



Motorcomm

Securities code: 688515



# 2024

## Action Plan for

# "Improving Quality, Increasing Efficiency and Enhancing Return"

Motorcomm Electronic Technology Co., Ltd.



# ABOUT THIS REPORT



Motorcomm Electronic Technology Co., Ltd. (hereinafter referred to as "Motorcomm" or "the Company") believes that it is a listed company's rightful obligation for its development and its duty towards its investors to improve its quality, increase its investors' returns and enhance its investors' sense of gain.

To practise the "investor-oriented" development concept as a listed company and safeguard all shareholders' interests, the Company has specially drafted the 2024 Action Plan for "Improving Quality and Increasing Efficiency for Higher Returns" (hereinafter referred to as "the Action Plan") based on its confidence in future development prospects and value recognition.

This Action Plan was reviewed and approved at the 17th meeting of the Company's 1st Board of Directors on April 26, 2024.

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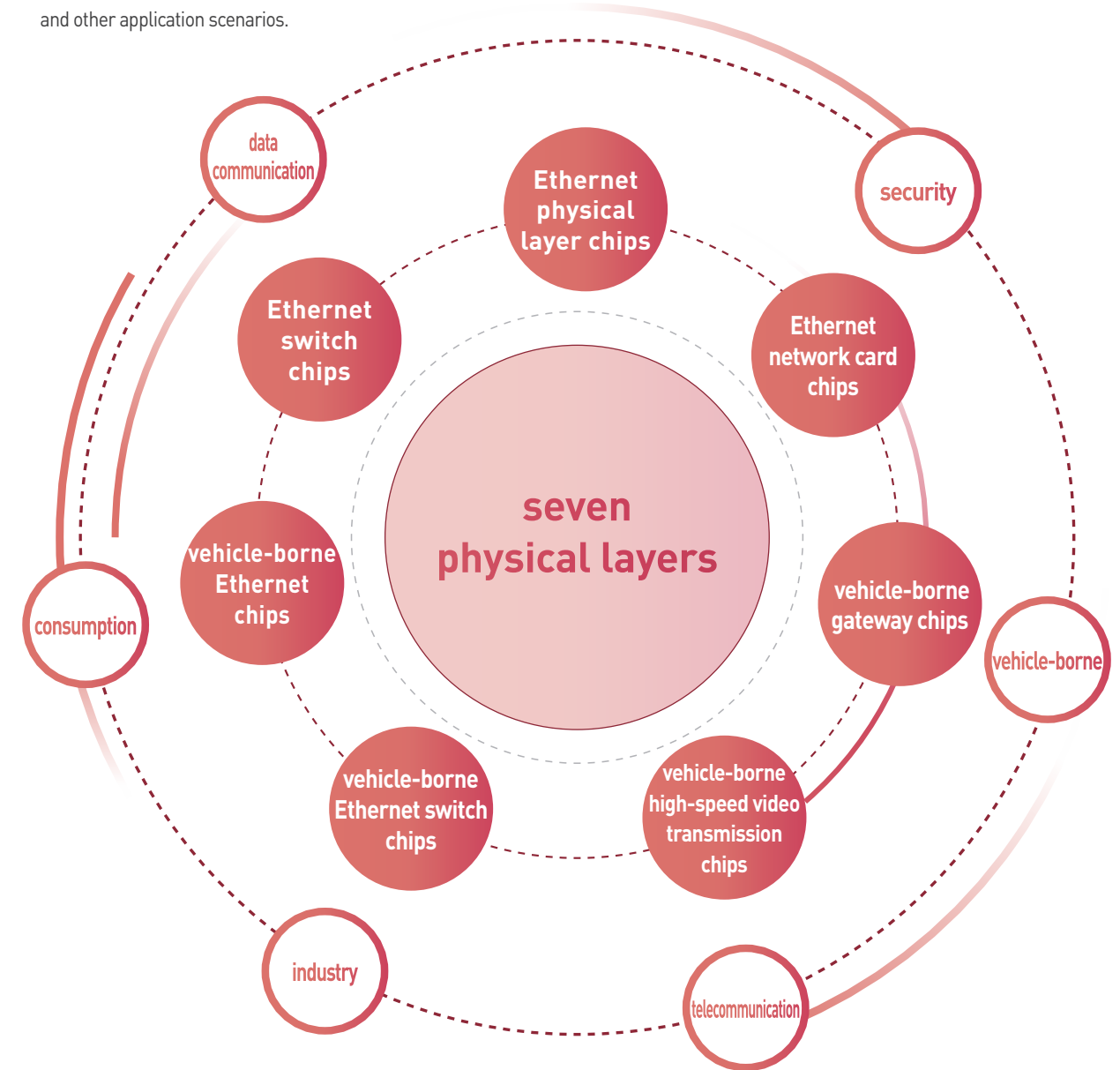


## Attaching importance to R&D and enhancing core competencies with the focus on the principal businesses

Devoting to R&D, design and merchandising of high-speed wired communication chips, Motorcomm is one of the few enterprises able to supply 100M, 1,000M and 2.5G Ethernet series chips in Mainland China.

