Capability

We are an innovation-driven enterprise at the forefront of research and development, led by a founder and research and development team with deep industry expertise and a strong track record. All of our core technologies are developed in-house, forming a comprehensive intellectual property (“IP”) system that underpins our technological leadership.

After carefully selection and consideration, Customer Q signed a strategic cooperation agreement with us. Under this agreement, we licensed three of chips design technology packages to Customer Q, allowing them to commercialize these products in overseas markets. This collaboration is rare in China, marking Customer Q’s first-ever acquisition of licensed technology from a Chinese cellular IoT chip company, further validating our technology and market position.

As of the Latest Practicable Date, we have accumulated 37 authorized patents, including 33 invention patents. During the Track Record Period, we incurred research and development expenditures of approximately RMB186.1 million, RMB138.9 million, RMB134.9 million, RMB68.0 million and RMB69.1 million for the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 34.9%, 25.1%, 19.6%, 20.2% and 16.6% of our total revenue for the same periods.

We have also received numerous prestigious recognitions that highlight our position in the industry, such as the “Shanghai Manufacturing Single Item Champion Enterprise (上海市製造業單項冠軍),” “Shanghai Science and Technology Little Giant (上海市科技小巨人),” “National Key Specialized, Refined, Distinctive, and Innovative Little Giant (國家專精特新重點小巨人),” and “Shanghai Municipal Enterprise Technology Center (上海市企業技術中心).” These accolades reinforce our status as a leading innovator in the cellular IoT chip industry.

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Extensive Product Matrix Covering Full-Scene Application Needs

Since our inception, we have focused on the cellular IoT chip industry, an area of significant core value and technical barriers. Through continuous refinement, research and development investment, and technological innovation, we have consistently optimized and iterated our products. Driven by market-driven demand and self-initiated technological innovation, our product matrix now covers the full range of cellular IoT applications. We offer a comprehensive selections, including NB-IoT, Cat.1bis, and 5G RedCap/LTE Cat.4 products, with more than ten distinct models designed to meet the diverse needs of the IoT landscape.

Our products are renowned for their exceptional low power consumption, a defining characteristic of our brand. Furthermore, we distinguish ourselves through high integration, cost-efficiency, and superior performance, delivering substantial value to niche industries and specific customer needs. This has been instrumental in fostering the rapid growth of the cellular IoT ecosystem.

Our NB-IoT and Cat.1bis products have already gained strong market validation and widespread customer recognition. Building on the success of these products, we are well-positioned to leverage customer loyalty and product stickiness, strengthening our competitive advantage in the 5G product segment. This will allow us to expand our application scenarios across new industries and create further growth opportunities.

Exceptional Commercialization Capability and Premium Customer Base

We have demonstrated exceptional commercialization capabilities, with our products achieving market success at a pace far exceeding industry standards. This has been made possible by our strong competitive edge, solid customer relationships, and outstanding industry reputation. For instance, after mass-producing our first NB-IoT product in the third quarter of 2020, we reached over 4 million units in monthly orders by April 2021, setting a new benchmark in speed to market. Similarly, following the official mass production of our first Cat.1bis product in the third quarter of 2022, we quickly scaled to 1 million units shipped per month. According to the F&S Report, we ranked second globally in NB-IoT shipments in 2025, while our Cat.1bis product achieved second place globally in market share.

Our NB-IoT and Cat.1bis products have not only established a strong brand reputation but have also cultivated deep customer loyalty, allowing us to further strengthen customer stickiness and build long-term relationships. This first-mover advantage positions us to rapidly commercialize our upcoming 5G RedCap products, leveraging the strong customer base we’ve already developed.

Our wide customer coverage and industry reputation have been instrumental in driving our growth. Leveraging our product advantages, we have expanded our customer base to include over 40 module customers. This strong customer foundation has been further bolstered by our strategic partnership with Customer Q, a global semiconductor leader, through which we have successfully licensed our IP and jointly explored overseas markets. We have also secured strong relationships with four of the top five module manufacturers in China’s cellular IoT industry, collaborating closely on product definition and iterations to ensure continuous improvement and alignment with market demands.

Our customer loyalty is a key pillar of our success. More than 80% of customers purchasing over RMB100,000 in 2023 have continued to buy from us in subsequent years/periods, demonstrating our ability to foster long-term relationships. This combination of rapid product commercialization, broad customer reach, and strong customer loyalty positions us for sustained success and continued growth in the cellular IoT chip market, allowing us to capitalize on the increasing demand for connected devices.

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Outstanding Research and Development Team and Strong Shareholder Support

Our research and development team is the backbone of our success. From top to bottom, we boast a team of highly qualified and experienced professionals, ensuring that we stay ahead in a rapidly evolving market. Leading this exceptional team is Mr. Liu Shi, our founder, chairman, and CEO. A renowned global expert in telecommunications and semiconductor systems, Mr. Liu holds a master’s degree in electronic engineering from Fudan University. As a “Zhangjiang Talent”, he has shaped the vision and direction of our company, leveraging his expertise to spearhead breakthroughs in cellular IoT chip technology. Our research and development personnel represent over 80% of our workforce, and the team is renowned for its high caliber and deep technical expertise. On average, our research and development team members possess more than 13 years of experience in integrated circuit design, with 100% holding undergraduate degrees, more than 60% with master’s degrees, and more than 2% with PhDs. Our efficient, comprehensive research and development structure, encompassing algorithm & architecture, RF & Analog design, digital design, firmware, software, hardware, and quality assurance, ensures we meet the full range of technological challenges and deliver cutting-edge products to our customers.

In addition, we are also backed by strong shareholder support, which plays a critical role in accelerating our growth and innovation. Our shareholder base includes prominent industry investors, public and private equity funds, national-level funds, and state-owned enterprises, all of which provide not only financial resources but also valuable strategic insights. With over RMB1.4 billion raised across six rounds of financing, our investors have enabled us to leverage synergies between research and development and commercialization, ensuring the rapid development and market deployment of our products. This powerful support strengthens our competitive position and ensures our sustained success in the global cellular IoT market.

STRATEGIES

Expanding Research and Development Investment and Advancing Our Product Portfolio

We plan to significantly increase our research and development investment, aiming to further enhance and expand our product offerings. A major focus of this effort is the upcoming launch of our 5G RedCap/LTE Cat.4 dual-mode product, which combines the benefits of both 5G RedCap and LTE Cat.4 technologies. This integration offers an optimal balance between network coverage and scenario compatibility, while also providing significant advantages in terms of cost and power efficiency compared to traditional Cat.4 products. The 5G RedCap technology, designed specifically for IoT applications, supports download speeds of up to 220 Mbps and upload speeds of up to 110 Mbps, making it ideal for industrial IoT applications that require low latency and high reliability, such as smart manufacturing, remote monitoring, and connected vehicles. On the other hand, Cat.4 technology supports download speeds up to 150 Mbps and upload speeds up to 50 Mbps, commonly used in applications such as Mi-Fi devices and high-definition IPCs. While Cat.4 offers lower speeds, it excels in providing broader network coverage, cost-effectiveness, and compatibility with existing LTE infrastructure. For details, please refer to “Industry Overview — Analysis of Cellular IoT Chip Market — Development Trends of Cellular IoT Chip Market” in this document.

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Our 5G RedCap/LTE Cat.4 dual-mode product ensures seamless operation across both 4G and 5G networks, providing flexibility in areas where 5G networks are still under deployment. This dual-mode capability guarantees reliable connectivity for devices in various environments, even in areas with limited 5G coverage. The product also delivers superior performance while maintaining low power consumption and reduced costs, making it ideal for large-scale IoT deployments, particularly in price-sensitive markets. By integrating both technologies into a single chip, our product is able to deliver the benefits of 5G’s speed and low latency while retaining the cost efficiency and extensive coverage that Cat.4 provides. This makes the 5G RedCap/LTE Cat.4 dual-mode product an excellent fit for a wide range of IoT applications.

Furthermore, we will continue to strengthen the technical services for our NB-IoT and Cat.1bis product lines. By consistently improving our software and offering ongoing updates, we plan to solidify our position as the market leader in medium- and low-speed data transmission, ensuring that we maintain a strong competitive advantage in these essential segments.

In addition, we have started to focus resources on the development of our 5G eRedCap and 5G eMBB series. These products are estimated to address a wide range of market needs, from gigabit-level transmissions to cost-effective, wide-coverage solutions, fuelling diverse applications across industries.

Enhancing Terminal Application Scenarios and Embracing Edge-AI Capability

We are dedicated to ongoing product innovation and iteration, with the goal of expanding our reach across diverse terminal application scenarios. By optimizing our product features based on specific customer needs and application requirements, we aim to enter and grow in emerging markets. Key sectors include financial payment devices, in-vehicle T-Box systems, CPE/MIFI, industrial automation, drone cellular module, in-car dash cameras, AI-enabled IoT devices, vehicle trackers, wearable devices, and satellite communications.

Building on our cellular IoT chips, we have developed an in-house AI accelerator, which serves as a co-processor, handling complex computations needed for on-device AI deep learning well as voice & video process. By offloading these tasks from the main CPU, the approach improves both the application performance and the power efficiency.

Furthermore, we have made substantial progress in the Open-CPU space, earning the trust of our clients. We will continue to enhance and refine our Open-CPU capabilities, offering flexible, platform-based solutions that empower our clients and drive further innovation across their applications.

Building a Global Collaborative Ecosystem

We are committed to deepening our integration with global ecosystem partners to drive industry development and foster long-term, mutually beneficial collaborations.

- **Industry trends and customer demand:** We will focus on capturing the latest industry trends and aligning our product development with customer needs. By facilitating the deployment of new products with existing clients and expanding our customer ecosystem, we aim to increase our market share across the industry.
- **Expanding overseas markets:** Our strategy includes a strong emphasis on developing international markets. We plan to advance overseas operator certifications and module testing, creating a dual-cycle model that integrates both domestic and international operations. We are already in discussions with several overseas clients and anticipate securing orders soon.

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- **Global supply chain advantage:** Our global supply chain, supported by multiple chip manufacturing partners both domestically and internationally, is an advantage that ensures a secure supply across both local and global markets. We will continue to strengthen relationships with these partners to ensure stable production capacity and cost advantages. Additionally, we are exploring collaborative development opportunities with suppliers to further enhance the overall competitiveness of our products.

Fostering and Attracting Top Talent

Our team’s stability and the continuous cultivation of talent have always been core drivers of our competitive edge. To sustain our innovation capabilities, we plan to strengthen our systems, talent development programs, and recruitment strategies.

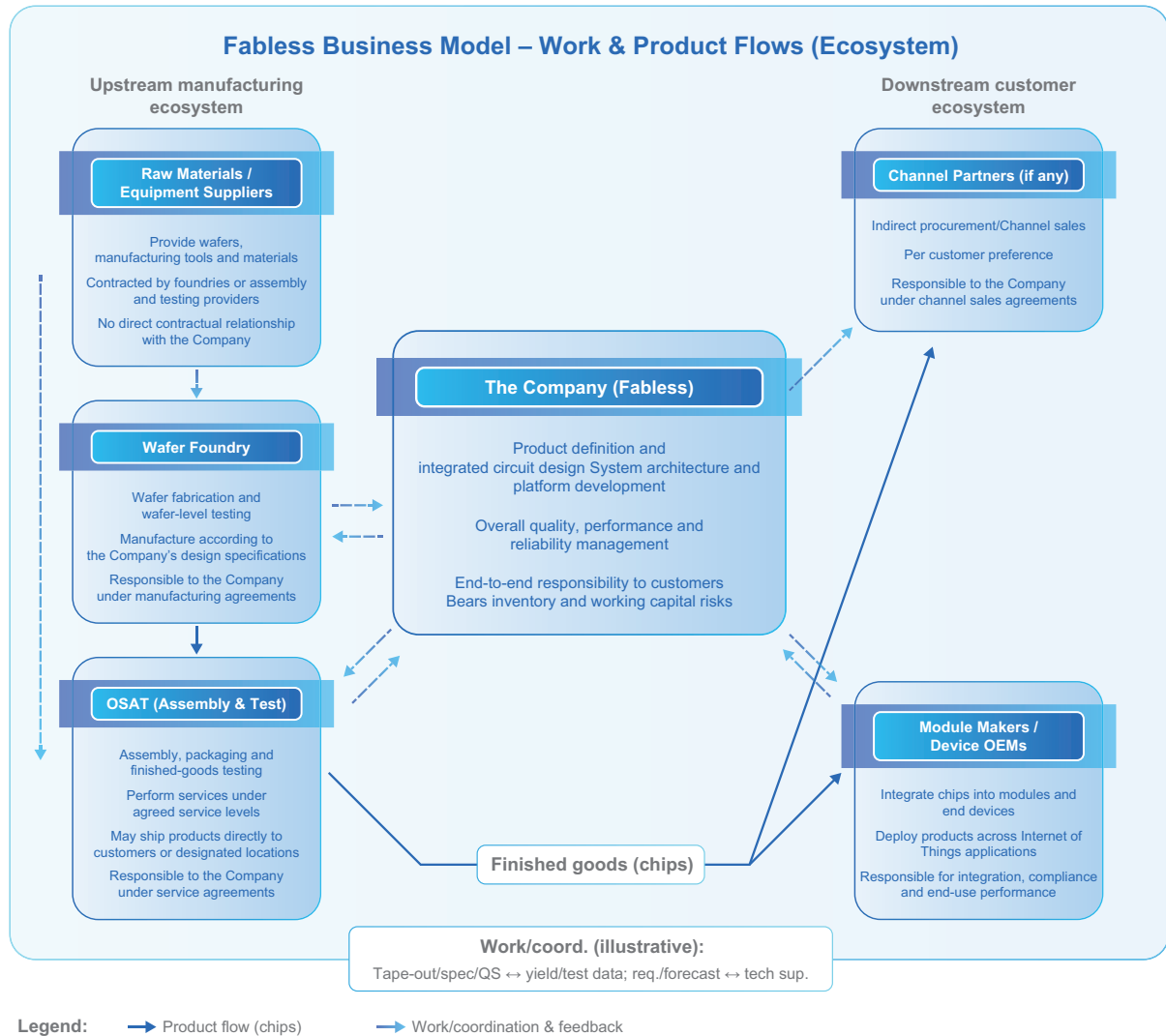
- **Recruitment and talent development:** We will refine our recruitment and training systems to attract senior talent with strong educational backgrounds, technical expertise, and a global perspective. This will ensure we remain at the forefront of industry innovation.
- **Talent selection and promotion mechanism:** We have established, and will continuously improve, a rigorous talent selection and promotion mechanism. Our aim is to offer competitive compensation and comprehensive benefits, ensuring our employees are motivated and supported in their professional growth.
- **Efficient management system:** We are committed to building a professional and efficient management framework that encourages creativity, fosters the enthusiasm of our core team, and ensures stability. We will also make timely organizational adjustments to enhance operational efficiency and maintain a high level of productivity.

OUR BUSINESS MODEL

We operate as a fabless cellular IoT chip design company, focusing on the research, development, architecture design, and commercialization of cellular IoT chips. Under this business model, we do not own or operate wafer fabrication, assembly, packaging, or testing facilities. Instead, we concentrate on high-value activities across the upstream portion of the value chain, including product definition, system architecture, integrated circuit design, and platform-level innovation, while outsourcing manufacturing-related processes to independent third-party foundries and OSAT partners.

Because we rely on third-party foundries and OSAT partners for wafer fabrication, assembly, packaging and testing, upstream capacity availability and wafer procurement pricing are primarily driven by our manufacturing partners and broader industry demand-and-supply dynamics, and we generally have limited bargaining power to materially influence such terms. At the same time, our downstream customers typically benchmark multiple chip suppliers and expect chip ASPs to decrease over time in a highly competitive market, which can constrain our ability to pass through upstream cost increases. See “— Pricing Policy” for further details on how we reflect these upstream and downstream dynamics in our pricing decisions in the subsections below.

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Within this model, we command a central role between upstream manufacturing partners and downstream customers. We define product specifications based on application requirements and customer use cases, complete architecture and IC design, and manage overall product quality, performance, and reliability. Following tape-out, we engage third-party foundries to perform wafer fabrication and wafer-level testing in accordance with our design specifications and quality standards. After wafer completion, OSAT partners conduct assembly, packaging, and finished-goods testing using test cases and programs developed by us before products are delivered to customers or designated logistics locations. Throughout this process, we retain end-to-end responsibility to customers for product functionality, quality, delivery performance, and after-sales technical support, while our manufacturing partners are responsible to us for executing the relevant manufacturing and testing services in accordance with agreed specifications and service levels.

On the downstream side, our products are primarily sold to cellular IoT module manufacturers and device OEMs, either directly or through channel partners appointed by end customers, depending on customer procurement preferences and commercial arrangements. Our chips are subsequently integrated into modules or end devices and deployed across a wide range of IoT application scenarios. Revenue of this sector is generated primarily from the sale of cellular IoT chips, with pricing determined by product specifications, performance characteristics, order volumes, and prevailing market conditions.

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We have adopted an integrated product development (“IPD”) framework to drive market-driven planning, quality-first engineering, cross-department collaboration, and continuous improvement. In execution, IPD is mapped one-for-one to our six-step operating as below:



Product definition and platform research and development. We begin by translating target application requirements and customer demand into product definitions and chip roadmaps, including clear targets for performance, power consumption and cost. We are responsible for product positioning, commercial feasibility assessment and the overall development plan, and we also develop and maintain reusable platform building blocks to improve development efficiency and consistency across product generations.

IC design. We complete the chip design work internally, including system architecture design and end-to-end design verification, and we are responsible for ensuring the design meets our functional and performance requirements before it is released for manufacturing. Upon completion of internal validation, we provide the finalized design package to our manufacturing partners while retaining ownership and technical control over the design and specifications.

Foundry engagement, wafer fabrication, and yield learning. We engage qualified foundry partners to fabricate wafers in accordance with our specifications. Foundries are responsible for manufacturing execution, while we coordinate production planning, monitor manufacturing output and yield performance, and work with foundries to improve yield and stabilize quality as volumes ramp. As we operate under a fabless model, the related procurement commitments and inventory exposure at the wafer and work-in-progress stages are borne by us.

Assembly, packaging, and final test. We appoint qualified OSAT partners to conduct assembly/packaging and final testing. OSAT partners are responsible for processing and test execution, while we set testing standards, quality requirements and reliability criteria and oversee compliance with such requirements. Ownership of work-in-progress and finished goods inventory remains with us throughout this stage.

Branding, serialization, and fulfillment. After final testing, products are branded and serialized for traceability, and we arrange delivery based on commercial terms, either through our warehouse and logistics partners or directly to customers. Although products may be stored at partner facilities prior to delivery, inventory risk, including demand fluctuation and obsolescence risk, is borne by us.

Sales, technical support, and customer engagement. We manage customer relationships and commercialization through direct sales and channel sales, supported by ongoing technical engagement. We provide integration assistance and reference design support to facilitate customers’ design-in and certification timelines, and we may provide customization and non-recurring engineering services for selected strategic projects where appropriate.

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Our product lifecycle typically comprises product definition and platform research, IC design and verification, tape-out, wafer fabrication and wafer testing, assembly and packaging, finished-goods testing, delivery to customers, and ongoing technical support. For a typical production cycle, the manufacturing process from wafer fabrication through finished-goods testing takes approximately four months, consisting of approximately three months for wafer fabrication, one week for wafer testing, two weeks for assembly and packaging, and one week for finished-goods testing.

To support customer demand and ensure timely fulfillment, we generally plan production capacity and manufacturing schedules based on customers’ rolling demand forecasts. As a result, for standard products and subject to order size, inventory availability, logistics arrangements, and customers’ forecast, the typical delivery lead time from receipt of a customer purchase order is generally within one month.

In a typical transaction flow, we enter into manufacturing and service arrangements with foundry and OSAT partners and issue purchase orders for wafer fabrication, assembly, packaging, and testing services. Our customers place purchase orders with us directly or, where applicable, through channel partners, and we deliver finished products in accordance with agreed commercial terms. In terms of fund flow, our customers pay us for delivered products pursuant to the payment terms specified in customer agreements. We, in turn, pay foundry and OSAT partners for manufacturing and testing services in accordance with our purchase orders and their invoices. We bear the inventory and working capital risks associated with the production process and recognize revenue upon delivery of products in accordance with applicable accounting standards.

Advantages of our business model

Our fabless business model enables us to allocate resources efficiently toward innovation-driven activities while maintaining flexibility and scalability in manufacturing. By avoiding capital-intensive investments in fabrication facilities, we reduce fixed costs and operational risks, allowing us to adapt production capacity to market demand through our network of manufacturing partners.

This model is particularly well-suited to the cellular IoT market, where chip designs require continuous iteration and optimization across power consumption, cost, and performance dimensions. Our competitive advantage is anchored in a differentiated chip design technology path that is purpose-built for IoT endpoints. We focus on delivering an optimized balance across key metrics, enabling our customers to develop devices with extended battery life, strong connectivity performance, and competitive overall system cost.

Our core product competencies include industry-leading integration, with key functions such as communication baseband, radio frequency, power management, and SoC integrated into a single chip, which reduces chip area, lowers cost, and simplifies customer design complexity. We also emphasize ultra-low power design, optimizing power consumption in both standby and active modes to significantly extend terminal operating life and reduce maintenance requirements. In addition, our chips deliver high performance through the integration of innovative communication algorithms with efficient ASIC hardware architectures, supporting reliable and robust connectivity across diverse deployment environments.

A further distinguishing feature of our model is close technical collaboration with manufacturing partners throughout the design and sign-off process. We embed design-for-manufacturability and design-for-reliability considerations into our development workflow, optimizing designs for real-world process variations and operating conditions. This approach improves first-pass success rates, accelerates yield ramp-up, and supports stable product quality and faster commercialization.

OUR PRODUCTS

Our chips form the core technology that enables cellular communication in IoT devices, powering the seamless interconnection of the physical and digital worlds. By integrating key components into a single, compact system, our chips handle not only the essential communication tasks, but also various application scenarios. This high level of integration allows devices across various industries, whether

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smart meters, connected vehicles, or industrial sensors, to communicate efficiently, ensuring reliable connectivity. The design of our chips determines not only the performance and power consumption of the devices but also their cost-effectiveness and compactness, directly influencing the overall capabilities and competitiveness of the end products.