Since its establishment, the Company has aimed to achieve high reliability and stability of communications. Entering the market with Ethernet physical layer chips, it aims at the seven physical layers, data link layer and network layer of the OSI seven-layer model.

As of 2023, it has developed seven major product lines for CNC Ethernet physical layer chips, CNC Ethernet switch chips, CNC Ethernet network card chips, vehicle-borne Ethernet physical layer chips, vehicle-borne Ethernet switch chips, vehicle-borne gateway chips, and vehicle-borne high-speed video transmission chips. At present, CNC Ethernet physical layer chips, CNC Ethernet switch chips, CNC Ethernet network card chips and vehicle-borne Ethernet physical layer chips have been put into mass production. The Company covers multiple fields, including data communication, security, consumption, telecommunication, industry and vehicle-borne devices. Its products are classified as commercial, industrial and automotive grade, including routers, RP repeaters, LED displays, smart TV sets, wireless terminals, PV, set top boxes, network printers, cameras, mining, power systems, data centers, industrial control, ships, switches, industrial Internet, industrial automation, smart instruments, piloted driving, millimeter-wave radars, intelligent central control, lidar and other application scenarios.



In 2024, the Company will continue to focus on technological breakthroughs and innovations of high-speed wired communication chips. Concentrating on network data communication and vehicle communication, it will constantly meet customer needs for high-performance communication chips, and achieve leapfrog development through continuous accumulation, to yield good returns for shareholders and create beneficial value for the society. Particularly, several aspects are concerned as follows:

### Continuously integrate industrial resources around the seven major product lines to keep advanced within the industry

In 2024, the Company will seize the great opportunities of national strategic emerging industries and future industrial development to continuously integrate industrial resources, gradually extend to upper-layer network processing products, and focus on deploying fields of new energy vehicles, WIFI7, AI and Information technology application innovation. It has developed a range of chip products and solutions enrich the product layout, and continuously improve the performance of 100M, 1,000M, and 2.5 G products.

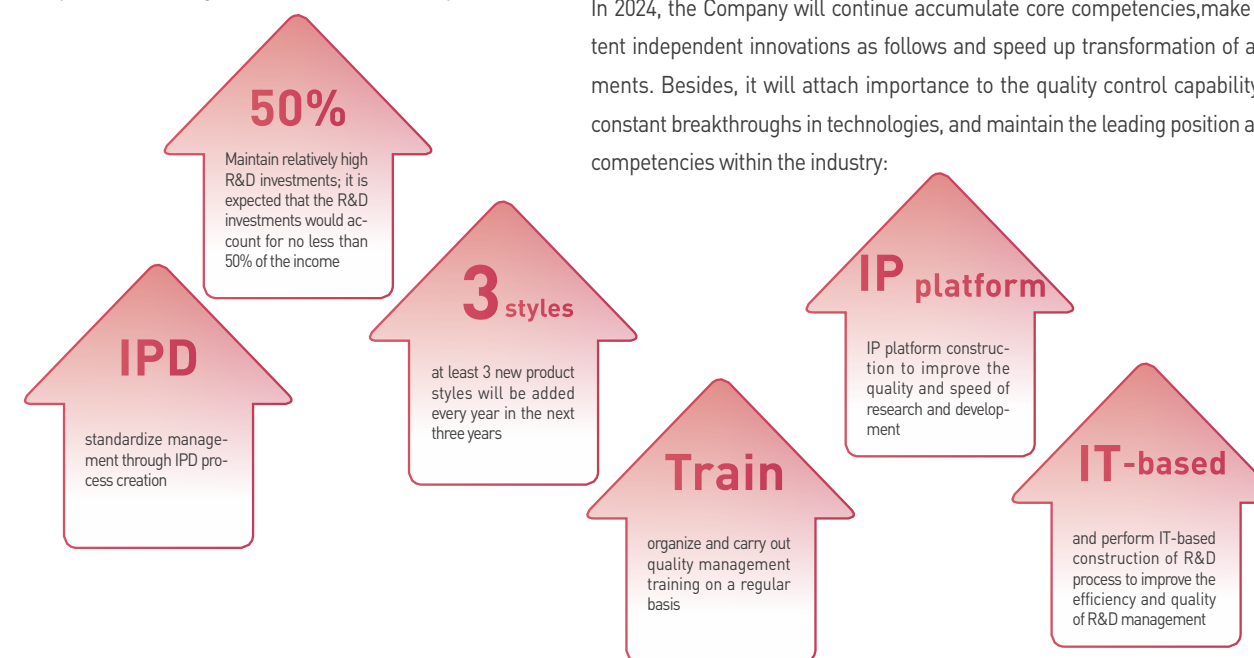
Product lines	Progress as of 2023	Key plans for 2024 and next three years
<b>CNC Ethernet physical layer chips</b>	100M, 1,000M and 2.5G chips were put into mass production.	Diversify 100M, 1,000M and 2.5G chips were; expected to realize mass production and shipment of 10G chips in 2026.
<b>CNC Ethernet switch chips</b>	5-port, 4+2-port and 8-port chips were put into mass production and shipped.	Samples of 24-port switch chips are expected to be prepared at the end of 2024, and diversify the single-port gigabit/2.5G products.
<b>CNC Ethernet network card chips</b>	Gigabit chips were put into mass production.	Supplement varieties of gigabit chips
<b>Vehicle-borne Ethernet physical layer chips</b>	100M chips were put into mass production; gigabit chips were put into mass production and shipped.	Put 100M and gigabit products into mass production and ship them
<b>Vehicle-borne Ethernet switch chips</b>	The first-generation vehicle-borne Ethernet switch chips were under development.	The samples are expected to be made at the end of 2025.
<b>Vehicle-borne gateway chips</b>	The first-generation vehicle-borne gateway chips were under pre-development.	Make breakthroughs in technological outcomes.
<b>Vehicle-borne high speed video transmission chips</b>	The first-generation vehicle-borne high speed video transmission chips were being developed.	The samples are expected to be prepared at the end of 2025.