Our products are designed to address highly price-sensitive cellular IoT applications, where customers place strong emphasis on overall system cost, power efficiency and reliability. While we operate in a competitive industry characterized by ongoing average selling price pressure and limited bargaining power as a fabless company, we focus on delivering cost-effective solutions at the system level through design and integration rather than relying on traditional supply-chain cost reduction tactics such as negotiating lower component prices, securing exclusive supply agreements, or leveraging bulk purchasing power. In this context, “cost-effective” refers to our ability to achieve an optimized balance of power consumption, performance and integration in our chip designs, which can lower our chip costs and simplify module design, collectively reducing customers’ total BOM, and improve energy efficiency in end devices. This design-driven efficiency allows our customers to enhance the competitiveness of their end products even in an environment of declining market prices, notwithstanding our exposure to wafer procurement costs and intense competition within the cellular IoT chip industry.

Our products are at the forefront of enabling diverse, cutting-edge applications across multiple industries, driving the potential of “intelligent connectivity.” In smart metering, our chips facilitate real-time monitoring of water, gas, and electricity usage, optimizing operational efficiency, reducing costs, and enhancing billing accuracy. In smart cities, our chips provide the essential connectivity for environmental sensors, traffic management systems, and waste management solutions, helping cities become more sustainable and efficient. For the Industrial Internet of Things (“IIoT”), our chips deliver reliable, low-power connectivity for applications such as asset tracking, predictive maintenance, and remote monitoring, empowering industries to streamline operations and minimize downtime.

Beyond core chip sales, we have built a strategic partnership with Customer Q, a global technology leader, through which we offer licensing services. These services not only extend the versatility of our products but also enable us to tailor solutions that meet the specific needs of a broad array of industries and applications. While these services complement our chip offerings, the development and sale of cellular IoT chips remain the heart of our business, driving the foundation for our growth and long-term success.

Building on the strong foundation we have established with our NB-IoT and Cat.1bis products, which are widely deployed across critical IoT applications, we are now leveraging our scalability to move into the next generation of connectivity. Our upcoming 5G RedCap series will maintain the low power consumption and cost advantages of our previous products while introducing enhanced capabilities for higher bandwidth and lower latency. By combining 5G RedCap/LTE Cat.4 dual-mode, we provide seamless coverage even in areas with hybrid networks, offering a significant boost in throughput and latency while maintaining cost-efficiency.

Looking ahead, we are committed to expanding our product offerings with a “full-speed domain, integrated, and scalable” strategy. In the near term, our focus will be on the 3GPP R17 5G RedCap/LTE Cat.4 dual-mode, which is designed for high-bandwidth, or low-latency applications such as Mi-Fi, lightweight CPEs, HD IPCs, industrial gateways, and wearables. In the mid-term, we will introduce 5G eRedCap, further optimizing terminal complexity and power consumption, catering to a wider range of medium and low-speed applications. In the long-term, we will roll out 5G eMBB, targeting ultra-high-speed data transmission for applications such as CPE, in-vehicle infotainment, and PC connectivity. Meanwhile, we aim to enhance our platform with Edge-AI capability, security, and satellite communication capabilities, forming a versatile product family that spans across all speed domains. This strategy aims to help us solidify our role as the foundation for the “intelligent connectivity” era, enabling seamless interconnection across industries and applications.

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The following table sets forth a breakdown of our revenue by product category for the years/periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sale of chips	510,570	95.8	485,566	87.9	629,510	91.3	292,050	86.7	399,903	96.2
— NB-IoT Chips	169,638	31.8	124,986	22.6	161,434	23.4	70,012	20.8	75,172	18.1
— Cat.1bis Chips	340,932	64.0	360,580	65.3	468,076	67.9	222,038	65.9	324,731	78.1
License and service	22,506	4.2	66,838	12.1	59,880	8.7	45,112	13.3	15,945	3.8
Total	533,076	100.0	552,404	100.0	689,390	100.0	337,162	100.0	415,848	100.0

The following table sets forth a breakdown of our ASP and sales volume of our sales of chips by product type for the years/periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	ASP	Sales Volume	ASP	Sales Volume	ASP	Sales Volume	ASP	Sales Volume	ASP	Sales Volume
	RMB	Thousand Units	RMB	Thousand Units	RMB	Thousand Units	RMB	Thousand Units	RMB	Thousand Units
Sales of chips										
— NB-IoT Chips	5.0	33,657	4.8	26,308	4.1	39,004	4.2	16,548	3.7	20,572
— Cat.1bis Chips	7.7	44,109	5.9	61,115	4.5	104,778	4.7	47,306	4.0	81,999
Total	6.6	77,766	5.6	87,423	4.4	143,782	4.6	63,854	3.9	102,571

Our long-term product strategy is to combine (i) shipment scale expansion and market-share accumulation in our lower-speed mass-market product families, principally NB-IoT and Cat.1bis, and (ii) margin enhancement and profit contribution from higher-speed and higher-value products, including LTE Cat.4/5G RedCap products, as they gradually commercialize. Through this strategy, we aim to strengthen our market position and customer penetration in high-volume cellular IoT chip segments, while progressively improving our revenue quality and profitability profile through product upgrades and portfolio expansion. Our pricing strategy is not uniform across all product categories. For NB-IoT and Cat.1bis products, which are relatively mature, high-volume and price-sensitive cellular IoT chip categories, we generally calibrate pricing by considering prevailing market prices, customer penetration, procurement scale, customer quality and expected gross profit margin. In particular, when

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improvements in our cost structure, production efficiency and shipment scale allow us to offer competitive pricing while maintaining commercially reasonable margins, we may selectively pursue opportunities in price-sensitive market segments, rather than pursuing shipment growth at the expense of long-term commercial viability. For higher-speed products, including LTE Cat.4/5G RedCap products, we expect to place greater emphasis on pricing quality and profitability as such products gradually commercialize.

During the Track Record Period, the ASP of our NB-IoT chips decreased from RMB5.0 in 2023 to RMB4.8 in 2024, then to RMB4.1 in 2025, and further to RMB3.7 for the six months ended June 30, 2026. On the other hand, the sales volume of our NB-IoT chips decreased from 33.7 million units in 2023 to 26.3 million units in 2024 and then increased to 39.0 million units in 2025. The decrease in sales volume in 2024 primarily reflected the cyclical adjustment in downstream procurement following the normalization of semiconductor supply, together with intensified competitive pricing dynamics in the NB-IoT market, while the rebound in 2025 was mainly attributable to our selective competitive pricing strategy and our continued penetration of application scenarios requiring low-power, wide-area and massive-connection capabilities. The sales volume of NB-IoT chips further increased from 16.5 million units for the six months ended June 30, 2025 to 20.6 million units for the same period in 2026, primarily driven by more proactive pricing strategies to seize favorable market opportunities. The ASP trend of our NB-IoT chips during the Track Record Period was generally consistent with the industry-wide pricing pressure in mature, mass-market cellular IoT chip categories. According to F&S, the prevailing industry price range for comparable NB-IoT chips was approximately RMB5.0 to RMB5.6 per unit in 2023, RMB4.8 to RMB5.4 per unit in 2024, RMB4.0 to RMB4.6 per unit in 2025 and RMB3.7 to RMB4.3 per unit for the six months ended June 30, 2026, and the pricing trend for comparable NB-IoT chips was generally stable-to-downward during the Track Record Period, primarily due to intensified competition in mass-market connectivity segments, increasing standardization of mature products, downstream customers’ cost-down requirements and the normalization of upstream supply following the earlier semiconductor shortage. Our realized ASPs for NB-IoT chips generally fell within the relevant industry price ranges during the Track Record Period. During the Track Record Period, the ASP of our Cat.1bis chips decreased from RMB7.7 in 2023 to RMB5.9 in 2024 and further to RMB4.5 in 2025 and further to RMB4.0 for the six months ended June 30, 2026. On the other hand, the sales volume of our Cat.1bis chips increased from 44.1 million units in 2023 to 61.1 million units in 2024 and further to 104.8 million units in 2025, and increased from 47.3 million units for the six months ended June 30, 2025 to 82.0 million units for the same period in 2026. The increase in sales volume was mainly driven by continued market adoption of our Cat.1bis products, customer penetration following product upgrades, and broader application demand for medium-speed cellular IoT connectivity. The further ASP decrease in 2025 reflected continued industry-wide ASP compression and our deliberate pricing adjustments to accelerate market penetration and shipment scale in the Cat.1bis segment. According to F&S, the prevailing industry price range for comparable Cat.1bis chips was approximately RMB7.7 to RMB8.5 per unit in 2023, RMB5.8 to RMB6.6 per unit in 2024, RMB4.2 to RMB5.0 per unit in 2025 and RMB3.8 to RMB4.4 per unit for the six months ended June 30, 2026, and the pricing trend for comparable Cat.1bis chips was generally stable-to-downward during the Track Record Period. Our realized ASPs for Cat.1bis chips generally fell within the relevant industry price ranges during the Track Record Period.

Therefore, the movements in our ASP, sales volume, revenue and gross profit margin should be assessed together. In 2024, despite the decrease in overall ASP of our chip products, our gross profit margin from sales of chips improved primarily due to cost normalization and supply-chain optimization. In 2025, our shipment volume increased substantially, particularly for Cat.1bis chips, while our chip gross profit margin decreased as the effect of our competitive pricing adjustments outpaced the margin support from cost optimization. This trend continued into the six months ended June 30, 2026, whereby shipment volume rose further significantly as compared to the same period in 2025 amid continued gross margin compression. We believe these movements reflected a combination of prevailing industry pricing dynamics, our product mix concentration in NB-IoT and Cat.1bis products, the timing of our pricing strategy adjustments, and the relevant customer and order mix during the Track Record Period.

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NB-IoT Chips

Our NB-IoT product series is specifically engineered for low-power, massive-connection communication across a wide range of IoT applications. These chips are designed to support large-scale IoT networks that require high-volume long-range connectivity or deep coverage while consuming minimal power. This makes them ideal for scenarios where energy efficiency and network coverage are critical. Consequently, our NB-IoT chips are particularly well-suited for industries such as smart metering, smart cities (alarming, parking, door access, etc.), and I-IoT solutions.

Our NB-IoT chips stand out due to their high integration, low power consumption, and cost-effectiveness. Leveraging cutting-edge 22nm and 40nm manufacturing processes, we are able to reduce chip size while enhancing both energy efficiency and performance, even in challenging environments. The integration of baseband, RF, PA, RFFE, and PMIC technologies in a single chip simplifies module design, lowers BOM costs, and facilitates faster market deployment.

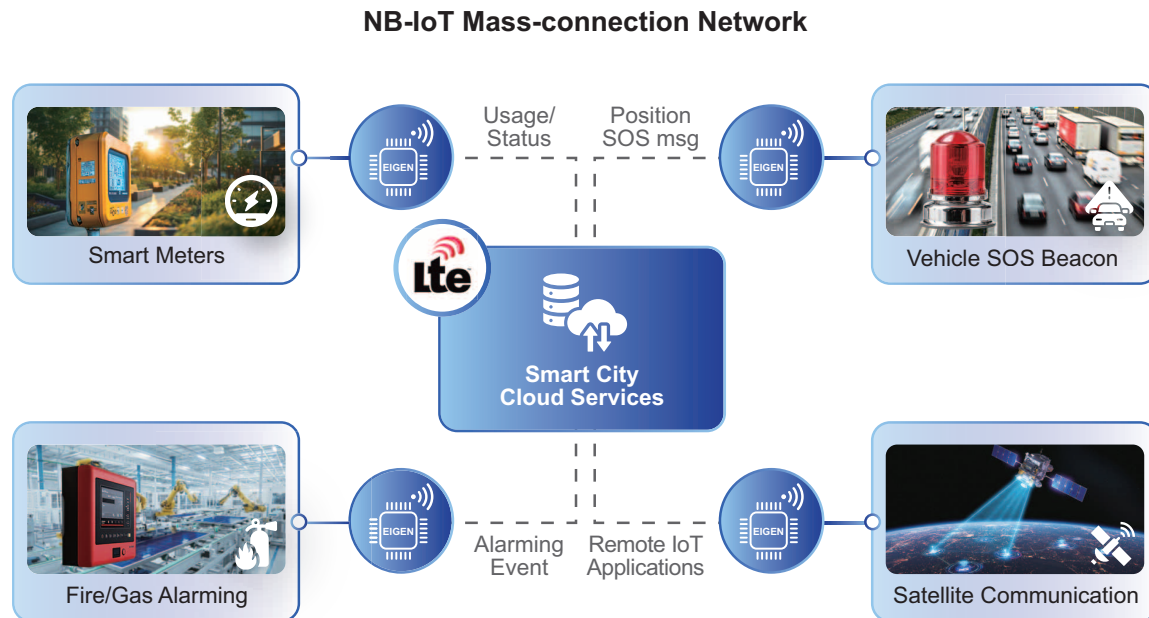
Set out below is an overview of the key models and their features.

Series / Key features	Differential Features	Applications
EC616 series — 40nm process — 3GPP R13/R14 NB-IoT — Super power-saving — Integrated BB, RF, PMIC, PA and filters — Wide voltage input: 2.2V to 4.5V	EC616: — LFBGA packaging of 5.7mm*5.7mm*1.05mm — Global bands EC616S: Enhanced integration with full RF front-end inc. Antenna switch — QFN52 of 6mm*6mm*0.9mm — Global bands EC616L: Low-cost version of EC616S — China bands	— Smart meter (water/gas/electric) — Smart parking — Door access control — Alarming (gas/fire) — Vehicle emergency beacon light — Smart labels — Satellite SOS messaging
EC626 series — 22nm process — 3GPP R13/R14 NB-IoT — Super power-saving — Integrated BB, RF and PMIC, PA and filters — Wide voltage input: 2.1V to 4.5V	EC626: — QFN52 of 6mm*6mm*0.85mm — Global bands EC626C/L/E: Domestic supply chain integration for cost optimization — C: Global band — L: China bands — E: Enhanced memory and CPU capability	
EC626N/EC616N series — 22/40nm process — 3GPP R17 IoT-NTN	EC616N: Evolved from EC616 EC626N: Evolved from EC626C	

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Application scenarios

Our NB-IoT chips are crucial to the expanding IoT ecosystem, providing essential connectivity in various industries. Key application areas include:



- **Smart meters:** NB-IoT is widely deployed for smart water, gas, and electricity meters. The long-range and ultra-low-power features of our chips make them ideal for installations in remote or difficult-to-reach areas. This ensures continuous operation without compromising data transmission or battery life, making it suitable for rural or isolated locations, where conventional connectivity solutions would be costly or impractical.
- **Smart alarming:** Our NB-IoT chips are also used in smart alarming systems, including gas, fire, and smoke detectors. These devices rely on real-time data to alert users of potential hazards. With low-power consumption and robust connectivity, the chips ensure the reliability of alarm signals, even in challenging environments.
- **Smart parking:** The smart parking sector benefits from our NB-IoT chips by enabling real-time monitoring of parking spaces, reducing congestion, and improving traffic management. The ability to track and update parking space availability remotely optimizes urban traffic flow and maximizes parking efficiency.
- **Smart door access:** Our NB-IoT chips are also used in smart door access systems, enabling secure entry with minimal human intervention. The ability to integrate with mobile applications and other smart technologies allows for convenient and secure access control across various buildings, improving user experience and security.
- **Smart labels:** NB-IoT-based smart labels are essential for tracking goods and providing real-time updates on their status. With the long-range, low-power and thin-size features of our chips, these labels can be used in warehouses, retail environments, or logistics applications to provide accurate location and condition information, ensuring transparency and reducing loss or theft.
- **Vehicle SOS beacon:** Our NB-IoT chips are integrated into vehicle SOS beacons, ensuring reliable communication in critical situations, even in areas with weak signals and harsh weather conditions.

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- **Satellite IoT applications:** Our NB-IoT series chips come with IoT-NTN satellite IoT capability, perfect for remote applications where traditional networks are unavailable. This is particularly beneficial in industries such as oil and gas, environmental monitoring, and agriculture, where operations take place in isolated or harsh locations. With IoT-NTN, our chips enable continuous, reliable connectivity even in places where conventional networks do not reach, enhancing operational efficiency.

Case Study 1

Gas utility companies face significant challenges with traditional manual metering systems, which were prone to errors and inefficiencies. By adopting smart gas meters powered by our NB-IoT chips, these company are able to eliminate manual readings, reduce maintenance costs, and improve operational efficiency. The long-range connectivity and ultra-low power of our chips enabled the meters to operate for up to more than ten years in normal signal strength on a single battery. This shift to digital, real-time management not only reduced operational costs but also allowed for dynamic, tiered billing based on actual usage, significantly enhancing billing accuracy and operational efficiency.

Case Study 2

Spain’s V-16 regulation mandates that vehicle SOS beacons be equipped with location tracking and communication capabilities. The challenge was ensuring that these beacons worked reliably in poor coverage areas and harsh weather conditions, while maintaining long battery life. By integrating our EC626 NB-IoT chip into their vehicle SOS beacons, the Spanish company was able to meet the regulatory requirements. The chip enabled reliable communication even in areas with weak signals. The beacons operated for extended periods without the need for frequent battery changes, significantly reducing maintenance costs and ensuring dependable communication in critical situations. The feedback from the Spanish company was overwhelmingly positive, with praise for the extended battery life and the reliable performance of the vehicle SOS beacons under challenging environmental conditions.

Cat.1bis Chips

Our Cat.1bis product series is specifically designed to support medium-speed cellular IoT applications, offering reliable data and voice connectivity, Edge-AI and Open-CPU capability while maintaining low power consumption and cost-efficiency. These chips are ideal for large-scale deployments on mature 4G networks, making them a perfect fit for medium-speed, cost-sensitive and on-the-move applicants such as POS terminals, voice-enabled devices, IPC cameras, trackers, shared devices, AI smart devices, and wearables. Unlike our NB-IoT chips, which are optimized for ultra-low power and long-range communication with minimal data transmission, Cat.1bis chips provide higher data rates and enable both data and voice functionalities. These chips strike an optimal balance between power efficiency, connectivity reliability, and medium-speed data requirements, making them a versatile choice for a broad range of use cases.

Our Cat.1bis chips are distinguished by their high integration and enhanced Open-CPU capability. With improved CPU power, optimized memory performance and abundant peripheral interface, our EC718 can be used as host SoC and eliminate the need for external host chip. The Open-CPU architecture provides a flexible and comprehensive development platform, enabling customers to creatively develop a wide range of new applications on this chip.

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Set out below is an overview of the key models and their features.

Series	Differential Features	Applications
EC618 Series	— LFBGA of 6.1mm*6.1mm*1.14mm	— Trackers, inc. asset tracking, pet tracking, seniors tracking, mobile shared tracking
— 40nm process	— Voltage range: 3.1V to 4.5V	— Security Camera (IPCs)
— 3GPP R13/R14 Cat.1bis		— Mobile payment (POS terminals and soundbox)
— Integrated BB, RF and PMIC		— AI smart devices
— Super power saving		— Wearables
EC716 Series	— Domestic supply chain integration for cost optimization	
— 40nm process	— LFBGA of 5mm*5mm*0.89mm (smallest size in the industry)	
— 3GPP R13/R14 Cat.1bis	— Sub-models EC716S/E: configurable Flash size (2M/4M)	
— Integrated BB, RF and PMIC		
— Super power saving		
— Optimized for data only module		
EC718 Series	EC718	
— 22nm process	— LFBGA of 6.1mm*6.1mm*0.84mm	
— 3GPP R13/R14 Cat.1bis	— Sub-models EC718S/P/U: scalable CPU, RAM and Flash configuration (2M/4M/8M)	
— Integrated BB, RF and PMIC	EC718V	
— Super power saving	— Voice over LTE	
— Voice capacity	EC718M	
— Edge-AI and multimedia	— Domestic supply chain integration for cost optimization	
— Memory enhancement	— CPU performance +30%, memory performance x8, and significantly enhanced Open CPU capability	
— Open CPU enhancement	— Display interface up to FWVGA (854x480); improved multimedia process for wearables	
	— Sub-models EC718MP/MU/MH: scalable memory configuration and voice option	

Application Scenarios

Our Cat.1bis chips cater to a variety of medium-speed IoT applications where data and voice connectivity are essential, but power efficiency and cost-effectiveness remain key priorities. Here are some of the primary applications:

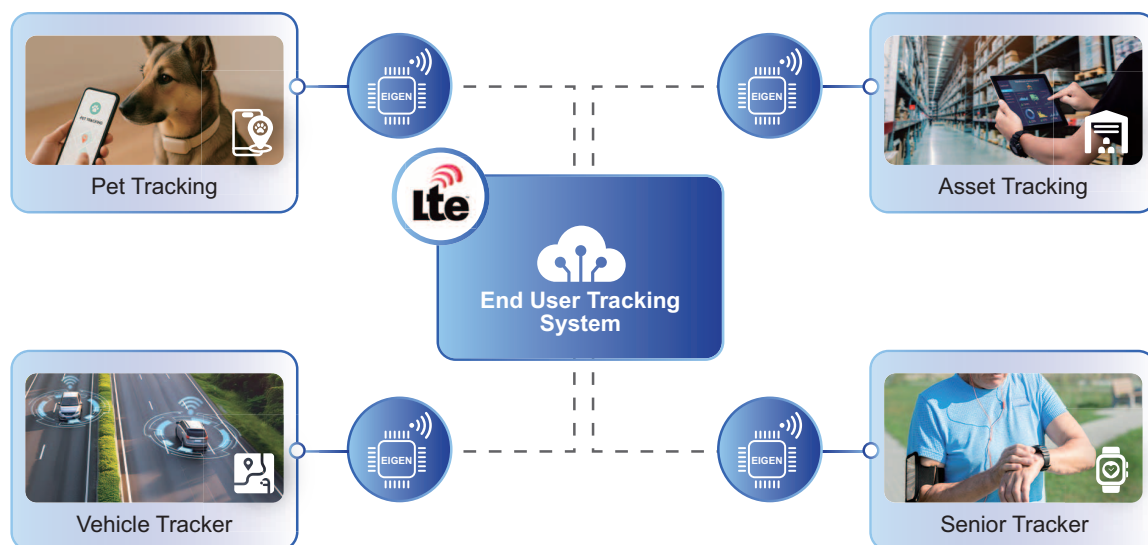
- **Trackers:** These chips are ideal for all kinds of tracking such as asset tracking, vehicle tracking, senior tracking/assisting, and pet tracking, where real-time tracking and extended battery life are crucial. The medium-speed connectivity ensures reliable data transmission, while the low power consumption allows devices to operate for long periods without frequent maintenance.
- **AI smart devices:** Our Cat.1bis chip plays a critical role in empowering AI-driven smart devices, enabling reliable connectivity and low-power edge process. This broad capability supports cloud-based AI models for interactive learning, real-time content updates, and local voice-triggered features. The chip’s efficient data process and rapid response time make it

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ideal for applications such as AI toys, AI smart glasses, AI learning machines, and AI smart speakers, where portability, low power consumption, and real-time functionality are paramount.

- **Payment devices:** Our chips are perfect for payment terminals and point-of-sale (“POS”) systems, enabling secure data transmission and voice capabilities. Their low power consumption ensures these devices remain operational for extended periods, helping to reduce maintenance costs and ensuring uninterrupted service.
- **Wearables:** Our EC718M model, with its enhanced multimedia processing capabilities, is particularly suited for wearables like smartwatches and fitness trackers. It supports efficient processing for applications such as health monitoring, while maintaining low power usage for extended battery life.

Case study 1: tracker



The Cat.1bis chip is revolutionizing the tracker industry by offering a combination of low power, high performance, and cost-effectiveness. As the industry transitions from 2G to 4G networks, finding a balance between speed, power efficiency, and reliability has been challenging. Our Cat.1bis chip addresses this challenge with an innovative, in-house developed architecture that integrates advanced power and clock management technologies. This enables industry-leading low power consumption, making it the ideal solution for IoT devices in tracking applications, where battery life and operational efficiency are critical.

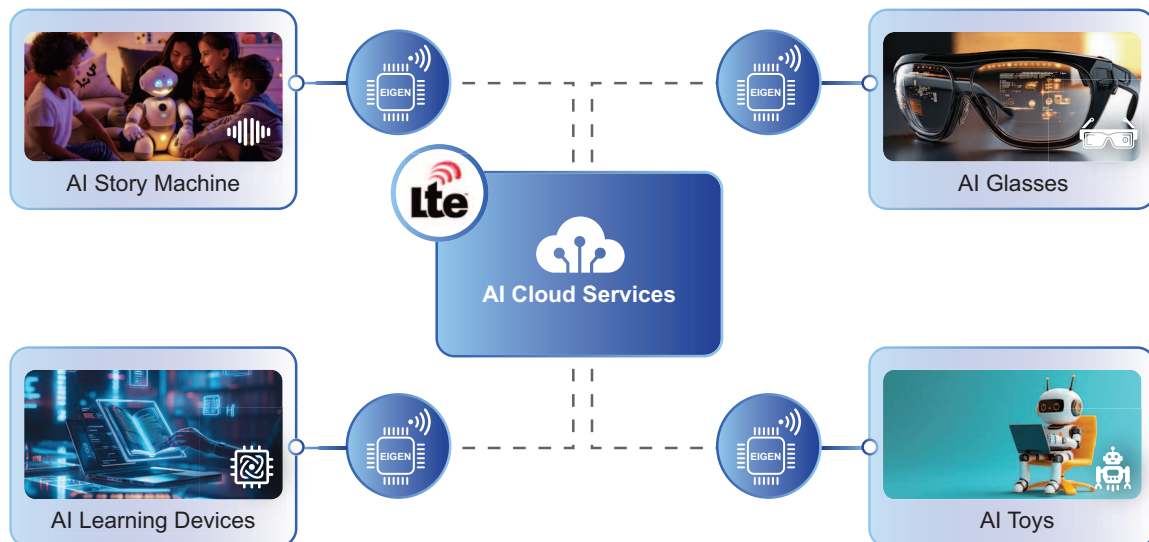
The compact design of personal and pet trackers restricts battery size, making low power consumption even more critical. Our chip meets this need by cutting standby power by more than half against competing products, extending battery life and reducing the need for frequent recharging. This allows our customers to offer a “charge once a week” solution, ensuring devices remain reliable for longer periods.

In the asset tracking and logistics market, where valuable items such as medical cold-chain devices, precision instruments, or containers need to be tracked for months or even a year without frequent maintenance, the Cat.1bis chip excels. It supports event-based intelligent triggering (e.g., door opening, movement, temperature thresholds) and enters an ultra-low power sleep mode when idle,

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consuming as little as microamps (“uA”). Devices using this chip can operate for over a year with moderate battery capacity, reducing the need for constant recharging. This enables a “set it and forget it” solution, lowering maintenance costs and ensuring the security and traceability of assets during transport.

Case study 2: AI smart devices



Our self-developed 4G Cat.1bis chip is becoming the cornerstone of AI-powered smart devices, offering an ideal mobile connectivity solution for AI applications. By integrating this chip into various AI smart terminals, we enable these devices to access the internet seamlessly, anytime and anywhere. For example, children can interact with AI story machines, students can access information through AI learning devices, and smart glasses can provide real-time voice translation and navigation. This broad functionality unlocks the full potential of AI-powered devices.

In the children’s smart device market, the demand for story machines has been growing steadily. However, most similar products on the market rely on Wi-Fi connectivity, which restricts their use to static environments. This reliance on a stable Wi-Fi connection means that these devices cannot be effectively used in moving scenarios, limiting their versatility and appeal. By integrating our 4G Cat.1bis chips, we have revolutionized the AI story machine market. Our technology allows the device to provide uninterrupted, high-quality connectivity, enabling children to enjoy their favorite stories, songs, and interactive games while on the go. Whether in the car, at the park, or during travel, children can access cloud-based content and interact with the AI with cellular network. This flexibility empowers children to take their AI story machine anywhere, ensuring continuous content updates and keeping the device “forever fresh” with new stories and educational content.

In the AI education electronics market (learning machines, dictionary pens), devices require long battery life to accommodate extended usage times for students. Additionally, portability demands that these devices be lightweight and compact. Our chip stands out in this area, with minimal standby power consumption in deep sleep mode, activating only when the device interacts with the cloud. This ensures that an AI learning device with a 4G module can last over eight hours of use under moderate-intensity usage. The high integration of our chip also allows for smaller PCBAs, freeing up space for larger batteries or more complex sensors. The ability to “learn anytime, anywhere with built-in 4G” has become a key selling point, giving our product a significant market edge over competitors.

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Similarly, in the AI toys and companion robots market, toys need to provide strong interactivity and novelty. With 4G connectivity, toys can update their content, including conversation libraries, stories, and games, in real time, ensuring they remain “forever fresh.” However, as toys are often battery-powered, low power consumption is essential. Thanks to our proprietary rapid connection algorithms, our chip supports “event-triggered” usage. The device remains in ultra-low-power sleep mode during most of its standby time, only activating the 4G connection when the child speaks (via voice trigger) or presses a specific button. This mechanism allows the toy to operate for several days or even up to a week on a single charge. Moreover, the introduction of 4G connectivity, combined with large AI model capabilities, creates a new “content subscription service” business model for toy manufacturers, generating long-term revenue through continually updated cloud content.

In the AI smart glasses market, power consumption and size are two critical factors. The form factor of glasses requires that the internal components be extremely small, lightweight, and low in heat generation. Our chip’s ultra-thin, compact packaging and low heat characteristics make it easy to integrate into the temples of the glasses. Its low power consumption ensures that core features, such as real-time voice translation and information alerts, operate without rapidly depleting the limited battery. This guarantees several hours of practical use, making “all-day wearability” a feasible feature.

Licensing and Chip Design Services

We also generate revenue through semiconductor IP licensing and related chip design services, substantially all of which were provided to Customer Q during the Track Record Period. Customer Q approached us through industry channels after becoming aware of our technical capabilities and commercialization experience in cellular IoT chip products. Following technical evaluation, commercial discussions and contract negotiations, we and Customer Q established our initial collaboration in the form of technology licensing and chip design services.

We do not regard Customer Q as a direct competitor in our core target segment, as Customer Q’s broader product portfolio is generally positioned toward higher computing performance, higher cost and higher power consumption across mobile handset, automotive and broader IoT applications, whereas we focus on low-power, highly integrated and cost-optimized cellular IoT terminal chips. We believe the cooperation is primarily complementary in product positioning and technology roadmap. As of the Latest Practicable Date, we continued to cooperate with Customer Q under our technology licensing and related chip design services framework.

During the Track Record Period, our cooperation with Customer Q was governed by an initial technology license agreement, which functions as the principal framework agreement for our cooperation, together with the relevant supplemental agreements, appendices and/or statements of work. The initial technology license agreement sets out the overarching legal and commercial framework for the cooperation, while the relevant supplemental agreements, appendices and/or statements of work further specify project-specific arrangements, including the licensed technology packages, product scope, acceptance standards, milestones, payment arrangements, after-sales or ongoing technical support and other project-specific terms.

Our agreements with Customer Q adopt an IP allocation framework designed to preserve our ownership of our pre-existing, independently developed and underlying core platform IP, while granting Customer Q only contractually limited rights to use the agreed licensed technology packages and related deliverables within the agreed field and scope. The “limited contractual rights” granted to Customer Q refer to non-exclusive, non-transferable and non-sublicensable rights to use the agreed licensed technology packages and related deliverables solely within the contractually agreed scope, including for the development, testing, production and sale of the relevant chip products. Such rights are limited to the agreed products, purposes, territories and other contractual restrictions, and do not constitute a transfer or assignment of our intellectual property ownership. We retain ownership of our

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pre-existing, independently developed and underlying core platform IP, proprietary technologies and technical know-how. No ownership of our background or core platform IP is transferred to Customer Q. We also protect our IP and trade secrets in these arrangements by limiting disclosure to what is necessary for the agreed development, testing, production and commercialization purposes, without providing unrestricted access to our core design source code, and by contractually restricting Customer Q’s use and disclosure of our technology and deliverables.

During the Track Record Period, revenue recognized from Customer Q amounted to RMB21.9 million, RMB66.6 million, RMB59.7 million, RMB45.0 million and RMB15.5 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. In particular, revenue from one-time license fees amounted to RMB17.9 million, RMB4.9 million, RMB26.0 million, RMB23.7 million and RMB1.2 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively; revenue from royalty payments amounted to RMB4.0 million, RMB11.5 million, RMB23.7 million, RMB11.3 million and RMB14.3 million, respectively; and revenue from design fees amounted to nil, RMB50.2 million, RMB10.0 million, RMB10.0 million and nil, respectively. One-time license fees are generally payable upon delivery and acceptance of the relevant licensed technology package, design documentation package and/or other agreed deliverables. Royalty payments are generally calculated by reference to the unit shipments of chips incorporating our licensed technology and settled quarterly in accordance with the relevant contractual arrangements and shipment reports. Design fees/NRE fees, where separately specified, are generally payable upon completion and acceptance of the agreed stages, milestones or deliverables.

During the Track Record Period, we undertook multiple projects with Customer Q under the master technology license agreement initially signed in 2020, along with subsequent amendments, relevant supplemental agreements, appendices and/or statements of work. These projects primarily covered NB-IoT, Cat.1bis, NB-NTN and early-stage 5G-related technology cooperation. The relevant product scope included existing NB-IoT and Cat.1bis product families and selected new technology directions, and the key milestones generally included execution of the relevant supplemental agreement or statement of work, delivery of agreed technology packages and design documentation, completion of agreed technical support or validation work, and acceptance by Customer Q. The relevant one-time license fees and design fees/NRE fees were generally payable upon delivery, milestone completion and/or acceptance, while royalty payments were settled quarterly based on Customer Q’s shipment volume of chips incorporating our licensed technology. As of the Latest Practicable Date, the relevant licensed IP and chip design service deliverables for existing NB-IoT and Cat.1bis product families had been delivered, while we continued to provide ongoing support in connection with Customer Q’s continued production and sale of the relevant products. We had not entered into definitive agreements with Customer Q for 5G-related or EC800 series cooperation as of the Latest Practicable Date, but we may explore potential cooperation opportunities with Customer Q in relation to next-generation products based on market demand and commercial discussions.

During the Track Record Period and up to the Latest Practicable Date, our business operations were not materially affected by U.S.-China tariff measures. We did not source any materials from the U.S., and thus the retaliatory tariffs imposed by China had no impact on our procurement. Our primary commercial activities with Customer Q involved services and intellectual property licenses, which are not subject to tariffs. While we supplied a limited number of physical test boards to Customer Q in connection with these licensing arrangements, all applicable tariffs on such boards are borne by Customer Q. Moreover, our sole export of such boards to the U.S. during the Track Record Period and up to the Latest Practicable Date occurred in 2023, representing approximately 0.01% of our total sales for the Track Record Period and predating the major U.S. tariff escalations. There have been no further exports to the U.S. thereafter. Accordingly, U.S. tariffs have not had any material impact on our operations during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, given that (i) we were not in default of any of our material obligations under our contractual arrangements with Customer Q, and we incurred no administrative penalties in the U.S.; and (ii) our business collaboration with Customer Q was not materially affected by U.S.–China tariff measures, as illustrated above, our Directors are of the view that, under current circumstances, the risk of termination of our collaboration with Customer Q due to U.S.–China geopolitical tensions is low.

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Licensing services

Our licensing services generally involve the grant of contractually defined rights to use specified licensed technology packages and related deliverables within the agreed field and scope. To the extent any project-specific customization or related deliverables are developed for Customer Q under the agreed scope of work, the relevant IP allocation is governed by the contractual framework between the parties, while our background IP and underlying platform technologies remain with us.

For licensing services, the commercial consideration typically comprises one-time license fees and ongoing sales-based royalty payments. One-time license fees are contractually fixed and generally become payable upon delivery and acceptance of the relevant licensed technology package, design documentation package and/or other agreed deliverables. Royalty payments are generally calculated by reference to the unit shipments of chips incorporating our licensed technology and settled quarterly in accordance with the relevant contractual arrangements and shipment reports.

Chip design services

Our chip design services for Customer Q involve project-specific design adaptation, customization, validation support and related technical work based on our existing technology platforms, design capabilities and technical know-how. These services are intended to support Customer Q’s development and commercialization of specified chip products incorporating our licensed technology. Our chip design services are typically governed by the relevant statements of work and/or supplemental agreements, which define the service scope, key deliverables, milestones, acceptance mechanisms and payment terms.

Where design fees are separately specified, they are reflected contractually as NRE fees and are generally payable upon completion and acceptance of the agreed stages, milestones or deliverables. Where the relevant design, customization or technical support work forms part of an integrated licensing arrangement, the commercial consideration for such work may be reflected in the agreed one-time license fee for the relevant licensed IP and/or design documentation package rather than presented as a separate recurring revenue stream.

RESEARCH AND DEVELOPMENT

Research and development are critical to sustaining our technology leadership and supporting the commercialization of our products by enabling us to meet evolving downstream application needs. Guided by our PPA targets and a high-integration, low-power, and cost-efficient design philosophy, we focus on developing core intellectual property for cellular IoT chip platforms spanning NB-IoT (low-speed), Cat.1bis (medium-speed), and in-development 5G RedCap/eMBB (high-speed), while integrating Edge-AI capability in selected SoCs to enhance on-device intelligence.

We are committed to continuous investment in research and development to strengthen our technological leadership and support the commercialization of advanced cellular IoT chip technologies. During the Track Record Period, we incurred research and development expenditures of approximately RMB186.1 million, RMB138.9 million, RMB134.9 million, RMB68.0 million and RMB69.1 million for the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 34.9%, 25.1%, 19.6%, 20.2% and 16.6% of our total revenue for the same periods. As of June 30, 2026, we had 115 research and development personnel, representing approximately 81% of our total headcount. Our team is organized under our Shanghai, Nanjing and Chengdu Technical Center and spans system algorithm, firmware, protocol stack software, RF & analog, ASIC design, platform software, application solution, and testing and verification. Over 100 engineers work across these technical units, with approximately two-thirds holding master’s degrees or above, and our core team members averaging over 15 years of industry experience in IC design.

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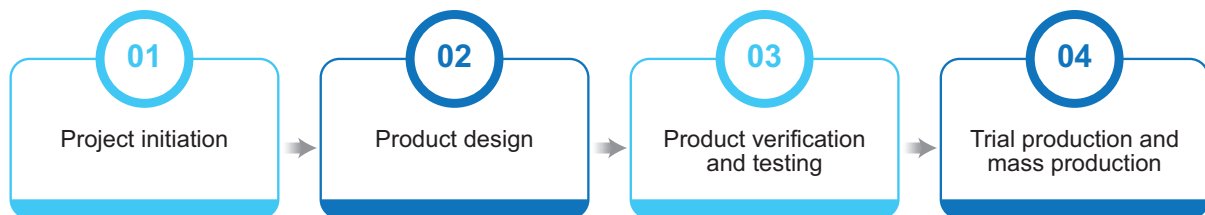
We continue to deepen collaboration with ecosystem partners across foundries, OSAT partners, EDA vendors, OS/IP providers, module makers and OEMs, and testing and certification bodies to shorten development cycles and ensure compliance with applicable standards. In addition to developing IP for our own chip product, we also monetize selected chip models through semiconductor IP licensing, complementing our product revenue with capital-efficient monetization of mature platforms. As of the Latest Practicable Date, we had accumulated 37 patents (including 33 invention patents), four software copyrights and four layout-design of IC.

Guided by the above approach, we manage a rolling multi-year product roadmap with generational upgrades and derivative variants tailored to priority application scenarios, supporting both scale-oriented flagship chip models and customer-specific commercialization needs. This roadmap underpins ongoing scale shipments of NB-IoT and Cat.1bis products while enabling the introduction of 5G RedCap/eMBB products, aligning our technology and commercialization plans with market development trends and customer demand. We believe our disciplined research and development model, sustained investment, and platform-based capabilities position us to deliver competitive products and support our long-term growth.

Research and Development Process

We operate a market-oriented research and development process based on an IPD framework. Most of our products are designed for general-purpose use, and we also undertake customer-specific customization using the same governance and quality standards.

Set out below a flow chart illustrate our research and development process.



We begin our research and development process with project initiation, where we translate our long-term technology roadmap into specific product proposals based on market demand. At this stage, we conduct market and competitor analysis and collect customer and end-application requirements through our application solutions team, business units and sales team. Based on these inputs, our technical center team evaluates technical feasibility, development timelines, cost parameters and execution risks, and prepares a feasibility study report or development plan outlining the project scope, objectives, resource allocation and budget. A cross-functional review led by senior management is conducted to confirm alignment with our strategic priorities before formal project approval.

Following approval, we enter the product design stage, during which our technical center team undertakes chip architecture design, circuit implementation and related foundational software development in accordance with the approved plan. The design process focuses on meeting defined performance, functionality, power consumption and cost targets. Before proceeding to manufacturing, our chip delivery team organizes a design readiness review with relevant internal teams and external manufacturing and quality partners to confirm that the design is sufficiently verified, production-ready and capable of meeting expected yield and cost objectives.

The next phase is product verification and testing. In this stage, our chip delivery team coordinates with external manufacturing partners to produce engineering samples, and our technical center team conducts validation testing under representative application scenarios. Testing focuses on

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confirming that the product meets key specifications and reliability requirements. Where necessary, controlled design refinements are implemented to address identified issues. This iterative validation process helps ensure product stability and consistency prior to volume production.

Finally, in the trial production and mass production stage, we conduct pilot production runs to validate manufacturability, process stability and yield performance. Pilot units may be provided to selected customers for application-level verification. Upon completion of final internal reviews covering quality control, reliability standards, documentation and supply readiness, the product is formally released for mass production. This structured and stage-based approach enables us to manage development risk, cost efficiency and time-to-market in a disciplined and scalable manner across both standardized products and customized solutions.

Key Research and Development Project

5G Redcap & eMBB Chips in Development

Our 5G RedCap and eMBB chips currently under development represent the next generation of cellular IoT connectivity solutions. The evolution of 5G RedCap and eMBB chips signifies a shift towards higher-capacity, lower-latency solutions that drive the future of cellular IoT applications. This is particularly evident in the growing demand for IIoT, where high-speed, real-time communication is required for mission-critical applications. With advancements in Edge-AI capability and real-time data processing, we are integrating AI-driven capabilities into the chip architecture, making these products not just connectivity solutions but key enablers for intelligent, responsive systems.

Our EC80x series supports high-speed data transmission under both the 3GPP R17 RedCap and R15 LTE Cat.4 standards. Equipped with enhanced Edge-AI and multimedia capabilities, this dual-mode series serves as a highly versatile solution suitable for applications requiring fast data speeds, reliable connectivity, and energy efficiency. As a key product of the series, the EC800L successfully completed tape-out in early 2026 and has passed rigorous functional testing and reliability certification, achieving mass-production-level technical maturity. Currently, the EC800L has been deeply adopted by leading MiFi and module customers, with network access testing and commercial product verification steadily in progress, such as MiFi, Home CPE, industrial IoT, smart wearables and connected vehicles.

Furthermore, our EC900 model, designed to support eMBB with ultra-high-speed transmission capabilities of up to gigabits per second, is expected to launch in 2027. Our EC900 will continue to build on our highly integrated and cost-effective design approach, and it is anticipated to deliver significant competitive advantages. The EC900 will provide strong economic benefits, especially for high-demand applications such as industrial CPE, AR/VR and ultra-high-definition video.