### Maintaining intensity of R&D investments and keeping on making innovations to continuously improve independent R&D capability

The competitiveness of an integrated circuit design company is mainly reflected from its R&D capability and technical strength. As a professional chip design company, the Company is committed to R&D and industrialization of high-speed wired communication chips. Being constantly oriented towards independent R&D, it has established a complete independent R&D system. At present, the Company has developed core technical capabilities in many aspects such as high-speed digital-analog circuit design, design of communication algorithms, data exchange/development, SOC integration and software development.

In 2023, the Company cumulatively invested **RMB 221.7506 million** in R&D, accounting for **81.07%** of the current operating income; applied for **46** new invention patents, and a total of **125** invention patents; filed 5 applications for **5** new utility models, and a total of **23** utility models.

In 2024, the Company will continue accumulate core competencies, make persistent independent innovations as follows and speed up transformation of achievements. Besides, it will attach importance to the quality control capability, make constant breakthroughs in technologies, and maintain the leading position and core competencies within the industry:





## Attaching importance to the talent development strategy, and optimizing the incentive mechanism to maintain stability of the scientific research team

The Company constantly accelerates its strategic upgrades and system iterations. To give full play to the pioneering role of the strategic pivot of the R&D system, enhance its core competencies, and lay a more solid foundation for development, the Company has established the Institute of Advanced Technology and the Central Engineering Department to conduct forward-looking technology research and make breakthroughs in key technology capabilities. Besides, it has aggregated resources from different R&D modules to establish a product R&D department to play pivotal roles in strengthening the overall strengths of each module such as professional technical capabilities, coordinated engagement capabilities, and product delivery capabilities, in order that the Company will achieve new breakthroughs in development.

The core team members of the Company mostly had more than ten years of practical experience. The Company led and built a technical expert team composed of several senior persons from the industry of communication chips, who constituted the backbone force for the Company's R&D. In reliance upon its profound understanding of Ethernet, related communication protocols and chip design technologies, the Company has constructed mature and effective interdisciplinary collaborative R&D and R&D talent training mechanisms, thus demonstrating its own unique core talent advantages and characteristics.

The Company attaches great importance to the investments in and the incentives for the R&D Team. In 2024, the Company will continue adhere to the talent concept of "first-class talents, first-class performance, first-class returns". In March, a resolution was passed by the Board of Directors after deliberation that the Company would repurchase partial shares for implementing the equity incentive plan or employee stock ownership plan. In the future, the Company intends to draft an equity incentive plan or employee stock ownership plan to some R&D personnel in combination with the market situation and its business objectives, to make up the resultant force for joint construction and sharing among the Company, its shareholders and employees.

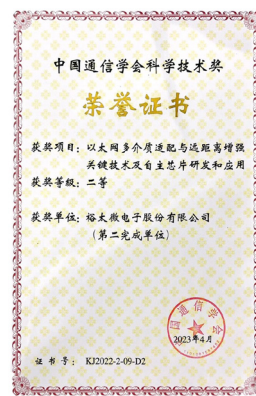
In 2023, the Company's R&D personnel accounted for **67.24%** the Company had **4** core technicians

On the basis of reinforcing its independent R&D, in the future, the Company will further conduct cooperation with different institutions of higher learning and scientific research institutions, to facilitate talent training, technology innovations and knowledge sharing, cultivate young blood of the industry, enhance influence of technology innovations.



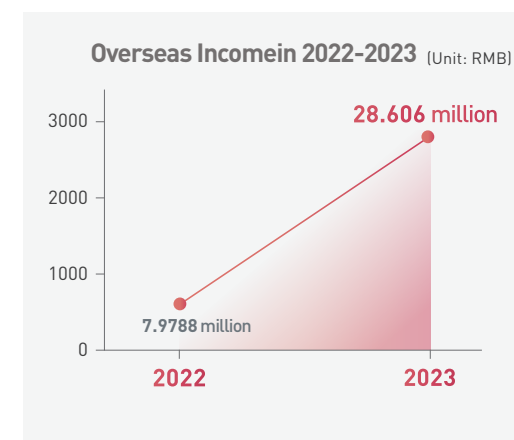
► In 2023, the Company jointly declared "Key Ethernet Multimedia Adaptation and Long-range Enhancement Technologies, Independent Chip R&D and Application" together with several organizations.

◀ In 2023, the Company and Nanjing University of Posts and Telecommunications jointly established an Ethernet transmission chip R&D center.



## Strengthening brand building and marketing network construction, and actively developing domestic and overseas markets

In 2024, the Company will focus on developing its businesses abroad, actively expand its business landscape, and change from a domestic technology-based startup company to a globalized business group when it continues to consolidate and deepen its domestic businesses.



### Accelerate capacity building of the marketing team.

Strengthen the professional quality training of the marketing department and enhance the customer service capability;

### Enhance outreach

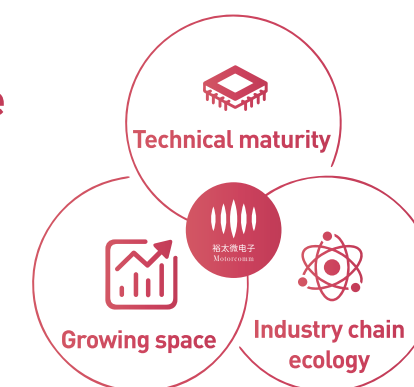
Increase the coverage of brand promotion through online and offline communications and carry out more pertinent brand promotion activities to expand brand influence;

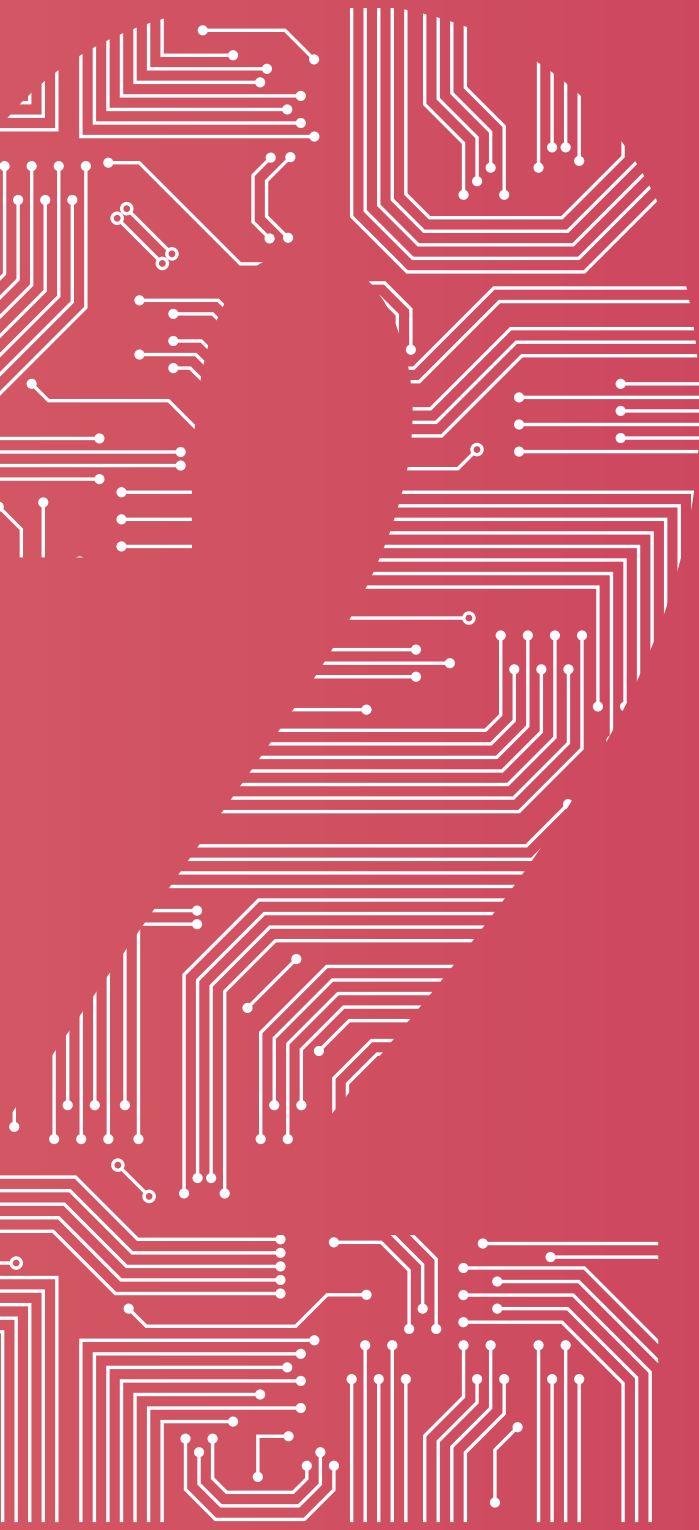
### Accelerate market penetration of overseas customers

In 2022, the Company built a Singapore development center, and in 2023, its overseas revenues amounted to RMB 28.606 million. With a good momentum of growth, the Company constantly enhanced its business development abroad in multiple ways, and opened up its Blue Ocean market in support of the Company's rapid development in businesses.