Series		Key Features	Timeline		Applications
EC800L	—	R15 LTE Cat.4	Launch in 2026H1	—	CPE/MiFi
	—	Integrated BB, RF and PMIC		—	High definition IPCs
	—	Super power saving			
EC80x	—	3GPP R17 Redcap and eR15 LTE Cat.4	Launch in 2027H1	—	CPE/MiFi
	—	Integrated BB, RF and PMIC		—	High definition IPCs
	—	Super power saving		—	5G IIoT
	—	Enhanced Edge AI and multimedia capability		—	In-vehicle T-Box
	—	eRedcap option			

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Series		Key Features	Timeline	Applications
EC800N	—	Support 5G NR-NTN	Launch in 2027H2	Satellite data & voice
	—	Support High-Mid-Low Orbit Satellite		
EC900	—	3GPP R17 eMBB	Launch in 2027	— High speed mobile internet access
				— VR/AR
				— Ultra-high definition video

Application Scenarios

- **Customer Premises Equipment (“CPE”) and Mobile Wi-Fi (“MIFI”):** These devices are positioned to provide broadband internet to homes or small-medium enterprises using cellular networks. The need for reliable and fast connectivity in areas with no fixed broadband infrastructure, such as rural regions, will benefit significantly from our upcoming 5G RedCap chips.
- **High-definition video surveillance/streaming:** As smart cities and industrial automation gain momentum, there is a growing need for real-time, high-resolution video streaming. The low-latency and high-speed capabilities of our 5G RedCap and eMBB chips make them the ideal solution for HD and 4K video transmission, critical in smart cities, factories, and retail environments. Moreover, with the integration of Edge-AI, devices will become more intelligent, capable of performing real-time video analytics without relying solely on cloud processing.
- **In-vehicle T-Box:** RedCap/LTE Cat 4 modules enable reliable, moderate-speed cellular connectivity in vehicles. They power essential telematics for fleet tracking and diagnostics, facilitate Over-the-Air (“OTA”) software updates, support emergency call (“E-call”) systems. Their global compatibility provides cost-effective connectivity for modern connected car features.
- **5G IIoT:** Our 5G RedCap chips are specifically designed to address the needs of industrial applications requiring high reliability and low latency. Unlike traditional massive Machine-Type Communications (“mMTC”) technologies, which are designed for low-speed, infrequent communications, 5G RedCap supports higher-speed data transfers, ultra-low latency, and improved reliability, making it ideal for industrial systems such as automated factories, remote equipment monitoring, and real-time asset tracking.

INTELLECTUAL PROPERTY

We rely on proprietary technologies, software, know-how and trade secrets to compete effectively in our markets, and we generate intellectual property through continuous research and development activities. We protect our intellectual property and proprietary rights through a combination of patents, copyrights, trademarks, trade secrets, domain names, confidentiality and invention-assignment arrangements, internal policies, and contractual safeguards with employees, consultants, customers and suppliers.

We place significant emphasis on the strategic role of intellectual property in our development and have established a governance framework under which our Chief Executive Officer provides overall leadership for intellectual property matters, the Human Resources Department designates human resource and administration manager to oversee day-to-day implementation, and qualified third-party patent agencies provide professional advice and coordinate filing, prosecution and maintenance. To institutionalize management and enhance protection and utilization, we have issued internal policy

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documents, including the “Regulations on Intellectual Property Management” and the “Internal Patent Application Procedures,” which standardize workflows from invention disclosure through filing, grant and annuity management and clarify the responsibilities of relevant functions.

Our key intellectual property is set out below:

- Information Processing Method, Device, Terminal, and Communication System
- Non-Terrestrial Network Communication Method and Communication Terminal Based on NB-IOT
- RF Transceiver Front End Containing Integrated Passive Device
- Equipment Management Method and Device Based on IoT Chip
- Compilation and Development Method and Device for Separating System Bottom Package and Application Program
- Method, Apparatus and Communication Device for Estimating Frequency Deviation
- Power Consumption Optimization Method and Terminal in Narrowband IoT System

As of the Latest Practicable Date, we had: (i) 37 patents, including 33 invention patents and four utility model patents; (ii) four software copyrights; (iii) four layout-design of integrated circuits; (iv) two registered trademarks; and (v) three domain names. For further details, please refer to “Appendix IV — Statutory and General Information — B. Further Information about the Business — 2. Intellectual Property.”

To safeguard and enhance the value of our intellectual property, we adopt a disciplined patent strategy that prioritizes inventions aligned with our product and process roadmaps and considers overseas filings based on market potential, enforceability and cost-benefit thresholds; we maintain prosecution and annuity dockets with external counsel and periodically review portfolio quality. In parallel, we register and maintain core word and device marks in the PRC and selected overseas markets and implement usage guidelines to preserve distinctiveness, and where appropriate record such trademarks with customs to facilitate border enforcement. We register proprietary software and manage code in secure repositories with role-based access, version management and audit trails; we protect trade secrets and know-how through confidentiality and invention-assignment provisions in employment and contractor agreements, classified-information policies, IT and physical access controls, encryption, publication review and regular employee training, complemented by exit procedures that include access revocation and device return. We also implement inventor reward and remuneration practices consistent with the PRC Patent Law for service inventions to encourage ongoing innovation.

Where commercially prudent, we supplement self-developed intellectual property with rights licensed from third parties. We are not materially dependent on any single licensed-in patent, technology or brand for our principal products.

We monitor potential infringements through market sweeps, online monitoring and watch services, and take appropriate actions including cease-and-desist letters, administrative complaints, customs seizures and civil litigation when necessary. During the Track Record Period and up to the Latest Practicable Date, we had not received administrative penalties relating to intellectual property matters and were not involved in any intellectual property litigation, arbitration or claims that had, or would reasonably be expected to have, a material adverse effect on our business, financial condition or results of operations.

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OUR PROCUREMENT AND SUPPLIERS

Our Suppliers

We follow a design-led fabless model under which wafer fabrication is performed by qualified foundry partners and assembly/package and testing are performed by qualified OSAT partners. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, we partnered with four, four, two and three foundries, respectively, and three, three, three and three OSAT partners for the same year/period, respectively. According to F&S, high supplier concentration is common and considered an industry norm for fabless cellular IoT chip design companies like us, given the specialized nature of high technical thresholds, massive capital investment, and complex supply chain coordination required for semiconductor manufacturing.

Foundry partners

We work with foundries under non-exclusive commercial frameworks and product-level purchase orders. These frameworks cover confidentiality, IP protection, change notification, and quality responsibilities. Purchase orders specify lots, delivery windows, and pricing.

For production planning, we coordinate capacity with partners based on customer schedules and product ramps to align output with demand while maintaining our asset-light model. We provide wafer demand forecasts every six months (covering a full-year projection) and require immediate communication of any significant demand fluctuations that may necessitate adjustment.

Our foundry partners manufacture wafers according to our designs and specifications on process nodes appropriate for cellular IoT chips. These partners procure raw materials and manufacture wafers based on our specifications, while we provide the design collateral necessary for manufacturing after tape-out. We ensure mask set custody and manage engineering change control throughout the production process.

Wafer acceptance is based on our outgoing quality requirements, with electrical screening performed during wafer sort to enable yield learning. This process ensures stable quality for downstream packaging. We track all wafer lot and assembly lot parameters to maintain comprehensive lot-level traceability, ensuring consistent quality across production stages.

We ensure confidentiality and IP protection in all agreements with foundry partners, implementing mask-set custody protocols and secure data exchange mechanisms via FTP channels.

OSAT partners

Our OSAT partners perform dicing, assembly/package, and final testing according to our product specifications and test plans. We typically use Quad Flat No-leads (“QFN”) and Wire Bond Ball Grid Array (“WBGGA”) packages to balance size, RF integrity, thermal, and electrical performance, while optimizing total cost for IoT modules and terminals.

For reliability assurance, we follow JEDEC standards such as J-STD-020, JESD22-A104, JESD22-A118, and JESD22-A103. All products undergo rigorous reliability screening before shipment, in accordance with our release requirements. To mitigate supply chain risks, we also maintain secondary OSAT partners for critical packages, ensuring uninterrupted production capacity in case of issues with primary partners.

To mitigate supply chain risks, we maintain qualified secondary OSAT partners for critical packages, ensuring uninterrupted production capacity even if the primary partner faces issues.

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Quality assurance and traceability

We implement an end-to-end quality management system across our partner network, correlating wafer-level parameters with final test performance to ensure consistent quality. Our traceability system ensures lot-level tracking of both wafer lots and assembly lots, supporting field quality management and customer support.

Currently, we maintain an outgoing defect rate within 1,000 PPM, aiming to ensure consistent outgoing quality for the cellular IoT chips we sell to module manufacturers and other customers.

Our Procurement

Our procurement strategy is designed to support our fabless business model by ensuring the seamless supply of essential materials and services. The core components of our procurement process include wafer sourcing, packaging, testing services, and other outsourced manufacturing activities. We have established strong, long-term relationships with high-quality suppliers, including wafer foundries, packaging, and testing service providers, to ensure that the products we design meet the highest standards of quality and performance.

Leveraging these strategic partnerships allows us to focus on enhancing operational efficiency while minimizing the risks and costs associated with production. The procurement process follows a systematic framework involving close collaboration between our sales, supply chain, and production teams. Accurate demand forecasting plays a critical role in aligning raw material procurement with production schedules, ensuring that we can meet market demand while adhering to budgetary constraints.

Our procurement team regularly engages with suppliers to place orders based on sales forecasts, ensuring that deliveries are synchronized with production timelines. Payment terms, including credit arrangements, are negotiated individually with each supplier, depending on the terms of the contract. We continuously monitor the procurement process to ensure quality control and cost efficiency, enabling us to meet market demand while maintaining strict financial discipline.

To mitigate supply chain risks, we work with multiple suppliers for key components, such as wafers and packaging materials. This diversification strategy ensures flexibility, reduces dependency on a single supplier, and allows us to manage potential supply disruptions effectively. In 2022, the semiconductor industry experienced a global wafer supply shortage due to, among others, pandemic-related global supply disruptions and unexpected demand surges. To ensure supply continuity for our customers during that period, we procured wafers and entered into certain capacity arrangements at relatively high prevailing market prices. Although wafer supply gradually recovered after the lifting of COVID-19-related restrictions, the impact of such high-cost wafer inventory and earlier high-priced capacity arrangements continued to affect our cost of sales in 2023, while ASPs of our major chip products had started to decline amid market normalization and intensified competition. As a result, our gross profit margin from sales of chips remained relatively low in 2023. In particular, the cost of high-priced inventory recognized in our cost of sales for the year ended December 31, 2023 amounted to approximately RMB198.5 million, representing approximately 50.5% of our raw material costs for the same year. We subsequently strengthened our procurement strategy by introducing domestic wafer suppliers to complement our existing overseas supply chain. Additionally, we prioritize supplier quality management by evaluating potential partners based on their ability to meet our quality standards, delivery schedules, and competitive pricing.

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In line with industry best practices, we require all suppliers to comply with ISO 9001-2015 quality management system standards, ensuring the reliability and consistency of our supply chain. This rigorous supplier management framework guarantees the integrity of our procurement process and enhances the long-term stability of our operations.

Agreement with suppliers

We typically enter into framework agreements with our major foundries and OSAT partners. These agreements outline the broad terms of our collaboration, with specific price and volume details provided in individual purchase orders based on project requirements and production schedules.

Our procurement strategy emphasizes working with multiple suppliers for key components, ensuring flexibility to meet production demands while mitigating supply chain risks. This diversified approach is essential to the stability of our fabless business model, helping us avoid dependency on any single supplier.

Set out below are salient terms of our supplier agreements.

Key Term	Description
Duration	Typically ranges from three to five years for foundries, and three years for packaging and testing agreements, unless otherwise negotiated.
Principal rights and obligations of parties involved	We provide detailed product parameters, technical specifications, and production process requirements to our foundry and OSAT partners. Foundries are responsible for wafer fabrication, while OSAT partners handle assembling and testing based on our specifications.
Payment and Credit terms	Payments are made according to the terms outlined in the purchase orders or agreements, which typically includes a substantial prepayment portion. We typically receive credit terms ranging from 30 days to 60 days from our foundry partners and our OSAT partners.
Quality Guarantee	We retain the right to reject, replace, or return products that do not meet the agreed specifications or quality standards.
Price Adjustment	Framework agreements may include clauses allowing for price adjustments in response to fluctuations in raw material costs, exchange rate changes, or annual volume tier modifications.
Breach and Liability	If a partner fails to meet quality, delivery, or compliance requirements, we may impose penalties, withhold payments, or terminate the agreement. In severe cases, suppliers are liable for direct financial losses and reputational damage.
Termination	Either party may terminate the agreement early with written notice (typically 30 days), or immediately in the event of a material breach or insolvency.

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Key Term	Description
Confidentiality	All commercial terms and technical materials shared with our foundry and OSAT partners must remain confidential, including pricing, specifications, and customer-related information.

Major suppliers

During the Track Record Period, our major suppliers primarily consisted of foundry partners and OSAT partners. These suppliers are mainly located in Shanghai, Beijing and Taiwan.

Our purchase amounts from the five largest suppliers in each year/period during the Track Record Period were RMB438.0 million, RMB360.8 million, RMB595.2 million and RMB309.0 million, respectively, accounting for 86.8%, 87.6%, 84.7% and 85.3% of our total purchase amounts, respectively. Purchase amounts from our largest supplier in each year/period during the Track Record Period were RMB191.9 million, RMB128.0 million, RMB292.0 million and RMB165.8 million respectively, accounting for 38.1%, 31.1%, 41.6% and 45.8% of our total purchase amounts, respectively.

The following table sets forth the details of the five largest suppliers in each year/period during the Track Record Period.

For the year ended December 31, 2023

Rank	Supplier	Type of products or services provided	Year of commencement of business relationship with us	Payment method	Credit terms	Purchase amounts	Percentage of total purchase amounts
					<i>RMB'000</i>	<i>%</i>	
1.	Supplier C ⁽¹⁾	Wafers; and tape-out service	2022	Bank Transfer	NA*	191,949	38.1
2.	Supplier B ⁽²⁾	Wafers; and tape-out service	2020	Bank Transfer	NA*	130,203	25.8
3.	Supplier F ⁽³⁾	OSAT services	2018	Bank Transfer	30 days	51,915	10.3
4.	Supplier E ⁽⁴⁾	Flash memory chips	2020	Bank Transfer	NA*	40,010	7.9
5.	Supplier G ⁽⁵⁾	Wafers; and tape-out service	2022	Bank Transfer	30 days (for remaining 30% of the total payment)	23,899	4.7
Subtotal						437,976	86.8

Note:

* No credit terms apply as payment shall be made before delivery.

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For the year ended December 31, 2024

Rank	Supplier	Type of products or services provided	Year of commencement of business relationship with us	Payment method	Credit terms	Purchase amounts	Percentage of total purchase amounts
						<i>RMB'000</i>	<i>%</i>
1.	Supplier G	Wafers; and tape-out service	2022	Bank Transfer	30 days (for remaining 30% of the total payment)	128,042	31.1
2.	Supplier B	Wafers; and tape-out service	2020	Bank Transfer	NA*	121,157	29.4
3.	Supplier F	OSAT services	2018	Bank Transfer	30 days	46,593	11.3
4.	Supplier H ⁽⁶⁾	Wafers; and tape-out service	2024	Bank Transfer	NA*	40,440	9.8
5.	Supplier E	Flash memory chips	2020	Bank Transfer	NA*	24,546	6.0
Subtotal						360,778	87.6

Note:

* No credit terms apply as payment shall be made before delivery.

For the year ended December 31, 2025

Rank	Supplier	Type of products or services purchased	Year of commencement of business relationship with us	Payment method	Credit terms	Purchase amounts	Percentage of total purchase amounts
						<i>RMB'000</i>	<i>%</i>
1.	Supplier G	Wafers; and tape-out service	2022	Bank Transfer	30 days (for remaining 30% of the total payment)	292,030	41.6
2.	Supplier H	Wafers; and tape-out service	2024	Bank Transfer	NA*	140,857	20.0
3.	Supplier F	OSAT services	2018	Bank Transfer	30 days	56,632	8.1
4.	Supplier B	Wafers; and tape-out service	2020	Bank Transfer	NA*	56,191	8.0
5.	Supplier I ⁽⁷⁾	Flash memory chips	2020	Bank Transfer	60 days	49,499	7.0
Subtotal						595,209	84.7

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For the six months ended June 30, 2026

Rank	Supplier	Type of products or services purchased	Year of commencement of business relationship with us	Payment method	Credit terms	Purchase amounts	Percentage of total purchase amounts
						RMB'000	%
1.	Supplier G	Wafers; and tape-out service	2022	Bank Transfer	30 days (for remaining 80% or 30% of the total payment)	165,841	45.8
2.	Supplier H	Wafers; and tape-out service	2024	Bank Transfer	NA*	47,123	13.0
3.	Supplier I	Flash memory chips and PSRAM wafers	2020	Bank Transfer	60 days	42,528	11.7
4.	Supplier F	OSAT services	2018	Bank Transfer	30 days	28,969	8.0
5.	Supplier J	OSAT services	2020	Bank Transfer	30 days	24,518	6.8
Subtotal						308,979	85.3

Note:

* No credit terms apply as payment shall be made before delivery.

- (1) Supplier C, established in November 2021, is a PRC-incorporated private semiconductor company principally engaged in semiconductor-related technology development and one-stop IP plus SoC solutions. Based on publicly available information, it has a registered capital of RMB425,000 and a personnel size of fewer than 50 employees.
- (2) Supplier B, established in October 2011, is a PRC-incorporated private semiconductor service provider. Based on publicly available information, with a registered capital of RMB10.0 million, Supplier B is a member of the TSMC Wafer Manufacturing Alliance and the China Semiconductor Industry Association, and maintains one wholly owned subsidiary together with minority interests in other semiconductor-related entities.
- (3) Supplier F, established in 2003, is a globally renowned OSAT supplier incorporated in China, listed on the Shenzhen Stock Exchange with a market capitalization of approximately RMB74 billion as of June 30, 2026.
- (4) Supplier E, established in 2005, is a globally leading fabless chip supplier incorporated in China, listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange with a market capitalization of approximately RMB578 billion as of June 30, 2026.
- (5) Supplier G, established in 2000, is one of the world’s leading IC foundries incorporated in China, listed on the Hong Kong Stock Exchange with a market capitalization of over HKD765 billion as of June 30, 2026.
- (6) Supplier H, established in 1987, is one of the world’s leading IC foundries incorporated in Taiwan, listed on the Taiwan Stock Exchange and New York Stock Exchange with a market capitalization of over USD2.23 trillion as of June 30, 2026.
- (7) Supplier I, established in 1997, is a Sino-Japanese joint venture with advanced semiconductor manufacturing process technologies incorporated in China. Based on publicly available information, it has a registered capital of USD5.0 million, one wholly owned Hong Kong subsidiary and three active branches in Beijing, Guangdong and Liaoning.
- (8) Supplier J, established in 1994, is an OSAT supplier incorporated in China, listed on the Shenzhen Stock Exchange with a market capitalization of approximately RMB115 billion as of June 30, 2026.

Our major suppliers primarily include: (i) wafer and tape-out service providers/foundries, (ii) OSAT service providers, and (iii) suppliers of ancillary components such as flash memory chips. Our supplier base is concentrated because our key raw materials and services, particularly wafers and tape-out services, are capacity-driven and require suppliers with specific technology capabilities, stable delivery performance and qualification history.

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Our major suppliers’ operating history and scale of operation are summarized in the notes to the above table. In particular, their operating history is reflected primarily by their respective establishment years as disclosed in the notes, which indicate that our major suppliers generally had operating histories ranging from approximately 15 years to approximately 40 years as of June 30, 2026. Their scale of operation is also reflected in the notes, primarily by reference to whether they are listed companies and, where applicable, their place of listing and market capitalization. As to financial standing, based on (i) publicly available information, where available, and (ii) our transaction experience with these suppliers during the Track Record Period, including their continued performance of purchase orders, delivery capability and settlement arrangements, we consider the financial standing of our major suppliers during the Track Record Period to be, in general, satisfactory.

We generally identify and engage suppliers through our procurement function based on business needs, including process node requirements, capacity availability, quality and reliability track record, delivery lead times, pricing and payment terms. Consistent with this approach, we primarily became acquainted with our major suppliers through sales-driven interactions, including our proactive outreach and supplier-initiated approaches. In addition to the long-term and stable partnership with our major suppliers, no material suspension, disruption, or any other red flags indicating potential termination have been identified during the Track Record Period and up to the Latest Practicable Date. Based on the above, our Directors are of the view that our relationship with major suppliers would not adversely change and the risk of termination of business relationship with our major suppliers is remote. We usually maintain qualified secondary suppliers ensuring unexpected issues coming up with our major suppliers. Moreover, according to F&S, alternative suppliers with similar quality and commercially acceptable terms are available in the market. However, we cannot assure that these preparations will fully protect us against all future supply chain risks. For details, please refer to “Risk Factors — Risks Relating to Our Business and Industry — We depend on a limited number of third-party suppliers to manufacture our products.” in this document.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, our five largest suppliers in each year/period during the Track Record Period were all independent third parties. To the best of our knowledge, none of our Directors, their close associates or any shareholders who own more than 5% of the issued share capital of our Company, had any interest in any of our five largest suppliers for each of the years/periods during the Track Record Period. To the best of our knowledge, we have no past or present business, employment, shareholding, family, trust, financing or other direct relationship with our five largest suppliers, their respective directors, senior management, shareholders or any of their respective associates for each of the years/periods during the Track Record Period, other than the disclosed business relationships arising from the purchase and sale of products or services in the ordinary course of trade.

SALES AND MARKETING

Sales Models

We generate revenue from the sale of our products primarily through two sales models: direct sales and channel sales. We distinguish between these two models based on our contractual counterparty and invoicing arrangement. Under direct sales, we contract with and invoice the customer directly. Under channel sales, we contract with and invoice a channel partner appointed by the relevant end customer (the “**end customer**”), and the end customer remains the ultimate recipient of the products or services.

We separately present direct sales and channel sales because the two models may involve different order placement, payment settlement and credit administration arrangements given the different contractual counterparties. Our use of channel sales is driven by end customers’ procurement arrangements. We do not proactively source, develop or manage channel partners as a distribution network. Instead, where an end customer has appointed a channel partner and instructs us to contract

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with that channel partner, we follow such instruction. In our experience, end customers may adopt such arrangements for their own internal commercial considerations, and end customers are generally not obligated to disclose, and may not disclose, the underlying reasons to us. End customers may choose to purchase directly from us or through our channel partners at their own discretion, and thus the revenue mix between direct sales and channel sales has fluctuated during the Track Record Period.