## Promoting strategic M&A of resources around industries and performing industrial-financial integration to enhance competitive advantages

Firmly focusing on its principal business, the Company will look for enterprises at different stages of development in multiple dimensions such as technology maturity, growth space, and industrial chain ecology by means of capital operations including but not limited to M&A to continuously integrate resources, in hope of steadily promoting development of its principal business, giving full play to the synergy between businesses and improve its overall competitiveness.

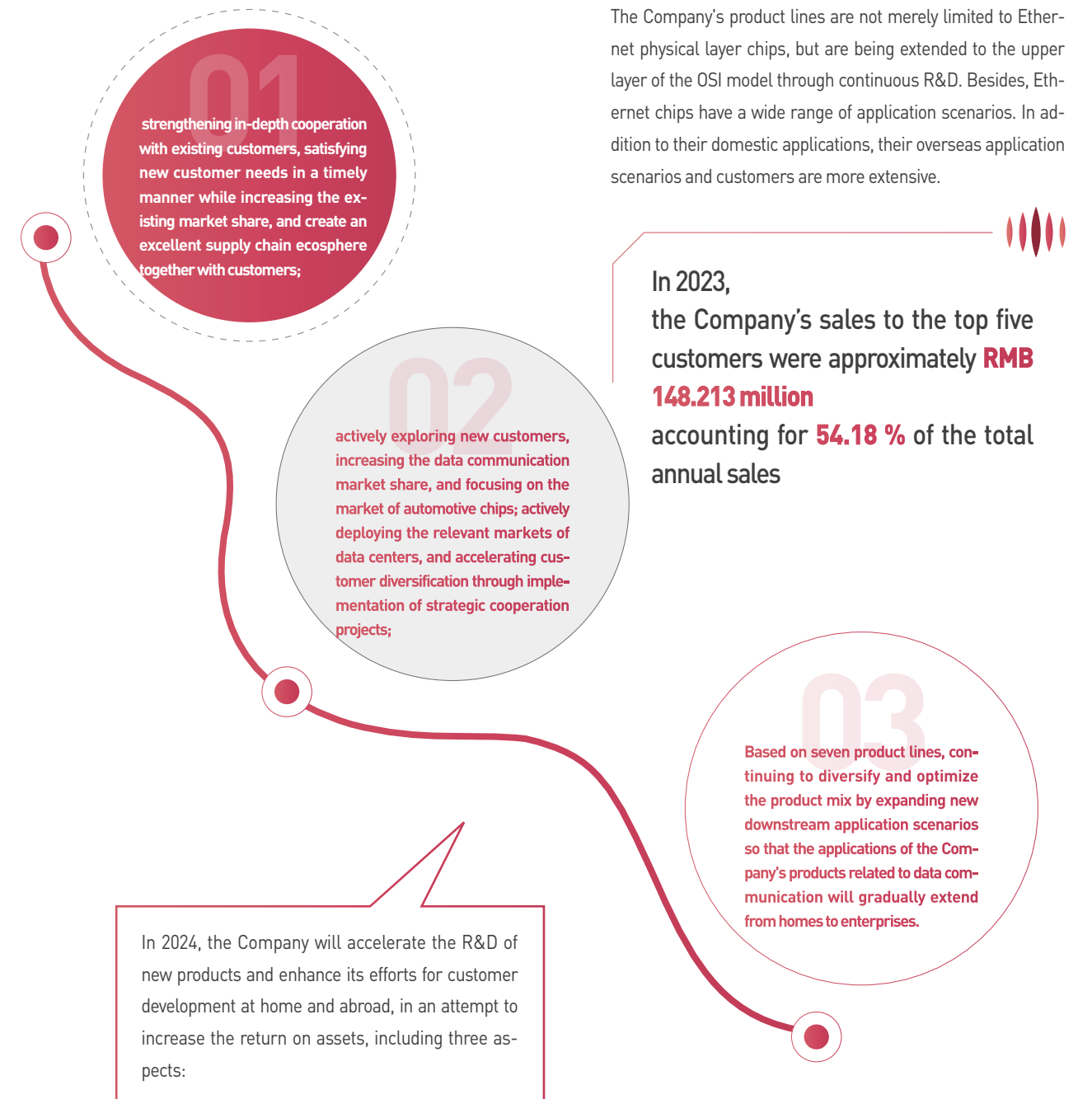




# Optimizing financial management to improve profitability and operational efficiency

## Enhancing customer diversification and increasing asset profitability

The Company's product lines are not merely limited to Ethernet physical layer chips, but are being extended to the upper layer of the OSI model through continuous R&D. Besides, Ethernet chips have a wide range of application scenarios. In addition to their domestic applications, their overseas application scenarios and customers are more extensive.







### Optimizing financial management capability and improving internal operational efficiency

In 2024, the Company will continue to strengthen optimization of the financial management and improve its operational efficiency, including:

- (1) promoting industry-finance integration, strengthening informatization construction of financial management, optimizing the forward-looking and process management of planned expenditures, and providing more accurate financial support for the management to make predictions;
- (2) in terms of accounts receivable turnover ratio, enhancing the credit evaluation mechanism, optimizing credit policies, developing favorable collection procedures, doing a good job in the management of payment collection and accounts receivable for orders, and continuing to optimize its cash flow;
- (3) for inventory turnover ratio, strengthening delicacy management of the supply chain, continuously improving inventory management, and achieving quick market penetration in compliance with the sales model "focusing on distribution, supported by direct selling".

Financial management capability affects the Company's daily operational efficiency and overall business performance. As of 2023, the Company's overall asset-liability ratio was **6.09%**; the balance of accounts receivable was **RMB 59 million** and the turnover rate of accounts receivable was **4.21**; the inventory balance was **RMB 131 million**, and the inventory turnover was **1.01**.

### Reasonably planning capital stock and increasing capital utilization rate

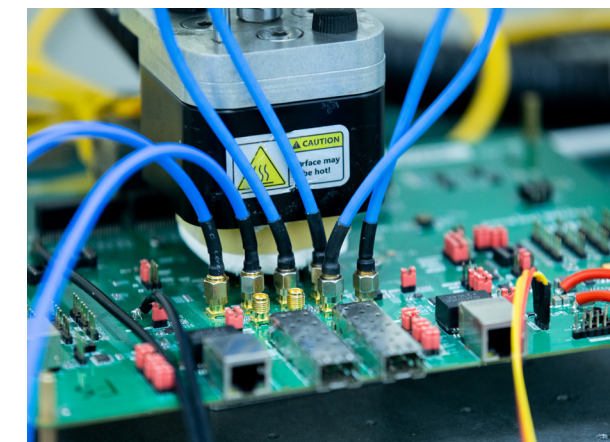
The Company attaches great importance to the reasonable planning and use of capital stock. In 2024, the Company will continue to strengthen cash management, improve the capital utilization efficiency through the following methods, and better realize fund preservation and appreciation:

Concerning management of self-owned funds, on the premise of fund security and liquidity, it will invest part of its idle self-owned funds in banks' wealth management products with certain returns. Regarding management of raised funds, some idle raised funds will be properly used for cash management to increase capital efficiency on the premise of not affecting the construction of fundraising projects and the safety of raised funds.

As of the end of 2023, the balance of the Company's monetary fund was approximately **RMB 449.2977 million**, and the balance of held-for-trading financial assets was **RMB 1,213.8994 million**.

### Prudently using raised funds and strengthening the management of fundraising projects

In 2024, the Company will continue to strictly abide by relevant laws and regulations, normative documents and the Management Measures for Corporate Fundraising, prudently use the raised funds, effectively ensure smooth progression of the fundraising projects as planned, and promote its principal business through the implementation of these projects, to realize expected returns of the projects, and enhance its overall profitability.



# Optimizing corporate governance and enhancing the awareness of "the critical few"

The Company attaches great importance to soundness and effectiveness of the corporate governance structure. At present, It has built a corporate governance structure that centers on the general meetings of shareholders, the Board of Directors, special committees, the Board of Supervisors and senior management to provide organizational and institutional guarantees for its efficient, stable and standardized operations.

In 2024, the Company will continue to optimize corporate governance, strengthen investor communication, and protect the legitimate rights and interests of all shareholders. The specific priorities and plans are as follows:



## Promote improvement of the internal governance mechanism

In 2024, with ESG (environmental, social and governance) as the focus of management, the Company will promote the ESG mechanism, where the Board of Directors is the main responsible body: The ESG working group is built under the Board of Directors. The Company will gradually build/improve the ESG management system, promote ESG practice, and drive its long-term sustainable development.



## Implement reform requirements for independent directors

At present, the Company has implemented the reform requirements for the independent director system, and built an independent director working group to ensure that independent directors can keep abreast of its development and operations in a timely manner through monthly regular meetings of independent directors and irregular communications.

In 2024, the Company will actively provide comprehensive and convenient conditions for independent directors to perform their duties in different forms such as in-person meetings, field inspections, and special reports on key issues, in order to truly protect the independent directors' right to know and make it convenient for the independent directors to work on site for at least 15 days every year.