We are headquartered in Shanghai, the PRC, and during the Track Record Period, our principal operations including management, research and development and sales activities were primarily conducted in Chinese Mainland. While we have customers whose registered locations are outside Chinese Mainland, such geographic information refers to the customers’ registered locations and does not indicate that we maintain overseas operating facilities. We generally conduct communications, order confirmations and contract execution with such customers through electronic means. We do not maintain overseas operating facilities for our core business activities, and our presence in Hong Kong is primarily for corporate and [REDACTED]-related administrative purposes.

The following table sets forth the revenue breakdown by sales model during the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Direct sales.	194,272	36.4	285,013	51.6	211,958	30.8	107,009	31.7	124,139	29.9
Channel sales.	338,804	63.6	267,391	48.4	477,432	69.2	230,153	68.3	291,709	70.1
Total	533,076	100.0	552,404	100.0	689,390	100.0	337,162	100.0	415,848	100.0

During the Track Record Period, the fluctuations in revenue contribution from direct sales and channel sales were generally consistent with the movements in our direct customer and end customer base as disclosed in “— Overview — Our Customers” in the above. Revenue from direct sales increased from RMB194.3 million in 2023 to RMB285.0 million in 2024, primarily because certain end customers placed a larger amount of orders directly with us in 2024, which was also reflected by the increase in our average revenue per direct customer from RMB17.8 million in 2023 to RMB23.0 million in 2024, notwithstanding the decrease in the number of direct customers from 30 to 24 during the same period. Revenue from channel sales decreased from RMB338.8 million in 2023 to RMB267.4 million in 2024, primarily reflecting changes in the procurement execution arrangements of certain end customers and the corresponding decrease in the sales volume of chips through channel sales during the year. In 2025, revenue from direct sales decreased to RMB212.0 million, while revenue from channel sales increased significantly to RMB477.4 million. This primarily reflected the increased use of channel sales partners appointed by certain end customers for procurement, settlement or logistics execution purposes, together with increased procurement volumes from certain continuing end customers. Such trend was generally consistent with the increase in the number of end customers from 27 in 2024 to 34 in 2025 and the increase in our end-customer net dollar retention rate from 98.4% in 2024 to 122.7% in 2025, indicating revenue expansion among end customers that remained active in both years. For the six months ended June 30, 2026, the number of end customers increased to 37, with a net dollar retention rate of 120.8%, reflecting sustained growth in revenue contribution from our end customer base amid continuous customer expansion. Accordingly, the change in revenue mix between direct sales and channel sales during the Track Record Period primarily reflected changes in procurement execution arrangements and customer/order mix, rather than a change in the underlying end-customer demand or a channel-specific pricing policy.

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The following table sets forth a breakdown of our ASP and sales volume of sales of chips by sales model for the years/periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	ASP	Sales Volume	ASP	Sales Volume	ASP	Sales Volume	ASP	Sales Volume	ASP	Sales Volume
	RMB	Thousand Units	RMB	Thousand Units	RMB	Thousand Units	RMB	Thousand Units	RMB	Thousand Units
Direct sales.	6.9	24,844	5.7	38,510	4.7	32,704	4.7	13,116	4.0	27,356
Channel sales.	6.4	52,922	5.5	48,913	4.3	111,078	4.5	50,738	3.9	75,215
Total	6.6	77,766	5.6	87,423	4.4	143,782	4.6	63,854	3.9	102,571

The following table sets forth a breakdown of our gross profit and gross profit margin of sales of chips by sales model.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Direct sales.	22,038	12.8	44,482	20.4	22,093	14.5	9,832	15.9	8,264	7.6
Channel sales.	3,388	1.0	36,284	13.6	45,493	9.5	23,338	10.1	8,709	3.0
Total	25,426	5.0	80,766	16.6	67,586	10.7	33,170	11.4	16,973	4.2

The period-to-period movements in our ASP, sales volume, gross profit and gross profit margin by sales model should be assessed together with our customer and order mix in each year/period. The ASP of our direct sales decreased from RMB6.9 in 2023 to RMB5.7 in 2024, then to RMB4.7 in 2025, and further to RMB4.0 for the six months ended June 30, 2026. On the other hand, the sales volume of our direct sales increased from 24.8 million units in 2023 to 38.5 million units in 2024 and then decreased to 32.7 million units in 2025, while the sales volume of our direct sales increased from 13.1 million units for the six months ended June 30, 2025 to 27.4 million units for the same period in 2026. The increase in sales volume of direct sales in 2024 primarily reflected higher direct procurement from certain end customers, while the decrease in 2025 was mainly due to the increased use of channel sales partners by certain end customers for procurement, settlement or logistics execution purposes. Similarly, the movement for the six months ended June 30, 2026 also primarily stemmed from end customers’ discretion to procure either directly from us or via channel sales partners. The decrease in ASP of direct sales during the Track Record Period was generally in line with the overall ASP downtrend of our chip products, and also reflected the relevant product and order mix under direct sales in each year/period.

The ASP of our channel sales decreased from RMB6.4 in 2023 to RMB5.5 in 2024, then to RMB4.3 in 2025, and further to RMB3.9 for the six months ended June 30, 2026. On the other hand, the sales volume of our channel sales decreased from 52.9 million units in 2023 to 48.9 million units in 2024 and then increased significantly to 111.1 million units in 2025. The slight decrease in channel sales volume in 2024 mainly reflected changes in the procurement execution arrangements of certain end customers and the sales volume fluctuation of NB-IoT chips during the same year. The significant increase in channel sales volume in 2025 was primarily attributable to increased shipments of Cat.1bis chips through channel sales partners appointed by the relevant end customers. The sales volume of our channel sales increased from 50.7 million units for the six months ended June 30, 2025 to 75.2 million

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units for the same period in 2026, consistent with overall expansion in sales. The decrease in ASP of channel sales during the Track Record Period was generally consistent with the ASP downtrend of our chip products.

Our gross profit and gross profit margin by sales model generally reflected the combined effect of the above ASP and sales volume movements, together with changes in our cost base and product/order mix. For direct sales, gross profit increased from RMB22.0 million in 2023 to RMB44.5 million in 2024, and gross profit margin improved from 12.8% to 20.4%, primarily because the increase in sales volume and the normalization of our unit cost base more than offset the decrease in ASP. In 2025, gross profit from direct sales decreased to RMB22.1 million and gross profit margin decreased to 14.5%, primarily due to the decrease in sales volume and continued ASP pressure. For the six months ended June 30, 2026, gross profit from direct sales decreased from RMB9.8 million for the six months ended June 30, 2025 to RMB8.3 million for the same period in 2026, and gross profit margin decreased from 15.9% to 7.6%, mainly attributable to our proactive pricing strategy to seize favorable market opportunities.

For channel sales, gross profit increased from RMB3.4 million in 2023 to RMB36.3 million in 2024, and gross profit margin improved from 1.0% to 13.6%, primarily due to cost normalization and improved product/order mix, notwithstanding the slight decrease in sales volume and ASP. In 2025, gross profit from channel sales further increased to RMB45.5 million, mainly driven by the significant increase in sales volume, while gross profit margin decreased to 9.5% as the impact of the lower ASP and the relevant product/order mix outweighed the margin support from cost optimization. For the six months ended June 30, 2026, gross profit from channel sales decreased from RMB23.3 million for the six months ended June 30, 2025 to RMB8.7 million for the same period in 2026, and gross profit margin decreased from 10.1% to 3.0%, mainly attributable to elevated PSRAM procurement and packaging costs amid industry-wide memory price hikes and the adoption of price reduction strategies to expand market penetration.

The following table sets forth a breakdown of our revenue by the places of registration of our customers in absolute amounts and as percentages for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Chinese Mainland	379,624	71.2	375,688	68.0	257,377	37.3	105,578	31.4	126,986	30.5
Hong Kong	131,528	24.7	109,905	19.9	371,171	53.8	186,579	55.3	211,895	51.0
Taiwan	—	—	—	—	—	—	—	—	61,142	14.7
The United States	21,924	4.1	66,648	12.1	59,737	8.7	45,005	13.3	15,538	3.7
Singapore	—	—	—	—	—	—	—	—	205	0.1
The United Kingdom	—	—	163	0.0	1,105	0.2	—	—	82	0.0
Total.	533,076	100.0	552,404	100.0	689,390	100.0	337,162	100.0	415,848	100.0

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Direct sales

Our direct sales model primarily targets module manufacturers, enabling direct engagement with our customers. Set forth below is a summary of the key terms that are common to most of our direct sales agreement:

Duration:	Typically five years.
Transfer of risks:	Risks are transferred to the customers when the products are accepted by them.
Delivery of products:	We are generally responsible for delivering products to the locations and at the times specified in the orders placed by our customers.
Payment and Credit terms:	We typically require our customers to make prepayments for the products. For certain customers, we may provide credit terms ranging from 15 days to 45 days, based on our customer credit management policy, which considers their operating situation, financial condition, and expected transaction volume.
Intellectual Property:	We provide technical documentation to Licensee and authorize the use of our owned intellectual property rights.
Confidentiality:	Both parties shall keep shared secrets confidential and may not use, disclose, or copy them without prior written consent.
Products return:	Customers are entitled to inspect products upon delivery and may return or exchange them if they do not meet the specified quality or requirements.
Warranty:	We warrant that our products or services shall comply with applicable industry, government and professional standards for applicable customers.
Termination:	These framework agreements can be terminated by mutual agreement or unilaterally in certain circumstances, such as unrectified material breach of contract.

Channel sales

As of June 30, 2026, we had 15 domestic channel partners and eight overseas channel partners. During the Track Record Period, all of our channel partners were located in Chinese Mainland, Hong Kong, Taiwan or Singapore.

Our channel partners are not conventional distributors aiming to expand market reach; instead, they serve as procurement agents appointed directly by the end customers. These channel partners implement the procurement plans of the end customers, who retain full discretion in selecting service or product providers. We typically do not appoint or manage such channel partners as part of our sales network expansion, and we generally do not control their inventory or maintain ongoing distributor-style management over them. In the ordinary course of business, the relevant end customers determine whether to procure directly from us or through their designated procurement agents based on their own internal procurement and settlement arrangements. Such arrangements may be adopted for reasons including centralized procurement administration, credit and payment management, internal

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approval workflow, supply chain coordination or cross-border settlement efficiency, particularly where the designated procurement agent is based in Hong Kong. The terms of agreements and service scope remain materially the same, regardless of whether agreements are made directly with customers or via channel partners. In these arrangements, the channel partner acts as our contractual counterparty, while the underlying end customer remains the ultimate recipient of the product or service. According to F&S, the use of procurement agents or similar intermediaries designated by end customers is consistent with general industry practice in the cellular IoT chip industry and the broader semiconductor industry, particularly among enterprise customers that centralize procurement, use designated purchasing entities or require cross-border settlement arrangements. In such arrangements, the relevant end customers generally continue to control supplier selection and procurement decisions, while the procurement agent mainly performs contracting, ordering, settlement and supply chain coordination functions. Therefore, we do not consider our channel partners to be distributors, nor do we believe their involvement leads to risks such as cannibalization or channel stuffing.

Agreements with channel partners

Our relationship with channel partners follows a buyer-seller model, where ownership of the products is transferred to the channel partners upon purchase. The following outlines key terms that are typically included in our channel sales agreements.

Duration	Typically ranges between one to four years.
Transfer of risks:	Risks are transferred to the channel partners when the products are accepted by them.
Delivery:	We are usually responsible for delivering products to locations specified by our channel partners.
Payment and Credit terms:	We generally require our channel partners to make full payment before the products are delivered. However, for certain channel partners, we may offer credit terms ranging from 15 to 60 days, depending on factors such as the partner’s financial situation, operational status, and expected transaction volume. These terms are based on our credit management policies, which are designed to assess the partner’s creditworthiness and the projected scale of business.
Warranty:	Upon acceptance, the channel partners may only return products for quality issues. We warrant full product quality and after-sales service ranging from one-to-three years from the date of acceptance for applicable channel partners.
Confidentiality:	Both parties shall keep shared secrets confidential and may not use, disclose, or copy them without prior written consent.
Termination:	These agreements are generally subject to early termination by us if the channel partner breaches its obligations under the agreement. Alternatively, the agreement can be terminated by either party unilaterally with advance notice. In particular circumstances, the agreement may also be terminated by us based on the results of the performance evaluation.

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Marketing Strategy

Our marketing strategy is built on a deep understanding of industry trends, customer needs, and the unique value our products offer. We focus on the broad cellular IoT market, leverage our technological expertise, and strive to expand our global brand recognition. The key components of our strategy include high-potential market penetration, product differentiation through innovation, and a commitment to after-sales service and customer satisfaction.

Key components of our strategy are:

- **Market penetration:** The cellular IoT application field is vast, touching all aspects of social life. Our products continue to penetrate high-potential industries such as mobile payment (e.g., POS devices), trackers (e.g., for pets or assets), IPCs (e.g., for security), AI toys, and electric two-wheelers. For instance, our chips are widely used in smart meters, payment terminals, and smart cameras. We actively participate in industry exhibitions and engage with key customers to build relationships and gain deeper insights into their needs.
- **Product innovation:** Innovation drives our strategy. We invest heavily in research and development to create products that meet our customers’ evolving needs. Our focus on reducing power consumption, improving performance, and offering cost-effective solutions sets us apart in a competitive market. Our innovations include our NB-IoT EC616S chip, designed for low-power IoT applications, and the Cat.1bis EC718M chip, optimized for wearables and IoT devices. Through continuous innovation, we ensure our products align with the latest industry standards, driving customer satisfaction and increasing market demand.
- **After-sales service:** We recognize that customer satisfaction extends beyond the initial sale. Our after-sales service strategy is centered on providing technical support, efficient issue resolution, and continuous engagement with our customers. By offering ongoing product support, updates, and troubleshooting, we aim to maintain high customer sickness. This approach not only fosters loyalty but also creates opportunities for cross-selling and upselling, driving long-term growth.

Pricing Policy

Our pricing policy is designed to strike a balance between competitiveness and profitability while aligning with market expectations. It is informed by a thorough evaluation of both internal and external factors, allowing for a flexible and adaptable pricing strategy that responds to changing market conditions. In addition, our pricing strategy is differentiated by product lines. We adopt competitive pricing for NB-IoT and Cat.1bis products to consolidate our market position. For LTE Cat.4 and 5G RedCap products, we apply relatively higher pricing to pursue higher profit levels and gross profit margins.

We operate in a highly competitive cellular IoT chip market, where customers routinely compare pricing and performance across multiple suppliers. Pricing pressure in the industry can result in price reductions over time, particularly as competing products mature and market supply-and-demand conditions change. Accordingly, we calibrate our pricing to remain competitive while seeking to preserve sustainable profitability.

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As a fabless cellular IoT chip company, the cost of wafers (together with related mask and process costs) and assembly and testing expenses generally constitute the majority of our cost key to our unit cost and gross margin. Our procurement is concentrated among a limited number of upstream manufacturing partners. During the Track Record Period, our five largest suppliers accounted for 86.8%, 87.6%, 84.7% and 85.3% of our total purchase amounts in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively (representing RMB438.0 million, RMB360.8 million, RMB595.2 million and RMB309.0 million, respectively).

- Upstream, wafer pricing, capacity allocation and lead times are largely determined by foundries and OSAT partners based on industry-wide demand-and-supply dynamics, rather than individual customers’ preferences. Given our fabless model and the relatively smaller scale of our procurement compared with the largest semiconductor companies, we generally have limited bargaining power to negotiate wafer procurement pricing and other key terms, particularly during periods when industry demand strengthens or capacity becomes tight. Accordingly, changes in upstream supply-and-demand conditions and wafer procurement costs can directly affect our unit costs and gross margin.
- Downstream, our end customers (primarily cellular IoT module manufacturers and device OEMs) typically evaluate multiple chip solutions on a price/performance basis, conduct price benchmarking and, in a highly competitive market, often expect chip ASPs to decline over time as products mature and competing products intensify price competition. In addition, our revenue is concentrated among a limited number of customers; revenue from our five largest customers in each year/period during the Track Record Period was RMB462.4 million, RMB449.6 million, RMB547.8 million and RMB318.1 million for the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, respectively, accounting for 86.7%, 81.4%, 79.5% and 76.5% of our total revenue for the same year/period, respectively.

In view of such competitive dynamics, we may not be able to fully or timely pass-through increases in wafer procurement costs and other upstream cost increases to customers, and we may need to adjust pricing to balance shipment scale, market share and gross profitability.

As our shipment scale expands, we have gradually strengthened our position across both upstream and downstream segments of the value chain. On the procurement side, large order volumes and long-term cooperation with foundries enable us to obtain relatively favorable procurement terms and improved cost visibility. On the sales side, as our market share and customer base expand, our products are increasingly integrated into customers’ product platforms, enhancing customer stickiness and facilitating stable pricing negotiations. In addition, we continue to improve cost efficiency through design-driven optimization, including architecture refinement, component integration and manufacturing process improvements, allowing us to maintain reasonable margins for both us and our customers even in a competitive pricing environment.

Internally, our pricing decisions are driven by key factors such as production costs and product positioning. We prioritize cost optimization throughout the research, development, and production processes, ensuring that our pricing reflects the value delivered to customers while maintaining a competitive edge. Additionally, our pricing strategy is adjusted based on the product’s lifecycle, taking into account its maturity, market demand, and performance in the marketplace.

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Externally, we evaluate a range of market factors, including competitor pricing, demand elasticity, and customer willingness to pay. Our pricing strategy remains flexible to accommodate shifts in overall economic conditions, ensuring that it stays in line with industry standards and customer expectations. Regulatory requirements are also considered to ensure compliance with local and international pricing regulations.

In practice, we review and adjust our pricing from time to time through a structured internal process. Our sales team conducts market research and holds periodic discussions with upstream suppliers and downstream participants to gather market developments, prevailing quotation range, expected market price movements including potential market price reductions as competing products mature, and expected input cost trends; these inputs are cross-validated and analyzed to produce a benchmarking analysis and proposed price adjustments. The relevant sales personnel prepare initial pricing references, which are consolidated by our head of sales and discussed with our finance department and our general manager before finalizing product-level pricing and customer-specific prices.

In determining a pricing range, we generally consider (i) a ceiling based on the market value our products create in the relevant end applications and the target customer’s acceptance and willingness to pay, and (ii) a floor designed to cover our production costs, which are significantly influenced by wafer procurement and outsourced manufacturing service costs. As a fabless company operating in a highly competitive market with expected market price reductions over time, we generally have limited bargaining power both upstream and downstream. As a result, the pricing corridor between the ceiling and the floor can narrow, particularly when wafer procurement costs increase, when upstream supply tightens, or when market ASPs decline due to intensified price competition. In such circumstances, we may adjust pricing, product mix and shipment allocation, and intensify cost optimization efforts, in order to remain competitive while managing gross profitability.

OUR CUSTOMERS

During the Track Record Period, our customer base primarily consisted of module manufacturers and their downstream clients across various industries, including financial payment, positioning & tracking, education, automotive, and fire protection sectors. These customers rely on our products for a wide range of applications, from IoT solutions to communication infrastructure.

We maintain strong, long-term relationships with our customers, ensuring that we meet their specific needs with tailored solutions. For detailed information on our sales models and the nature of our agreements with these customers, please refer to the “— Sales Models” section above.

Major Customers

Our major customers were mainly located in China and the United States during the Track Record Period. Revenue from our five largest customers in each year/period during the Track Record Period was RMB462.4 million, RMB449.6 million, RMB547.8 million and RMB318.1 million, respectively, accounting for 86.7%, 81.4%, 79.5% and 76.5% of our total revenue, respectively. Revenue from the largest customer in each year/period during the Track Record Period was RMB173.5 million, RMB137.1 million, RMB197.0 million and RMB112.6 million, respectively, accounting for 32.5%, 24.8%, 28.6% and 27.1% of our total revenue, respectively.

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The following table sets forth the details of the five largest customers in each year/period during the Track Record Period.

For the year ended December 31, 2023

Rank	Customer	Customer type	Type of products or services provided	Year of commencement of business relationship with us	Payment method	Credit terms	Revenue derived from the customer	Percentage of total revenue
							<i>RMB'000</i>	<i>%</i>
1.	Customer A ⁽¹⁾	Channel partner	Cellular IoT chips	2020	Bank transfer	15 days	173,482	32.5
2.	Customer C ⁽²⁾	Channel partner	Cellular IoT chips	2022	Bank transfer	15 to 60 days	160,892	30.2
3.	Customer B ⁽³⁾	Direct customer	Cellular IoT chips	2019	Bank transfer	30 days	61,319	11.5
4.	Customer E ⁽⁴⁾	Direct customer	Cellular IoT chips	2022	Bank transfer	30 days	40,683	7.6
5.	Customer F ⁽⁵⁾	Direct customer	Cellular IoT chips	2020	Bank transfer	30 days	26,057	4.9
Subtotal							462,433	86.7

For the year ended December 31, 2024

Rank	Customer	Customer type	Type of products or services provided	Year of commencement of business relationship with us	Payment method	Credit terms	Revenue derived from the customer	Percentage of total revenue
							<i>RMB'000</i>	<i>%</i>
1.	Customer A	Channel partner	Cellular IoT chips	2020	Bank transfer	15 days	137,146	24.8
2.	Customer B	Direct customer	Cellular IoT chips	2019	Bank transfer	30 days	111,472	20.2
3.	Customer C	Channel partner	Cellular IoT chips	2022	Bank transfer	15 to 60 days	95,830	17.3
4.	Customer Q ⁽⁶⁾	Direct customer	Licensing service	2020	Bank transfer	45 days	66,648	12.1
5.	Customer E	Direct customer	Cellular IoT chips	2022	Bank transfer	30 days	38,468	7.0
Subtotal							449,564	81.4

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For the year ended December 31, 2025

Rank	Customer	Customer type	Type of products or services provided	Year of commencement of business relationship with us	Payment method	Credit terms	Revenue derived from the customer	Percentage of total revenue
							RMB'000	%
1.	Customer A	Channel partner	Cellular IoT chips	2020	Bank Transfer	15 to 30 days	196,995	28.6
2.	Customer G ⁽⁷⁾	Channel partner	Cellular IoT chips	2025	Bank Transfer	30 days	196,355	28.5
3.	Customer Q	Director customer	Licensing service	2020	Bank Transfer	45 days	59,737	8.7
4.	Customer C	Channel partner	Cellular IoT chips	2022	Bank Transfer	15 to 60 days	54,429	7.9
5.	Customer B	Direct customer	Cellular IoT chips	2019	Bank transfer	30 days	40,300	5.8
Subtotal							547,816	79.5

For the six months ended June 30, 2026

Rank	Customer	Customer type	Type of products or services provided	Year of commencement of business relationship with us	Payment method	Credit terms	Revenue derived from the customer	Percentage of total revenue
							RMB'000	%
1.	Customer G	Channel partner	Cellular IoT chips	2025	Bank Transfer	30 days	112,637	27.1
2.	Customer A	Channel partner	Cellular IoT chips	2020	Bank Transfer	15 to 30 days	94,713	22.8
3.	Customer I	Channel partner	Cellular IoT chips	2026	Bank Transfer	30 days	61,142	14.7
4.	Customer B	Direct customer	Cellular IoT chips	2019	Bank Transfer	30 days	26,983	6.5
5.	Customer C	Channel partner	Cellular IoT chips	2022	Bank Transfer	15 to 60 days	22,605	5.4
Subtotal							318,080	76.5

Note:

- (1) Customer A, established in August 2001, is a PRC-incorporated private authorized distributor and technical service provider of electronic components. Based on publicly available information, with a registered capital of RMB100.0 million, Customer A served over 2,000 clients across multiple industries and represented over 100 international brands across sectors such as consumer electronics, automotive, industrial control, and communications.
- (2) Customer C, established in 2020, is a PRC-headquartered supplier specializing in the research and development, manufacturing, and sales of electronic components and integrated solutions. Based on publicly available information, Customer C is a group of entities consisting of a private limited liability company incorporated in PRC with a registered capital of RMB2.0 million and a private company limited by shares incorporated in Hong Kong with a an issued and paid-up capital of HKD10,000.
- (3) Customer B, established in 2001, is a PRC-based IoT service provider primarily engaged in integrated circuit value-added distribution business, as well as the research, development, production, and sales of IoT modules and IoT system solutions. Customer B is listed on the Beijing Stock Exchange.
- (4) Customer E, established in 2016, is a PRC-based top-tier high-tech company focused on end-to-end development and manufacturing of intelligent IoT hardware solutions, whose parent company is listed on the sci-tech innovation board of the Shenzhen Stock Exchange with a market capitalization of over RMB3 billion as of June 30, 2026.

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- (5) Customer F, established in 2009, is a PRC-based supplier primarily engaged in the provision of wireless communication module products and solutions. Based on publicly available information, Customer F has a registered capital of approximately RMB38.0 million.
- (6) Customer Q, established in 1985, is a U.S.-headquartered global leader in wireless technology innovation, one of the largest international wireless semiconductor suppliers, listed on the Nasdaq Stock Exchange with a market capitalization of over USD187 billion as of June 30, 2026.
- (7) Customer G, whose Hong Kong headquarter was established in 2000, is a semiconductor application solutions provider listed on the Hong Kong Stock Exchange, with a market capitalization of over HKD8 million as of June 30, 2026.
- (8) Customer I, established in 2006, is a semiconductor and electronic component distributor headquartered in Taipei. Based on publicly available information, it has a registered capital of NTD150.0 million and a paid-up capital of NTD130.0 million.

Our major customers consist of (i) direct customers, which are primarily cellular IoT module manufacturers and IoT hardware solution providers that incorporate our cellular IoT chips into their own products, and (ii) channel partners, which act as our contractual counterparties but primarily serve as procurement agents appointed directly by the underlying end customers to implement their procurement plans.

Our major customers’ operating history and scale of operation are summarized in the notes to the above table. In particular, their operating history is reflected primarily by their respective establishment years as disclosed in the notes, which indicate that our major customers generally had operating histories ranging from approximately five years to approximately 40 years as of June 30, 2026. Their scale of operation is also reflected in the notes, primarily by reference to whether they are listed companies and, where applicable, their place of listing and market capitalization. For our major customers that are private companies, based on information available to us, they generally operate principally in Chinese Mainland and are primarily mid-sized enterprises. As to financial standing, based on (i) publicly available information, where available, and (ii) our cooperation experience with these customers during the Track Record Period, including their historical settlement performance and ongoing procurement activities, we consider the financial standing of our major customers during the Track Record Period to be, in general, satisfactory.

We primarily became acquainted with our direct customers through our sales team’s outreach efforts, while collaboration with Customer Q was initiated at its request. Our channel partners were not independently sourced by us; rather, certain end customers requested that we transact through their designated procurement agents, and we entered into supply arrangements with such channel partners at the end customers’ request. We believe that our relationships with our major customers are stable as we have built long-standing, strategic partnerships with them. Besides, no material suspension or disruption, or any other red flags indicating potential termination have been identified during the Track Record Period and up to the Latest Practicable Date. Based on the above, our Directors are of the view that our relationship with major customers would not adversely change and the risk of termination of business relationship with our major customers is remote.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, our five largest customers for each year/period during the Track Record Period were all independent third parties. To the best of our knowledge, none of our Directors, their close associates or any shareholders who own more than 5% of the issued share capital of our Company, had any interest in any of our five largest customers for each of the years/periods during the Track Record Period. To the best of our knowledge, we have no past or present business, employment, shareholding, family, trust, financing or other direct relationship with our five largest customers, their respective directors, senior management, shareholders or any of their respective associates for each of the years/periods during the Track Record Period, other than the disclosed business relationships arising from the purchase and sale of products or services in the ordinary course of trade.

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QUALITY CONTROL

We have established a comprehensive quality control system that covers the entire lifecycle of our products, from research and development to manufacturing, delivery, and after-sales service. This system ensures that our products meet stringent quality standards, comply with regulatory requirements, and align with internal expectations, minimizing risks and ensuring product consistency.

As a fabless semiconductor company, we focus on the design and development of cellular IoT chips while outsourcing wafer manufacturing, packaging, and testing to trusted third-party partners. Therefore, the quality of our products depends significantly on the manufacturing processes and operational standards of our foundry and OSAT partners. We collaborate closely with our foundry and OSAT partners, embedding Design for Manufacturability (“**DFM**”) and Design for Reliability (“**DFR**”) principles into the product development phase. This collaborative approach ensures that every design element, from layout to device choices and test structures, is optimized for real-world process variations and stress conditions, improving first-pass success and accelerating yield ramp-up.

To ensure the highest quality, we strictly follow the ISO 9001:2015 Quality Management System and implement internal quality management procedures, including quality manuals, new product development processes, and reliability certification requirements. These procedures define quality control measures at every stage of the product lifecycle, from IC design and development to outsourcing, manufacturing, and sales, ensuring that quality is embedded throughout the process.

Our supplier evaluation and qualification process is integral to ensuring that our manufacturing partners meet our high standards. We select manufacturing partners based on their technological capabilities, reliability, ability to meet delivery schedules, and cost-effectiveness. Our supplier qualification process includes a detailed evaluation against ISO certifications, and trial lot runs are performed for first article approvals, ensuring alignment with our quality goals.

We set specific targets for our quality management work, requiring a Defects Per Million (“**DPPM**”) rate of $\leq 1,000$, which allows us to monitor and maintain high product quality. To achieve this, we carefully select manufacturing partners who meet our technological and quality standards and expectations.

In the design phase, we integrate DFM and DFR principles early in the product development process to optimize products for manufacturing. Close collaboration with our partners ensures that our designs are better suited for actual production processes, reducing discrepancies between design and manufacturing stages, accelerating ramp-up times, and improving first-pass yields, ensuring the final products meet both performance and reliability requirements.

In the event of product defects or quality concerns, we have established a comprehensive Return Material Authorization (“**RMA**”) management process. This process includes accepting RMA applications, analyzing RMA samples, processing returns or exchanges, and implementing corrective actions. It ensures swift response, accurate tracking, and effective handling, minimizing customer impact. Additionally, we conduct annual customer satisfaction surveys, covering most of our customer base. Regular customer visits, quality feedback, and complaint collection allow us to compile satisfaction reports and identify quality issues that need prevention or improvement.

We monitor quality performance at various stages of production, ensuring each stage is thoroughly checked. This includes supplier evaluation and quality checks before and after production, comprehensive testing of samples to ensure they meet specifications, and final quality assurance. Every product’s production process is traceable, ensuring that each link, from raw material procurement to final delivery, is fully monitored. To ensure the highest quality, we adhere to JEDEC reliability standards and other industry-specific testing protocols.

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During the Track Record Period and up to the Latest Practicable Date, we have not experienced significant product returns or customer complaints that materially affected our operations.

IMPACT OF EXPORT CONTROL AND OUTBOUND INVESTMENT RESTRICTIONS

Impact of U.S. Export Control Laws

As a fabless chip design company, we procure mask generation and wafer foundry services from third-party foundries and furnish those foundries with our chip design files. During the Track Record Period and up to the Latest Practicable Date, among our foundry suppliers, four belong to the same Chinese semiconductor manufacturing group and have Entity List exposure (collectively, the “**Entity List Foundries**”). Three of the Entity List Foundries are themselves listed on the Entity List administered by the BIS, of which two carry a Footnote 5 designation (the “**Footnote 5 Entity List Foundries**”) and are accordingly subject to the foreign direct product rule for Footnote 5 designated entities under §734.9(e)(3) of the EAR (the “**Footnote 5 FDP Rule**”). The fourth Entity List Foundry is not itself listed on the Entity List but more than 50% of its equity interest is held by a parent that is so listed. As of the Latest Practicable Date, this fourth Entity List Foundry was not subject to the Entity List restrictions, because BIS has temporarily suspended, from November 10, 2025 through November 9, 2026, the BIS “Affiliated Rule”, which would otherwise automatically extend the license requirements and restrictions applicable to listed entities to non-U.S. entities that are 50% or more owned, directly or indirectly, individually or in the aggregate, by one or more parties designated on the Entity List. Notwithstanding the suspension, out of an abundance of caution, our purchases from this fourth Entity List Foundry have been included in our aggregate purchases from the Entity List Foundries. During the Track Record Period, we engaged two, two, one and one Entity List Foundries in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, our aggregate purchase amounts from the Entity List Foundries were RMB24.4 million, RMB128.2 million, RMB292.0 million and RMB165.8 million, respectively, representing 4.6%, 23.2%, 42.4% and 39.9% of our total revenue for the corresponding years/periods, respectively. These purchase transactions were conducted in the ordinary course of business, and our dealings with the Entity List Foundries were limited to the procurement of mask generation and wafer foundry services from them. Save for the chip design files that we provided to enable the Entity List Foundries to render such services, we did not sell, supply, or otherwise transfer any commodities, software, or technology to the Entity List Foundries.

During the chip-design stage, we used certain U.S.-origin software design tools to produce our chip design files. Each of the software suppliers has confirmed to us that its software is classified under ECCN 3D991, which is listed among the various controlled software ECCNs identified in the product scope of the Footnote 5 FDP Rule. This raises question of whether the chip design files produced using such software are themselves subject to the Footnote 5 FDP Rule, and accordingly whether the transfer of those files to the Footnote 5 Entity List Foundries requires a license from the BIS. Our legal adviser as to U.S. outbound investment rules, sanctions and export control laws has informed us that an item is subject to the Footnote 5 FDP Rule only if it satisfies both the product scope and the end-user scope set forth in §734.9(e)(3) of the EAR. The product scope under §734.9(e)(3) covers specified ECCNs related to semiconductor manufacturing equipment, but not integrated circuits or their related technology, software, data or design files. Since our design files producing from the software classified under ECCN 3D991 are not equipment, they are not commodities falling within any such ECCNs and therefore do not meet the product scope required to be subject to the Footnote 5 FDP Rule. Accordingly, even though the Footnote 5 Entity List Foundries are within the end-user scope of the rule, the product scope is not satisfied, and based on information provided by us, our legal adviser as to U.S. outbound investment rules, sanctions and export control laws is of the view that the transfer of the chip design files to the Footnote 5 Entity List Foundries does not require a license from the BIS under the Footnote 5 FDP Rule.

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Under §744.11 of the EAR, a BIS license is required when an Entity List designee is the purchaser, consignee or end-user of a transaction involving items subject to the EAR. An Entity List party that is merely a supplier in a procurement transaction is not automatically a “party to the transaction” for purposes of §744.11. Because the Entity List Foundries act as our suppliers, our legal adviser as to U.S. outbound investment rules, sanctions and export control laws has informed us that our procurement of the services from the Entity List Foundries does not, in itself, trigger a license requirement under §744.11. In addition, our chip products generally have total processing performance below 1600 and performance density below 1.6, do not contain advanced artificial intelligence acceleration units, and are designed for IoT and communication terminal applications. Based on these characteristics, they do not meet the current performance thresholds in ECCN 3A090 that relate to advanced computing controls and therefore are not presently subject to the Advanced Computing and “Supercomputer” FDP Rules.

To manage potential regulatory and supply-chain risks and ensure adherence to applicable export control and sanctions requirements, we have established a risk-based compliance program consisting of various internal control measures. These measures include a know-your-customer process to screen and assess customer backgrounds, and protective contractual provisions requiring customers to make compliance representations and warranties. Where appropriate, notification will be sent to customers reiterating our commitment to complying with all applicable export controls laws and the prohibition of unauthorized use, resale, or transfer of our products for military purposes, government intelligence activities, or massive surveillance. As part of the compliance program, we maintain records of customer representations and compliance communications to demonstrate adherence to the applicable regulatory requirements. We also keep abreast of the latest development in applicable export control laws and regulations to promptly update our policies, contractual terms, and operational controls as needed to ensure continued legal and regulatory compliance.

Based on the above facts, on the basis that we have not sold products to Entity List designees and subject to our ongoing implementation of the export controls compliance measures, our legal adviser as to U.S. outbound investment rules, sanctions and export control laws has informed us that our procurement of mask generation and wafer foundry services from the Entity List Foundries and furnishing chip design files to such foundries during the Track Record Period did not implicate material risks in relation to applicable U.S. export control regulations. Based on the foregoing and the fact that we did not have material changes in our business activities after the Track Record Period, our Directors are of the view that our business activities during the Track Record Period and up to the Latest Practicable Date were in material compliance with applicable U.S. export control laws.

Impact of U.S. Sanctions Laws

During the Track Record Period and up to the Latest Practicable Date, we did not conduct business in, nor did we have dealings with, countries or regions subject to comprehensive U.S. sanctions, currently including Cuba, Iran, North Korea, and the Crimea, Luhansk, Donetsk, Zaporizhzhia and Kherson regions (collectively, the “**Sanctioned Countries**”). Furthermore, we are a joint stock company established in the PRC, and all of our directors and senior management are Mainland PRC or Hong Kong nationals. No U.S. Persons were involved in the approval, financing, or execution of our transactions, and our payments are predominantly settled in RMB.

Our legal adviser as to U.S. outbound investment rules, sanctions and export control laws, after conducting due diligence searches of the Specially Designated Nationals and Blocked Persons List (“**SDN List**”) and other restricted party lists (“**Restricted Lists**”) administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“**OFAC**”), informed us that they did not identify any member of our Group or any of our directors, senior officers, shareholders of records, customers or suppliers during the Track Record Period, as appearing on those lists as of the search date. Based on the foregoing and the factual matters described above, and subject to our ongoing implementation of the

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sanctions compliance measures, our legal adviser as to U.S. outbound investment rules, sanctions and export control laws advised us that our business activities during the Track Record Period did not implicate material risks of U.S. primary or secondary sanctions.

Based on the foregoing and the fact that we did not have material changes in our business activities after the Track Record Period, our Directors are of the view that our business activities during the Track Record Period and up to the Latest Practicable Date were in material compliance with applicable U.S. sanctions laws.

Impact of the Final Rule

The Final Rule, which took effect on January 2, 2025, imposes investment prohibition and notification requirements on U.S. Persons for a wide range of investments in entities associated with China (including Hong Kong and Macau) that are engaged in activities relating to three sectors: (i) semiconductor and microelectronics, (ii) quantum information technologies, and (iii) AI systems. For details of the Final Rule, please see “Regulatory Overview — U.S. Export Control Laws and Outbound Investment Rules — Final Rule by the U.S. Department of the Treasury”.

According to the Final Rule:

- (a) we are “a person of a country of concern” under the Final Rule as we are a joint stock company established in the PRC;
- (b) the sector that is relevant to our Group is the semiconductors and microelectronics sector. Specifically, we primarily engage in the design and development of cellular IoT communication chips utilizing 22-nanometer and 40-nanometer process nodes. While these process nodes are not expected to fall within the categories of prohibited semiconductor transactions under the Final Rule based on currently applicable technical thresholds set forth in 31 C.F.R. §850.224, the design of such integrated circuits falls within the scope of notifiable covered activities under 31 C.F.R. § 850.217(a) of the Final Rule.

Therefore, as advised by our legal adviser as to U.S. outbound investment rules, sanctions and export control laws, we would likely be deemed a “covered foreign person” for purposes of the Final Rule. As a result, direct or indirect acquisitions of our equity interests by U.S. Persons would likely constitute “notifiable transactions” under the Final Rule, depending on the structure of the investment and the applicability of available exemptions. The Final Rule provides an exception to “notifiable transactions” permitting U.S. Persons to [REDACTED] in our publicly [REDACTED] securities, provided that (i) the investment does not grant the U.S. Person rights beyond standard minority shareholder protections, and (ii) our shares are officially available for public trading following an initial public offering on a securities exchange in any jurisdiction, including non-U.S. exchanges such as the Stock Exchange. In addition, the U.S. Department of the Treasury further issued new guidance regarding the Final Rule through Frequently Asked Questions on December 23, 2025, which clarified that, absent additional facts, when a U.S. Person acquires an equity interest in a “covered foreign person”, and at the time of such acquisition the equity interest is publicly traded, such security falls under the description of a “publicly traded security” under the Final Rule, regardless of when a subscription agreement for such equity interest is entered into, as long as the transaction does not afford the U.S. Person rights beyond standard minority protections with respect to the issuer of such securities. Based on such guidance, U.S. Persons may be able to rely on the publicly traded securities exemption for their [REDACTED] of our H Shares in the [REDACTED] if the relevant requirements are met. Please refer to “Regulatory Overview — U.S. Export Control Laws and Outbound Investment Rules — Final Rule by the U.S. Department of the Treasury” in this document for further discussion of the requirements of the publicly traded securities exemption.

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Based on the above, our Directors are of the view that the impact of the Final Rule on our Group is generally limited and manageable. Nonetheless, the Final Rule may increase the compliance burden on U.S. [REDACTED] if any of them intend to [REDACTED] our H Shares prior to the [REDACTED]. The Final Rule could also limit our ability to raise capital from U.S. [REDACTED] through [REDACTED] of equity or contingent equity interests that are not “publicly traded securities.”

For details, please refer to “Risk Factors — Risks Relating to Our Business and Industry — U.S. outbound investment restrictions targeting China could limit our access to U.S. capital and strategic [REDACTED], which may adversely affect our business, financial condition, and results of operations”. [REDACTED] should make their own determination on whether they are permitted to [REDACTED] in us, whether the transaction qualifies for the relevant exemption and whether they may have any notification obligations under the Final Rule.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

We are committed to advancing ESG principles across our operations and long-term strategy, guided by systematic stakeholder engagement and materiality assessments. Through consultations with diverse stakeholders and benchmarking against global sustainability standards, we identify key ESG issues aligned with our business context and strategic direction.

As a dedicated designer of cellular IoT chips, we focus on technological innovation to deliver highly integrated and low-power solutions for a wide range of IoT applications. Our products support multiple power modes tailored to usage scenarios, significantly reducing energy consumption and minimizing resource waste. In addition, our compact chip designs help decrease printed circuit board area and limit the use of peripheral components, thereby reducing potential hazardous waste. These environmentally conscious product development practices, combined with our structured governance and stakeholder-oriented approach, underscore our dedication to sustainable value creation and responsible corporate growth.

ESG Governance Structure

Our ESG governance is structured under the leadership of the Board of Directors and senior management, integrating sustainability into strategic planning and daily operations across the organization. A clear governance framework ensures that overarching ESG objectives are set at the board level, while individual departments translate these goals into concrete actions and performance targets. We foster company-side participation, empowering employees to adopt energy-saving and responsible practices, with administrative functions providing systematic support in tracking resource data and facilitating ESG reporting. Regular engagement with stakeholders, including shareholders, employees, customers, and suppliers, through meetings and dialogs helps keep our strategy aligned with expectations. This data-driven and participatory model reinforces accountability, promotes continuous improvement, and advances sustainable long-term value creation for all stakeholders.

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ESG Risk Identification, Assessment, and Response Summary

Through multi-channel stakeholder engagement, including interviews and conference calls, we gather critical inputs on ESG issues. This is complemented by in-depth analysis of global sustainability trends, peer benchmarks, and regulatory development. By integrating these insights with our operational characteristics and strategic goals, we systematically identify and assess ESG risks. This robust process enables us to prioritize key medium-to-long-term issues as well as establish targeted and responsive measure for effective management. We have established corresponding measures to address them:

Category	Material Issues	Importance/Relevance to the Group	Group's Corresponding Measures
Environmental.	Environmental Compliance Management	Ensures operational resilience by mitigating regulatory and legal risks, while simultaneously strengthening investor confidence and appeal to growing community of green finance.	Adhere to international conventions, national laws, and customer requirements. A systematic approach is taken to set, monitor, and continuously improve our environmental management goals and performance indicators.
	Water Resource Management	Efficient stewardship of water resources is critical for achieving both economic efficiency and environmental sustainability, enhancing our brand reputation for responsibility.	Conduct thorough water usage assessment, build a systematic management framework to identify related risks and execute effectiveness evaluation for implementing conservation measures.
	Energy Management	Promoting energy conservation and transitioning to green production are fundamental to reducing our environmental footprint and showcasing our commitment to sustainable operational leadership.	Improve our energy management system, execute clean energy transition plans, deploy real-time monitoring platforms, and establish clear and tiered reduction targets.
	Climate Change Mitigation	Proactively addressing climate change is vital for managing regulatory and market transition risks.	Systematically identify climate-related risks, analyze both short- and long-term physical and transition impacts to our strategic planning and resilience-building efforts.
Social	Product and Service Safety and Quality	A robust quality management system is essential for navigating regulatory changes, mitigating compliance risks, and securing market access. Superior product and service safety and quality serve as key differentiators, fostering brand loyalty.	Proactively conduct quality management training, integrate advanced concepts and methodologies to continuously refine and innovate our product quality systems and management models.
	Supply Chain Security and Management	Resilient and responsible supply chain management is critical for ensuring operational continuity, mitigating disruptions, and upholding our commitment to ethical and sustainable practices across the value chain.	Actively engage with suppliers, promote adherence to our standards through communication and assessments, and continuously work to enhance the overall resilience and sustainability of our supply network.