## Increase the normative consciousness of directors, supervisors and senior executives

To strengthen the professionalism of directors, supervisors, senior executives and other relevant personnel, in 2023, the Company organized and participated in 19 special training sessions of exchanges and more than 20 special training sessions of the associations of listed companies. Internally, it organized directors, supervisors and senior executives to take part in 5 special training sessions. The training mainly covered information disclosure, compliance operations, investor relationship management, major events, prevention of insider trading risks, and corporate management's public opinions and PR responses, with an attendance rate of 100%.

In 2024, the Company will continue to strengthen the awareness of "the critical few", depth and frequency of daily learning and training:

- (1) Actively urge relevant personnel to participate in the regular training organized by regulatory authorities;
- (2) Make full use of the resources of regulatory platforms such as the China Securities Regulatory Commission and Shanghai Stock Exchange to organize relevant personnel to participate in online and offline training;
- (3) Promptly send the Corporate Governance Monthly prepared by the Office of the Board of Directors to relevant personnel to ensure that "the few critical" understand the latest laws and regulations, continuously increase the awareness of "improving quality, increasing efficiency and rewarding", and continuously better the operations management. The Corporate Governance Monthly includes multiple modules, including industry information, policies, systems, typical cases, corporate governance and market value analysis.

In 2023, the Company convened and held **2** general meetings of shareholders, **10** meetings of the Board of Directors, and **6** meetings of the Board of Supervisors. It disclosed **4** periodic reports, made **31** interim announcements, held **3** performance briefings, conducted **256** investor surveys, and left **112** SSE E-interactive messages, with a response rate of **100%**.



# Improve information disclosure and build a multi-level investor communication mechanism

The Company consistently attaches great importance to information disclosure. It conscientiously performs its information disclosure obligations to truthfully, accurately, completely, timely and effectively disclose its regular reports, interim announcements and other material information in strict compliance with the Listing Rules for Stocks on the Shanghai Stock Exchange Science and Technology Innovation Board, its Information Disclosure Affairs Management System and other relevant regulations.

The Company also attaches great importance to the investor relationship management, and develops multi-platform and multi-level investor communication channels through statutory information disclosure, collective performance briefings, its official website, Motorcomm's official account, roadshows/reverse roadshows, etc., to facilitate the investors' understanding of the Company.

In 2024, the Company will continue to enhance the transparency of corporate information, adhere to the basic principles of conciseness, clarity and easiness-to-understand, protect the rights and interests of minority shareholders, and optimize information disclosure and investor relationship management as follows:



▲ Enterprise development process display



## Increase the readability of information disclosure

Further explore and diverse presentation and dissemination forms of the Company's information disclosure, flexibly demonstrate the Company's operating conditions, R&D progress and product status to the investors in diverse manners, and highlight key information points to reduce the investors' reading burden:

- (1) Make more attempts to use pictures, texts and charts to explain the Company's operating conditions in periodic reports;
- (2) Continue to do a good job in making periodic reports "comprehensible through one picture", and vividly present and interpret the Company's performance and operating conditions;
- (3) Present information in the form of PPT + videos through data charts and scenarios in performance briefings and investor research activities, to make the information more intuitive and comprehensible;
- (4) Disclose corporate ESG reports, to present performance and fulfillment of social responsibilities to the investors in an all-round manner.



## Make the information more accessible

On the basis of the statutory information disclosure media, the Company will provide more platforms for communicating and exchanging with the investors through the official website, official accounts and so on. It will set up places for displaying its development histories, diversifying the channels for the investors to obtain information, effectively conveying its value, and building market confidence:

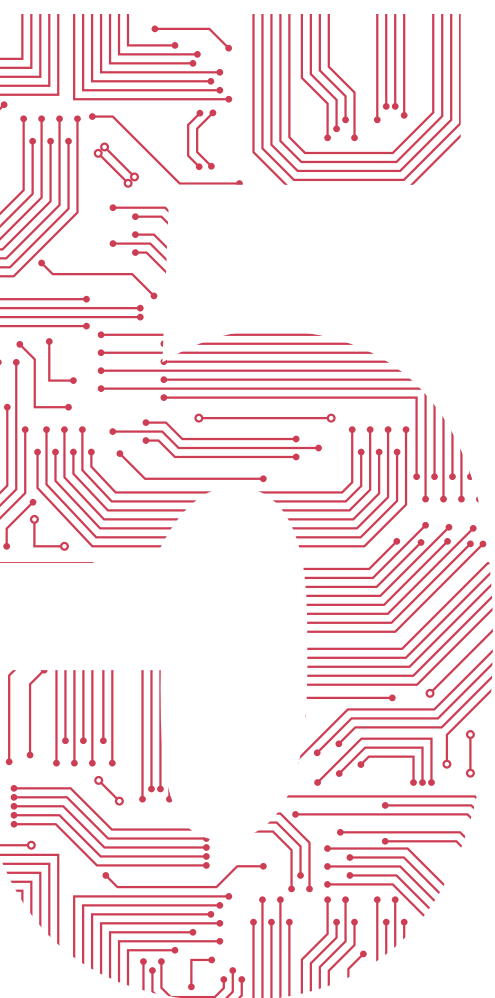
- (1) Use the official account "Motorcomm" to disseminate information such as the Company's latest developments and cutting-edge industry developments to the investors in a timely manner;
- (2) Optimize the "Investor Relations" column on the Company's official website, which will comprise of five sub-columns: investor education, corporate announcements, stock information, investor contact, and investor relations, to protect the investors' right to know and maintain close communication with the investors.