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Category	Material Issues	Importance/Relevance to the Group	Group’s Corresponding Measures
	Protection of Employees’ Legal Rights and Interests	Safeguarding employees’ legal rights and fostering a fair and respectful workplace is fundamental to boosting morale, enhancing retention, and improving higher productivity, directly contributing to long-term operational success.	Offer competitive compensation and comprehensive benefits, strictly respect labor rights, and actively communicate our sustainability values to ensure employees are valued partners in our growth.
	Employee Training and Development	A structured career development and training framework is significant for attracting and retaining top talents, enhancing workforce capabilities, and driving long-term innovation and competitiveness.	Establish a comprehensive training system encompassing standardized operational procedures, a structured curriculum, and a dedicated instructor team to support continuous employee growth.
	Stakeholder Communication	Transparent communication is fundamental for building trust, fostering strong collaboration with key groups, and proactively shaping a positive corporate reputation and brand image.	Systematically identify stakeholders, maintain multi-dimensional communication platforms, conduct annual ESG surveys to gather feedback, and ensure regular and meaningful engagement.
	Data Security and Customer Privacy Protection	Implementing high-standard information security protocols is critical for attracting security-conscious customers and enhancing corporate credibility, making it a key competitive advantage in the digital economy.	Strictly comply with relevant information security laws and regulations, establish information security management system.
	Corporate Governance	Standardized operations and a clear governance framework enhance decision-making efficiency, mitigate operational risks, and provide a solid foundation for long-term value creation and sustainable development.	Adhere to relevant laws and maintain a governance structure centered on the Board and management, supported by comprehensive rules and procedures that ensure scientific decision-making and operational transparency.
Governance	Anti-Bribery and Anti-Corruption	A rigorous anti-bribery and anti-corruption mechanism is crucial for upholding operational integrity, strengthening stakeholder trust, and proactively identifying and mitigating associated legal and financial risks.	Comply with relevant laws and regulations, engage an independent auditing firm to audit internal control plans, policies, and procedures, as well as implement comprehensive integrity management systems to ensure accountability and ethical conduct.
	Intellectual Property Rights Protection	A strong IP protection system safeguards innovation, enhances brand value, and ensures competitive advantage by standardizing management and demonstrating a commitment to intellectual property.	Proactively secure patents and trademarks to prevent infringement, implement a comprehensive IP management system.

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Environmental Indicators and Management

We integrate environmental management into our daily operations, focusing on resource conservation and pollution prevention. While our core business does not involve significant industrial emissions, we actively manage our operational footprint through structured energy and waste initiatives. Our office-based consumption is minimized by mandatory equipment shutdowns and designated energy-saving hours. Furthermore, we promote green commuting through our strategic office location near public transit. All non-hazardous waste is segregated and handled by property management in accordance with local regulations.

Emissions

We operate under a fabless business model, specializing in the design and sale of integrated circuit chips without engaging in direct manufacturing processes. As a result, our operations do not involve the emission of exhaust gasses, industrial wastewater, or hazardous substances. Non-hazardous waste generated in office environment is managed in accordance with local municipal classification standards and is handled by designated property management services. We maintain strict adherence to all applicable environmental laws and regulations, reflecting our commitment to minimal environmental impact and sustainable operational practices.

Resource consumption

We are committed to the efficient and responsible use of resources in our daily operations. As a fabless semiconductor enterprise, our resource consumption is primarily limited to electricity and water for office-based activities. We actively promote energy and water conservation through practical measures such as double-sided printing, scheduled switching-off of lights during mid-day breaks, and post-work facility checks by dedicated staff to ensure all non-essential equipment is powered down. In addition, we encourage green commuting by selecting office locations in close proximity to public transportation hubs.

Details of our resource consumption during the Track Record Period are as follows:

Classification	Unit	2023	2024	2025	For six months ended June 30, 2025	For six months ended June 30, 2026
Electricity Consumption	MWh	402.4	440.1	435.3	200.1	200.9
Electricity Consumption Density	MWh/Person	3.0	3.2	3.1	1.5	1.4
Water Consumption	Tons	400.0	405.0	415.0	208.0	220.0
Water Consumption Density	Tons/Person	3.0	3.0	2.9	1.5	1.5
Paper Consumption.	kg	4,760.0	1,400.0	3,360.0	1,680.0	1,120.0
Paper Consumption Density	kg/Person	35.3	10.2	23.8	12.2	7.9

Despite continuous expansion of businesses and number of employees, our aggregate resource consumption during the Track Record Period was at a stable level, specifically with dropping paper consumption, which reflected the effectiveness of our green operation framework. All of our operational practices and resource usage comply with national and local regulatory standards. While current operations do not involve large-scale industrial consumption, we continuously advocate rational resource utilization and foster an internal culture of environmental awareness. These efforts reflect our ongoing dedication to minimizing ecological impact and supporting sustainable development within a resource-efficient operational model. We expect to reduce our electricity, water, and paper consumption density by 5% in the next 3 years. These targets are based on the assumptions that our historical stable resource consumption despite business growth reflects effective green policies, and that continued implementation of paperless workflows, energy-saving equipment upgrades, and employee awareness programmes will further reduce overall resource consumption density.

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Carbon management

We are committed to advancing carbon management in alignment with national carbon neutrality objectives. We have integrated low-carbon criteria into our operational and procurement practices, prioritizing energy-efficiency suppliers and materials. While our fabless business model results in relatively low direct emissions, we actively implement energy-saving measures across office operations.

Details of our carbon emission during the Track Record Period are as follows:

Classification	Unit	2023	2024	2025	For six months ended June 30, 2025	For six months ended June 30, 2026
Scope 1 GHG Emissions	tCO ₂ e	N/A	N/A	N/A	N/A	N/A
Scope 1 GHG Emission/Person.	tCO ₂ e/Person	N/A	N/A	N/A	N/A	N/A
Scope 2 GHG Emissions	tCO ₂ e	283.1	309.6	306.3	140.8	141.4
Scope 2 GHG Emission/Person.	tCO ₂ e/Person	2.1	2.3	2.2	1.0	1.0
Scope 3 GHG Emissions	tCO ₂ e	44,148.3	42,419.3	85,144.8	49,357.2	73,762.7
Scope 3 GHG Emission/Person.	tCO ₂ e/Person	327.0	309.6	603.9	357.7	519.5

Note:

Scope 1 GHG emissions are primarily from the consumption of direct energy (gasoline, natural gas, etc.) in our operations; Scope 2 GHG emissions are primarily from the consumption of indirect energy (purchased or acquired electricity) in our operations. Scope 3 GHG emissions are derived from purchased goods and services, use of sold products and employees’ commuting of our business operation, where the activity level data is mainly based on internal data systems, purchasing records, and sales records. The data refers to the Reporting Guidance on Environmental KPIs of the Hong Kong Stock Exchange, and the GHG emission factor for purchased electricity refers to the national grid average emission factor.

Since our operations do not involve the consumption of direct energy such as gasoline and natural gas, Scope 1 data are not available. The calculations of Scope 2 mainly include the consumption of electricity and water. Our Scope 3 carbon emission increased substantially in 2025 primarily due to the increasing shipment of cellular IoT chips to clients. We expect to reduce our Scope 3 GHG emission intensity by 5% in the next 3 years. This target is based on the assumptions that our ongoing green operation policies will continue to effectively reduce GHG emission intensity, and that our fabless business model inherently allows for manageable emissions.

Climate-related risks and opportunities

We recognize that climate change presents distinct risks and opportunities to our business model. While our design-centric operations do not involve direct manufacturing emissions, we have systematically assessed our climate exposure across the value chain.

- **Climate risks**
 - o **Transition risks:** Evolving global climate policies, such as carbon pricing and stricter environment regulations, could increase compliance and due diligence costs. A significant market shift towards suppliers with verified green credentials could also affect our positioning if not proactively managed.
 - o **Physical risks:** Extreme weather caused by climate change, such as floods, typhoons and rising global temperatures, could post negative impacts on our operation, such as transportation, logistics and productivity.

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- **Climate opportunities**
 - o **Products and markets:** Our core mission of developing “high-integration, low-power” IoT chips is inherently sustainable. Our products enable significant energy savings and efficiency gains for clients in sectors such as smart meters and asset tracking, allowing us to capitalize on the growing demand for technologies that reduce carbon footprint across the economy.
 - o **Resource efficiency:** Our operational footprint is inherently low as we adopt a fabless mode. We further minimize our resources consumption through a green office culture, including implementing e-office systems, energy-saving measures, and waste reduction protocols, which simultaneously lower operational expenses and reinforce our sustainability ethos.
 - o **Resilience and reputation:** By proactively engaging our supply chain on climate resilience and transparently disclosing our management approach, we strengthen partner relationships as well as build trust with investors and clients who prioritize sustainable and resilient value chains, thereby enhancing our market access and brand value.

Social Indicators and Management

As a leading IoT chip enterprise, we fulfill our social responsibilities by investing in employee well-being and development, ensuring supply chain ethics, protecting customer rights, and driving community progress through targeted initiatives.

Employee Employment

We are committed to upholding fair and equitable employment practices in strict compliance with the *Labour Law of the People’s Republic of China*, the *Labour Contract Law of the People’s Republic of China*, and other relevant regulations. Our recruitment process, which includes open social recruitment and internal referrals, is conducted transparently and is firmly grounded in the principles of equal pay, equal work and non-discrimination. We explicitly prohibit the use of child labor and all forms of forced labor. Employee relations are managed in accordance with labor contracts and our detailed Employees Handbook, with an emphasis on proactive communication and consultation. Our comprehensive compensation and benefits system, linked to transparent performance evaluations, is designed to attract and retain talent while enhancing overall employee welfare.

The breakdown of our employees during the Track Record Period is summarized as follows:

Classification	Unit	2023	2024	2025	For six months ended June 30, 2025	For six months ended June 30, 2026
By Employment Type						
Full-time	Persons	135	137	141	138	143
Part-time	Persons	0	0	0	0	0
By Gender						
Male	Persons	106	108	113	109	112
Female	Persons	29	29	28	29	31
By Age						
Above 50 Years Old.	Persons	0	5	8	6	10
40–49 Years Old	Persons	41	45	54	49	55
30–39 Years Old	Persons	81	73	67	68	67
20–29 Years Old	Persons	13	14	12	15	11

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We adhere to the highest standards of employee employment, and all candidates are assessed comprehensively based on moral conduct, professional capability, work experience and educational background to ensure fair and merit-based selection. We provide clearly-defined promotion pathways for technical and functional staff, supported by performance-linked reward mechanisms including salary adjustments, annual bonuses and long-term incentive plans. In addition to statutory holidays, employees are entitled to paid annual leave in accordance with company policy.

Staff development and training

We place strong emphasis on staff development and training by implementing structured annual training plans tailored to evolving business needs. These include onboarding programs for new hires, technical skill enhancement courses, and specialized training sessions conducted in collaboration with industry associations. We conduct regular occupational health and safety training, supplemented by targeted drills and lectures on fire prevention and general wellbeing. All training initiatives are designed to align with regulatory requirements and support professional growth across all employee levels, fostering a skilled, safe, and compliant workforce. During the Track Record Period and up to the Latest Practicable Date, we did not record any work-related fatalities or injuries.

We place strong emphasis on employee feedback and maintain multiple accessible communication channels, such as corporate communication groups and direct email reporting to the Human Resources and Administration Center. These mechanisms enable timely response to staff input and complaints.

Supply chain management

We maintain a robust and sustainable supply chain management system to support the procurement of key materials such as wafers and outsourced services including packaging and testing. Guided by internal policies, including the “Supplier Management Procedure” and “Procurement Management Procedure”, we implement a comprehensive supplier selection and evaluation framework. Suppliers are systematically assessed across five key dimensions, including quality, technology, cost, delivery, and services. Based on performance results, suppliers are dynamically classified into tiered categories, with evaluation frequency tailored to the type of procurement.

We emphasize long-term and stable partnerships with suppliers, while continuously optimizing sourcing and processing channels in order to align with sales forecasts and production capacity. A structured performance appraisal mechanism allows for regular monitoring and rating adjustments, ensuring supply chain resilience and operational efficiency. This systematic approach enables us to achieve a reliable, high-quality, and responsibly managed supply ecosystem in support of business growth and product delivery commitments.

Product responsibility

We maintain a robust product responsibility framework to ensure the safety, quality, and sustainability of our IoT chip products throughout their lifecycle. Adherence to international and domestic health and safety standards, such as RoHS, is strictly enforced, guaranteeing that all products are free from hazardous substances and pose no health risks under normal or reasonably extreme conditions. A comprehensive quality management system, certified under ISO 9001:2015 and supported by documented procedures including the Quality Manual, enables full-process control from design and development to production, sales, and post-sales services.

We implement rigorous compliance reviews at each stage to align products and services with applicable regulations and ESG requirements. Any product issues are systematically investigated through root cause analysis, leading to design and process improvements to prevent recurrence. A standardized customer problem-solving process, supported by dedicated cross-functional teams comprising technical, quality, and research and development experts, ensures timely response,

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transparent communication, and effective resolution. This end-to-end approach reflects our commitment to comprehensive quality management, customer satisfaction, and the delivery of reliable, and environmentally responsible products.

Intellectual Property protection

We adopt a comprehensive systematic approach to intellectual property protection, ensuring full compliance with relevant laws and regulations. Our core technologies are the result of sustained research and development investment and innovation, all of which are supported by independent intellectual property rights. To safeguard these innovations, we have established a multi-layered IP protection framework encompassing patents, non-patent technologies, trademarks, copyrights, and integrated circuit layout design protections.

Robust internal mechanisms are implemented to preserve IP confidentiality and security. Every employee is bound by a confidentiality agreement, and office computers are equipped with specialized security software to prevent data leakage. Our IT department enforces standardized technical controls to manage corporate systems, databases, and research and development data, providing a secure and efficient information environment for innovation and business operations. Through these measures, we effectively protect our proprietary technologies and sustains a culture of integrity as well as compliance, with no record of intellectual property-related penalties.

Community and public goods

We actively engage with local communities by supporting community-identified needs. As part of our annual hiring practice, we employ individuals with disabilities, providing statutory social insurance and benefits. We also regularly organize fire safety drills for our employees to enhance emergency preparedness. Through these initiatives and ongoing public welfare activities, we are committed to fostering sustainable and inclusive community development.

Privacy and data security

We establish and maintain a systematic privacy and data security framework in full compliance with the *Cybersecurity Law*, *Data Security Law*, and *Personal Information Protection Law*. Internal policies such as the IT Management System construct clear protocols for data classification, access control, and storage management. Business data is stored across separate physical servers, with logical isolation and role-based permissions strictly limiting operator access and actions. Regular security reviews and technical measures ensure continuous protection of information assets, safeguarding customer and corporate data against unauthorized use or exposure.

Anti-corruption

We maintain a zero-tolerance stance towards bribery, corruption, fraud, and money laundering, operating in strict compliance with relevant laws and regulations. A comprehensive internal control framework has been established, which includes standard anti-corruption clauses in all employment contracts and regular independent audits commissioned to assess the effectiveness of internal policies and procedures. All audit findings and improvement recommendations are reported directly to the Board of Directors.

During the Track Record Period and up to the Latest Practicable Date, we have not been involved in any corruption-related litigation or received formal complaints or credible reports of misconduct, reflecting the robustness of our anti-corruption governance and ethical business practices.

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PATH TO PROFITABILITY

Historical Context of Our Profitability Trajectory

Our path to profitability should be understood in the context of the pricing cycle and competitive dynamics of the cellular IoT chip market, our product mix during the Track Record Period, and our deliberate calibration between profitability and shipment scale at different stages. During the Track Record Period, our revenue increased from RMB533.1 million for the year ended December 31, 2023 to RMB552.4 million for the year ended December 31, 2024 and further to RMB689.4 million for the year ended December 31, 2025, while our gross profit increased from RMB47.6 million to RMB123.4 million and RMB126.0 million, respectively. Our overall gross profit margin increased from 8.9% for the year ended December 31, 2023 to 22.3% for the year ended December 31, 2024, before decreasing to 18.3% for the year ended December 31, 2025 and 7.8% for the six months ended June 30, 2026. We recorded loss for the year of RMB158.5 million for the year ended December 31, 2023, profit for the year of RMB12.4 million for the year ended December 31, 2024, loss for the year of RMB16.0 million for the year ended December 31, 2025 and loss for the period of RMB39.0 million for the six months ended June 30, 2026.

Our sales of chips remained our principal revenue driver during the Track Record Period, and our chip business was concentrated in NB-IoT and Cat.1bis. Our gross profit margin from sales of chips increased from 5.0% for the year ended December 31, 2023 to 16.6% for the year ended December 31, 2024, before decreasing to 10.7% for the year ended December 31, 2025 and 4.2% for the six months ended June 30, 2026. According to F&S, lower-speed mass-market cellular IoT chip segments such as NB-IoT and Cat.1bis are generally subject to more intense price competition and ASP compression than higher-speed product segments. According to F&S, global NB-IoT shipment volume increased from 51.8 million units in 2021 to 97.1 million units in 2025, while global Cat.1bis shipment volume increased from 139.1 million units in 2021 to 400.9 million units in 2025. Because our revenue during the Track Record Period was primarily concentrated in NB-IoT and Cat.1bis products, our profitability profile was more directly exposed to the prevailing industry-wide ASP compression than more diversified peers whose product portfolios included a larger proportion of higher-speed products.

Product Portfolio Enrichment and Gradual Product Mix Upgrade

Our first key profitability driver is to continue broadening our product portfolio toward higher-value and higher-speed product categories while maintaining our established market position in NB-IoT and Cat.1bis. During the Track Record Period, the ASP of our chip products decreased by approximately 15.5% from the year ended December 31, 2023 to the year ended December 31, 2024, then decreased by approximately 21.1% from the year ended December 31, 2024 to the year ended December 31, 2025, and further decreased by approximately 14.7% from the six months ended June 30, 2025 to the same period in 2026. The continuous ASP compression of our chip products was primarily due to continued competitive pricing pressure in mature mass-market cellular IoT chip categories, customers’ cost optimization requirements and the continuing commercialization cycle of NB-IoT and Cat.1bis products. Over the same period, our sales volume of Cat.1bis chips increased by approximately 38.6% from the year ended December 31, 2023 to the year ended December 31, 2024, then increased by approximately 71.4% from the year ended December 31, 2024 to the year ended December 31, 2025, and further increased by 73.3% from the six months ended June 30, 2025 to the same period in 2026, while our sales volume of NB-IoT chips decreased by approximately 21.8% from the year ended December 31, 2023 to the year ended December 31, 2024, then increased by approximately 48.3% from the year ended December 31, 2024 to the year ended December 31, 2025, and further increased by 24.3% from the six months ended June 30, 2025 to the same period in 2026. We believe this demonstrates our ability to continue expanding shipment scale in our core product categories notwithstanding continued pricing pressure.

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Concurrently we are continuously enriching our product portfolio with higher-value product categories, including LTE Cat.4 and 5G-related products. According to F&S, higher-speed cellular IoT product segments generally have better pricing quality and are less exposed to the same degree of ASP compression as lower-speed mass-market segments. As of the Latest Practicable Date, our LTE Cat.4 product, EC800L, had successfully completed tape-out, and passed rigorous functional and reliability verification, marking that the product has attained mass-production-ready technical maturity. We are currently in the process of customer sampling and introduction for EC800L. We have introduced the product to leading MIFI and module customers, and we have entered into license agreements with more than ten customers. The customers currently introduced to EC800L primarily focus on MBB (Mobile Broadband) products, and EC800L may also support broader application scenarios such as connected vehicles, industrial IoT, smart payment and smart modules. Subject to the progress of customer validation, certification, supply chain readiness and commercialization arrangements, we expect EC800L to commence commercialization in the fourth quarter of 2026. Our 5G-related products, including 5G RedCap, 5G eRedCap and 5G eMBB products, were at the design stage as of the Latest Practicable Date. In particular, we expect our 5G RedCap products to complete tape-out in the fourth quarter of 2026. We had also communicated with potential customers in relation to our 5G-related product roadmap, including our existing Cat.1bis module customers and customers being introduced to our Cat.4 products, who had expressed interest in our 5G RedCap products. We therefore intend to gradually increase the revenue contribution from higher-speed products and reduce our relative dependence on NB-IoT and Cat.1bis products over time, although the timing and scale of such contribution will depend on customer validation, certification, commercialization progress, market acceptance and supply chain readiness.

Continued Cost Optimization, Supply Chain Localization and Economies of Scale

Our second key profitability driver is to improve unit economics through continued cost optimization, supply chain localization and shipment scale expansion. As a fabless company, our cost structure is primarily driven by wafer procurement, assembly and testing, and other supply-chain-related costs. For the year ended December 31, 2023, our gross profit from sales of chips was RMB25.4 million, with a gross profit margin of 5.0%. In that year, the cost of high-priced inventory recognized in our cost of sales amounted to approximately RMB198.5 million, representing approximately 50.5% of our raw material costs. For the year ended December 31, 2024, our gross profit from sales of chips increased to RMB80.8 million, with a gross profit margin of 16.6%, while the cost of such high-priced inventory recognized in our cost of sales further decreased to nil, and our average wafer procurement cost decreased by approximately 27.5% as compared to 2023. For the six months ended June 30, 2026, our gross profit from sales of chips decreased to RMB17.0 million from RMB33.2 million for the same period in 2025, with a gross profit margin of 4.2%, while the cost of such high-priced inventory recognized in our cost of sales amounted to nil, and our average wafer procurement cost decreased by approximately 6.3% as compared to the same period in 2025.

We further strengthened our procurement strategy in 2024 by introducing domestic wafer suppliers to complement our existing overseas supply chain. In particular, our domestic wafer purchase amount accounted for 5.2% and 42.6%, respectively, of our total wafer purchase amount for the years ended December 31, 2023 and 2024. As a result, our raw material procurement costs decreased by 17.4% from RMB393.3 million for the year ended December 31, 2023 to RMB324.9 million for the year ended December 31, 2024, while our revenue increased by 3.6% during the same period. In 2025, we continued to optimize our cost base through technology-driven design improvements, supply chain optimization and scale effects. Although our gross profit margin from sales of chips decreased to 10.7% for the year ended December 31, 2025 and further to 4.2% for the six months ended June 30, 2026, as our ASP reductions outpaced cost savings in that year/period, we maintained positive gross profit from sales of chips of RMB67.6 million and RMB17.0 million, respectively, amid material growth in chip shipment volumes.

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Going forward, we intend to continue to improve our cost structure through a combination of product design optimization, supply chain localization, supplier diversification, procurement efficiency improvement and shipment scale expansion. These measures include optimizing product design and chip architecture, reducing unit BOM cost where commercially and technically feasible, increasing the use of qualified domestic suppliers, improving procurement efficiency, and leveraging larger shipment scale to seek more favorable procurement terms. We also intend to continue to improve production efficiency through supply-chain coordination and product iteration, while maintaining product quality and reliability requirements. According to F&S, procurement pricing in the semiconductor supply chain is generally volume-sensitive, and larger shipment scale generally improves a fabless company’s ability to obtain more favorable procurement terms and improve operating leverage over time. We therefore believe that greater scale, together with continued cost optimization, product design optimization and supply chain localization, will remain an important driver of our profitability path. However, these measures may not fully offset ASP reductions in any particular period, including 2026, and our profitability remains subject to market pricing conditions, product mix and the pace of commercialization of our new products.

Selective Overseas Expansion and Revenue Diversification

Our third key profitability driver is to broaden our revenue base and improve revenue quality through selective overseas expansion and the continued development of our licensing and services business. Our licensing and services business historically generated comparatively high gross margins of 98.7%, 63.8%, 97.5%, 96.7% and 97.6% for the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, although revenue recognition in this business line may fluctuate from period to period because it is project-based and milestone-driven in nature. We believe that this business line provides an important supplementary source of higher-margin revenue relative to mass-market chip sales.

Going forward, we intend to selectively pursue licensing, chip design service, royalty-based and other technology collaboration opportunities where we can leverage our existing technology platforms, IP and design capabilities with commercially reasonable incremental costs. In particular, where the relevant technology packages or design deliverables are accepted and the customer’s products incorporating our licensed technology enter production and sale, the relevant arrangements may support royalty-based revenue contribution and follow-on technical support or service opportunities. However, as license and service revenue is project-based and depends on customer demand, milestone achievement, acceptance of deliverables and the shipment volume of the relevant customer products where royalties apply, the timing and amount of contribution from this business line may fluctuate from year to year.

According to F&S, in certain overseas markets, products of comparable specifications generally command higher selling prices and achieve higher gross margins than in the PRC market. We therefore believe that selective overseas expansion may gradually improve our revenue quality and margin structure over time, particularly where relevant opportunities involve higher-priced chip sales, technology licensing, design collaboration or royalty-based arrangements. We also expect to pursue such overseas expansion prudently and in a measured manner, primarily leveraging our domestic operating base, so that incremental sales, delivery and support costs remain commensurate with the underlying business scale and commercial visibility.

Disciplined Expense Management and Operating Leverage

In addition to the above measures, we intend to manage our operating expenses in a disciplined manner while continuing to support product development and commercialization. Our business requires continued investment in research and development, product validation, certification, customer introduction and technical support, particularly for LTE Cat.4 and 5G-related products. At the same

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time, as shipment volume increases and new products enter commercialization, we aim to improve operating leverage by spreading fixed and semi-fixed costs, including research and development, product validation, tape-out, certification, selling and administrative costs, over a broader revenue base. In 2025 and the six months ended June 30, 2026, as our revenue increased and chip shipment volume expanded, we continued to exercise disciplined expense management while supporting the development and commercialization of our product roadmap. We believe that further revenue growth and shipment scale expansion may help improve operating leverage over time by spreading fixed and semi-fixed costs over a broader revenue base, although such improvement depends on the pace of commercialization of our new products and our ability to manage operating expenses.

Overall Assessment

We expect to record a loss for the year ending December 31, 2026, primarily due to the expected further decrease in ASP of our existing NB-IoT and Cat.1bis products in the first three quarters of 2026, continued competitive pricing pressure, and our ongoing investment in the development, validation, customer introduction, certification and commercialization of LTE Cat.4 and 5G-related products. Notwithstanding the expected loss in 2026, we believe our path to profitability should be assessed based on the combined effect of the foregoing initiatives, rather than by reference to short-term fluctuations in ASP or margin in any single year/period. In particular, our historical performance demonstrates (i) our ability to restore gross profitability when cost conditions normalize; (ii) our ability to expand shipment scale while maintaining positive gross profitability; and (iii) the supplementary margin contribution from our licensing and services business.

We therefore believe that the combination of gradual product mix upgrade, continued cost optimization and scale expansion, selective overseas expansion, higher-margin licensing and services opportunities, and disciplined expense management provides the key commercial basis for us to improve profitability over time. The pace and extent of such improvement, however, will depend on market pricing trends, commercialization progress of our new products, customer adoption, supply chain conditions and our ability to manage costs and expenses.

INTERNAL CONTROL AND RISK MANAGEMENT

Our approach to risk management and internal control is designed to safeguard our assets, ensure operational continuity, and promote compliance with industry regulations. Through a structured framework, we identify, evaluate, and mitigate risks across our business activities, aligning our practices with best-in-class standards and regulatory requirements. This comprehensive framework empowers us to proactively manage potential risks that could affect our operations, financial performance, and reputation in the market. By implementing rigorous control measures across all facets of our operations, we aim to maintain transparency, accountability, and efficiency, ensuring that we are well-positioned to respond to any emerging risks.

We maintain a system of internal controls that is regularly updated to reflect changes in the business environment and evolving regulatory requirements. These controls are integral to our business strategy, helping us monitor key risk areas such as financial reporting, operational effectiveness, and compliance with legal obligations. Regular audits and evaluations are conducted to identify gaps, and corrective actions are taken to strengthen our internal control environment. The internal control framework is designed to mitigate risks related to financial inaccuracies, fraud, regulatory non-compliance, and operational inefficiencies.

According to the internal control review conducted by our internal control consultant, our internal control system was assessed to be effective and compliant in all material respects with applicable laws, regulations, and the Listing Rules requirements during the Track Record Period and up to the Latest Practicable Date.

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DATA PRIVACY, CYBERSECURITY AND INFORMATION TECHNOLOGY SYSTEMS

Data collection, processing and provision

We focus on the research, development and commercialization of cellular IoT chips, whilst outsource wafer fabrication, assembly/packaging and testing to third-party foundries and OSAT partners. Within this business scope, we do not access, collect, use, or store any data gathered by chips embedded in terminal devices. We collect and store data related to our business operations, including information from transactions with customers, suppliers, and other relevant parties. While we gather business, management, and operational data regularly, the personal information we collect from customers is limited and only gathered when absolutely necessary for operational purposes. Specifically, we collect personal information of job applicants and business contacts. The types and scope of personal information collected include the applicants’ basic personal information (such as name, contact details, and resume), as well as the business contacts’ basic personal information and work-related information (such as name, contact details, company name, and job title). All such data is directly collected and owned by us and is not shared with other third parties. We have established a comprehensive data compliance system to ensure that our data privacy practices align with regulatory requirements.

No cross-border data transfer

All data collected by us within Chinese Mainland is stored domestically. We are not engaged in any cross-border transfer of personal information, including transmitting personal information collected during domestic business operations to overseas parties, nor permitting overseas individuals or organizations to access personal information stored within Chinese Mainland.

The internal control measures in relation to data usage, storage and cross-border transmission

To safeguard this data, we have deployed a range of security systems, including firewalls, antivirus software, internet behavior management tools, network access control, data loss prevention systems, threat intelligence platforms, log management, and vulnerability scanning tools. These systems form a layered defense network, extending from the network perimeter to data centers and end-user devices. This structure ensures proactive threat prevention, real-time alerts during incidents, and effective post-event accountability. Our information technology team is responsible for developing and implementing these cybersecurity policies and ensuring our data security measures remain up to date.

From an organizational perspective, we have established and implemented a series of data protection and cybersecurity policies. These policies cover operational procedures across the entire lifecycle of data processing, including collection, use, storage, disclosure, and deletion.

Our information technology systems are integral to supporting our day-to-day operations and facilitating our business growth. We have developed or implemented various IT systems to cover all critical aspects of our operations, including sales, supply chain management, inventory control, and production and quality assurance. Our IT department oversees the continuous development and maintenance of these systems to ensure smooth and efficient operations.

Our enterprise resource planning (“ERP”) system is the cornerstone of our operations, managing key processes such as financial reporting, procurement workflows, production planning, inventory tracking, and sales order management. This system helps streamline management and supports data-driven decision-making.

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We had not been subject to any litigation, arbitrations or material administrative penalties in relation to data and privacy protection during the Track Record Period and up to the Latest Practicable Date. Within the business scope of cellular IoT chips research, development and commercialization, our PRC Legal Advisor as to data compliance, is of the view that, we had complied, in all material respects, with the applicable laws and regulations with respect to data privacy, cybersecurity, and personal data protection during the Track Record Period and up to the Latest Practicable Date. Given that legislation and law enforcement in the PRC on data privacy and security are still evolving, we will closely monitor further regulatory developments and take appropriate measures in a timely manner.

PROPERTIES

Owned Properties

As of June 30, 2026, we do not have any owned properties.

As of June 30, 2026, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include any valuation report in this document. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

Leased Properties

As of June 30, 2026, our leased portfolio consists of six properties. This includes four units with a fixed leased area of about 1,768.04 square meters and two units providing shared spaces of approximately 79 square meters. These leased properties are primarily used for our regional offices, testing and demonstration centers, warehousing, or other business support functions.

As of the Latest Practicable Date, we have six leased properties that have not been registered in accordance with the applicable regulations. According to the Administrative Measures for Commodity Housing Tenancy (《商品房屋租賃管理辦法》) and relevant laws, lease agreements should be registered with the local housing authorities. According to our PRC Legal Advisers, failure to complete lease registration does not affect the legal validity of the leases. However, the local housing authorities may impose a fine of up to RMB10,000 per lease for non-registration. As of the Latest Practicable Date, we have not received any such penalties. The failure to register these leases stems primarily from certain landlords' unwillingness to cooperate, and it is not expected to lead to any material legal or operational risks. We are actively working to resolve the registrations and ensure compliance moving forward. Our Directors believe that the failure to register these leases will not have a material adverse effect on our business operations or financial condition.

INSURANCE

We maintain a range of insurance policies to cover key operational and business. During the Track Record Period and up to the Latest Practicable Date, we complied with mandatory social insurance regulations in the PRC, providing the required pension, unemployment, work-related injury, maternity, and medical insurance to our employees. Additionally, we purchase commercial vehicle insurance to cover risks associated with motor vehicles used for business purposes, including motor vehicle loss and third-party liability insurance. We also offer accident insurance for our employees, which includes coverage for accidental death, injury, and medical expenses. For all employees on business trips, we

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provide aviation accident insurance to ensure their safety during travel. For transportation of goods, we engage professional logistics companies who purchase adequate transportation insurance to ensure full compensation in the event of accidents during shipment.

We consider our insurance coverage to be adequate and consistent with the customary industry practices in the jurisdictions in which we operate. However, our insurance coverage may not always be sufficient to cover all potential losses, liabilities or damages, including those arising from unexpected or uninsured risks. For details, please refer to “Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may not be sufficient to cover all losses or potential claims which would affect our business, financial condition and results of operations.” in this document.

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

EMPLOYEES

As of June 30, 2026, we had a total of 143 full-time employees, all of whom were located in Chinese Mainland. The tables below set forth a breakdown of our employees by department or function as of the same date:

Department/Function	Number of Employees	Percentage %
Production Department	2	1.4%
Sales Department	11	7.7%
Technology Department.	115	81%
Finance Department	9	6.3%
Administration Department	6	3.5%
Total	143	100.0

We place strong emphasis on talent acquisition and employee development. Our recruitment channels include online platforms, campus job fairs, localized talent markets, as well as internal referrals and third-party headhunting services. All candidates undergo multi-stage screening, including video or in-person interviews and technical assessments, to ensure alignment with our job expectations and corporate values.

To support employee onboarding and integration, we offer systematic training programs and mentorship. We also strive to maintain a supportive and balanced working environment. In addition to statutory benefits such as pension and medical insurance, we offer annual leave, festival allowances, communication allowances, and relocation support such as free dormitories or rental subsidies for non-local and young staff.

None of our employees are represented by a union or collective bargaining agreements. We believe that we have good employment relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes, work stoppages, labor disputes or other actions which had a material adverse effect on our business and operations.

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Social Insurance and Housing Provident Fund

During the Track Record Period, we engaged a third-party human resources agency to assist with the payment of social insurance and housing provident fund contributions for three employees in Shenzhen and three employees in Xi'an, instead of making such contributions directly. As a result, we recorded a shortfall in certain social insurance and housing provident fund contributions. The total shortfall amount of social insurance contributions was approximately RMB0.4 million, RMB0.5 million, RMB0.6 million and RMB0.1 million for the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. The total shortfall amount of housing provident fund contributions was approximately RMB0.1 million, RMB0.1 million, RMB0.2 million and RMB35 thousand for the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. Under the Social Insurance Law of the People's Republic of China, employers are required to make timely and full contributions to social insurance. The competent authority may order the employer to make up the shortfall within a specified period. A late payment surcharge of 0.05% per day will be charged from the date the shortfall occurred. If the shortfall is not made up within the specified period, the competent authority may impose a fine ranging from one to three times the underpaid amount.

We have not made any provision in our consolidated financial statements in respect of the above shortfall, as we consider the amount involved to be immaterial and, as advised by our PRC Legal Advisers, if there are no material changes in applicable policies, regulations, or enforcement practices and no employee complaints are raised, the likelihood of material administrative penalties arising from our aforementioned engagement of third-party human resources agencies for social insurance and housing provident fund contributions is remote, based on the following reasons: (i) during the Track Record Period, we had not received any notification from relevant government authorities requiring us to pay shortfalls or the penalties with respect to social insurance or housing provident funds; (ii) we had not been subject to any administrative penalties with respect to social insurance or housing provident funds; (iii) we and our PRC subsidiaries have obtained credit reports from competent local government authorities which confirmed that no administrative penalties had been imposed on us with respect to social insurance or housing provident funds during the Track Record Period; and (iv) we will make full contributions or remedy any shortfall within the statutory timeframe if required by the relevant authorities. We have not received any administrative penalties, rectification orders or enforcement actions, nor have we had any disputes or complaints, in relation to the above matters during the Track Record Period and up to the Latest Practicable Date.

According to our PRC Legal Advisers, based on the applicable guidance, generally, there is no mandate for forced settlement of historical arrears for enterprises. Additionally, it is prohibited to organize concentrated settlements of historical arrears as stipulated in the Ministry of Human Resources and Social Security's Notice on Implementing the State Council's Executive Meeting Decisions to Stabilize Social Insurance Collection (Document No. 2018-246). The State Taxation Administration's Measures to Further Support and Serve the Development of the Private Economy (Document No. 2018-174) also ensures stability in payment methods and prohibits the centralization of collection for past dues.

We have implemented internal procedures to ensure that social insurance and housing provident fund contributions for our employees are made through compliant channels. Furthermore, on March 13, 2026, we established a Xi'an subsidiary to facilitate compliant local payment of social insurance contributions for the relevant employees in Xi'an, and we expect to complete the rectification of the remaining non-compliance in Shenzhen and fully rectify the above non-compliance by September 30, 2026.

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Furthermore, the arrangement to entrust third parties to make social insurance and housing provident fund payments was made based on the individual wishes and requests of the affected employees. However, in September 2025, the Supreme People’s Court issued the Interpretation (II) on Several Issues Concerning the Application of Law in Labour Dispute Cases (最高人民法院關於勞動爭議案件適用法律問題的解釋 (二)) (the “**SPC Interpretation (II)**”), which clarifies the treatment of agreements or arrangements that purport to waive or vary employees’ statutory rights or employers’ statutory obligations in the employment context. Our PRC Legal Advisers are of the opinion that the SPC Interpretation (II) is not expected to have a material adverse effect on our financial position and business based on the followings: (i) the estimated maximum potential penalty for the Group’s social insurance contribution shortfalls during the Track Record Period will not increase, as shortfalls attributable to employee elections or mutual agreements have already been incorporated in such estimate; and (ii) the SPC Interpretation (II) has neither repealed nor amended the social insurance laws and regulations currently in force in the PRC. However, if the relevant PRC authorities determine that we are not in compliance with the SPC Interpretation (II) or other labor-related laws and regulations, we could be subject to additional fines, penalties and compensation to our employees. As of the Latest Practicable Date, we have not received any administrative penalties, rectification orders or enforcement actions, nor have we had any disputes or complaints, in relation to our social insurance and housing provident fund arrangements. Based on our PRC Legal Advisers’ opinion and the foregoing, our Directors believe that such incident will not have a material adverse effect on our business operations or financial condition.

In addition, during the Track Record Period, we did not provide housing provident fund contributions for one employee. Under the Housing Provident Fund Management Regulations, employers are required to contribute to the housing provident fund on time and in full. The competent authority may order an employer to make up the shortfall within a specified period and, if the employer fails to do so, the authority may apply to the court for enforcement. The total shortfall amount of housing provident fund contributions for this employee was approximately nil, nil, nil and nil for the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. We have not made any provision in our consolidated financial statements in respect of the housing provident fund shortfall, as we consider the amount involved to be immaterial and, as advised by our PRC Legal Advisers, if there are no material changes in applicable policies, regulations, or enforcement practices and no employee complaints are raised, the likelihood of material administrative penalties arising from our failure to provide housing provident fund contributions for the employee is remote, based on the following reasons: (i) during the Track Record Period, we had not received any notification from relevant government authorities requiring us to pay shortfalls or the penalties with respect to social insurance or housing provident funds; (ii) we had not been subject to any administrative penalties with respect to social insurance or housing provident funds; (iii) we and our PRC subsidiaries have obtained credit reports from competent local government authorities which confirmed that no administrative penalties had been imposed on us with respect to social insurance or housing provident funds during the Track Record Period; and (iv) we will make full contributions or remedy any shortfall within the statutory timeframe if required by the relevant authorities. We expect to fully rectify the housing provident fund shortfall by September 30, 2026.

The reason why we did not provide housing provident fund contributions for this employee was due to the fact that this employee voluntarily waived the housing provident fund. Given that this issue pertains to only one employee and the total amount involved is relatively low, our PRC Legal Advisers believe that the risks related to this non-compliance are remote. Our Directors do not foresee any material adverse effect on our business operations or financial condition as a result of this isolated incident.

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LICENSES, APPROVALS AND PERMITS

We are required to obtain and maintain various licenses, approvals and permits to ensure compliance with applicable laws and regulations in the regions where we conduct business. These authorizations are fundamental to our production and operations and affirm our adherence to industry standards in safety, environmental protection and technical competency.

The following table sets forth details of our material licenses, approvals and permits and their respective holding entities:

<u>License/approval/permit</u>	<u>Issuing authority</u>	<u>Number of certificates held</u>	<u>Expiry date/renewal date</u>
High-Tech Enterprise Certification	Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, Shanghai Municipal Tax service, State Tax Administration	GR202431006081	December 25, 2027
Registration Form for Foreign Trade Operators	Shanghai Pudong New Area Foreign Trade Operator Registration Authority	02714891	Long-term
Customs Declaration Unit Registration Certificate .	Pudong Customs	31222699MZ	Long-term
Quality Management System Certificate	China Quality Certification Centre	00125Q37790ROM/3100	October 29, 2028

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time be subject to various legal or administrative claims and proceedings arising from the ordinary course of business. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any administrative penalties, bankruptcy or receivership proceedings), which we believe would have a material adverse effect on our business, results of operations or financial condition. As of the Latest Practicable Date, we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors, which we believe would have a material adverse effect on our business, results of operations or financial condition.

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

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AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognitions in respect of our products, solutions and operations. The following table sets forth the details of some of the notable awards and recognitions which we have received:

Award/Recognition	Year of Receipt	Issuing Entity
Shanghai Manufacturing Single Item Champion Enterprise (上海市製造業單項冠軍)	2025	Shanghai Municipal Commission of Economy and Informatization
Shanghai Science and Technology Little Giant (上海市科技小巨人)	2025	Shanghai Municipal Commission of Science and Technology, Shanghai Municipal Commission of Economy and Informatization
National Key Little Giant Enterprises of Specialized, Refined, Featured and Novel Sectors (國家專精特新重點“小巨人”)	2024	Ministry of Industry and Information Technology of the PRC, Shanghai Municipal Commission of Economy and Informatization
National Key Little Giant Enterprises of Specialized, Refined, Featured and Novel Sectors (國家專精特新“小巨人”)	2023	Shanghai Municipal Commission of Economy and Informatization
Shanghai Municipal Enterprise Technology Center (上海市企業技術中心)	2023	Shanghai Municipal Commission of Economy and Informatization
Shanghai Key Service Unicorn Enterprise (上海市重點服務獨角獸(潛力)企業)	2023	Shanghai Municipal Commission of Economy and Informatization
Shanghai high-tech achievements transformation project (上海市高新技術成果轉化項目)	2023	Shanghai Municipal Commission of Science and Technology
IEEE 2023 Thematic Talk Speaker	2023	The Institute of Electrical and Electronics Engineers (IEEE), China Electrotechnical Society
Pudong New Area Innovation and Entrepreneurship Award (浦東新區創新創業獎)	2023	The People’s Government of Pudong New Area, Shanghai