## Strengthen investor communications

In 2024, the Company will arrange a range of investor relations activities to promote the establishment of long-term stable and trustworthy relationships with the investors:

- (1) Hold at least 3 performance briefings through platforms such as the "SSE Roadshow Center";
- (2) Organize and undertake no less than 300 investor research activities of different types, and disclose the research activity records in a timely manner;
- (3) Promptly respond to the investors' questions on the SSE E-interactive Platform;
- (4) Maintain adequate communications with the investors through investor hotline and public email, etc.



# The management and shareholders will share burdens and benefits, to actively convey value of the Company

In 2024, the Company will continue improving the business management model, continuously optimize the remuneration and incentive system, further strengthen the benefit sharing mechanism between the management and shareholders, and actively guide "few critical" to assume corresponding responsibilities for promoting the Company's long-term stable development.



## Establish a normalized equity incentive mechanism, and maintain consistency among the interests of the management and the shareholders

The remuneration of the Company's senior executives consists of basic pay and performance pay. In 2024, the Company will actively further optimize the management remuneration mechanism and introduce a long-term incentive mechanism to promote deep integration of the interests among the management and shareholders.

Establish and improve the Company's long-term incentive and restraint mechanisms, to attract and retain outstanding talents. Effectively combine the interests of shareholders, the Company and the core team so that all parties will pay attention to long-term development of the Company and ensure realization of the Company's development strategy and business objectives.



## Pay equal attention to the development of the Company and the interests of shareholders, and give priority to distributing cash dividends to the investors

The Company attaches great importance to paying appropriate returns on investment to shareholders and has drawn up the Shareholder Dividend and Return Plan for Three Years after Listing of the Company. On the premise of satisfying the conditions for cash dividends, the Company will give priority to profit distribution with cash dividends, maintain the continuity and stability of the profit distribution policies, and take into account its long-term interests, the overall interests of all shareholders and its sustainable development.



## Actively deliver the Company's value, enhance investor confidence and promote value return

Within 3 years from the date of listing of the Company's stocks, when the closing price of the Company's stocks over 20 consecutive trading days is lower than the Company's latest audited net asset per share, and the Company, its actual controller, persons acting in concert, directors (excluding independent directors) and senior executives meet the conditions for repurchase or increase of holdings under laws, administrative regulations, normative documents, etc., the Company and relevant entities will implement relevant measures to stabilize stock prices.

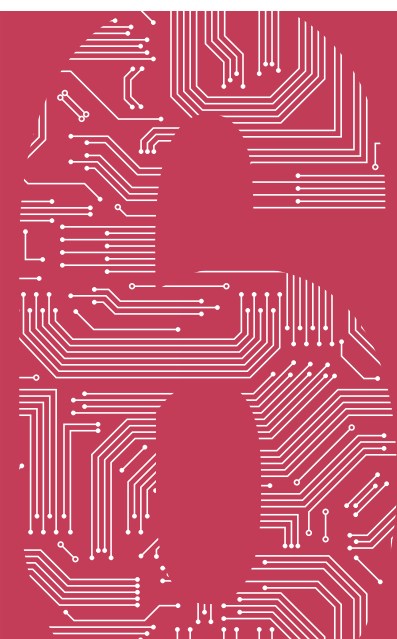
In 2024, the Company will establish a stock price stabilization mechanism according to the capital market conditions, clarify over significant decline in short-term stock prices, fall below the issue price, or the net asset per share as an initiation condition, establish corresponding trigger mechanism, and take corresponding stock price stabilization measures such as stock repurchase, to stabilize stock prices and enhance investor confidence.

## Others

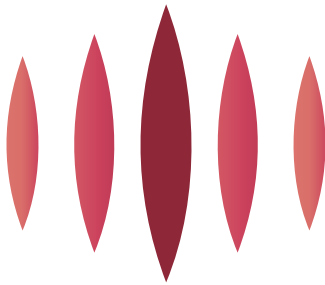
The Company will continue to focus on the principal business, improve the operations, and earnestly fulfill the responsibilities and obligations as a listed company through favourable operations management, standardized corporate governance, and positive investor returns, repay the investors for their trust, maintain the Company's good market image, and facilitate steady and healthy development of the capital market.

The Company's planning, development strategy and other forward-looking statements involved in this Report are not fait accompli, and do not constitute a substantial commitment of the Company to investors. The investors are hereby reminded of paying attention to related risks.

In case of any discrepancy between the English translation and the original Chinese version, the latter shall prevail!







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