

# **Corporate Value and Return Enhancement Action Plan**

## **Beijing YanDong Microelectronic Co., Ltd.**

The company has been strengthening its service capacity in recent years by continuously expanding the market and optimizing the product structure. To put into practice the "investor-oriented" development concept of listed companies, safeguard the interests of all shareholders of the company, and based on the confidence in the company's future development prospects, recognition of the company's value and the effective fulfillment of social responsibility, the company has formulated the 2025 annual "Corporate Value and Return Enhancement Action Plan" to continue optimizing the operation and standardize the governance of the company and actively return to the investors, to enhance the company's operational efficiency further, strengthen its competitiveness in the market, and build up a good image in the capital market. The main measures are as follows:

### **I. Focusing on the main business and improving the quality of operation**

#### **1. Increased capacity utilization**

(1) Continuous optimization of the production planning and scheduling management system

The company will make demand forecasting accurate, and introduce advanced data analysis tools, combine market trends, customer orders and seasonal factors, accurately forecasting market demand and optimizing production plans; establish a dynamic scheduling management system, set up a production scheduling center, monitor production progress in real time, flexibly adjust various production tasks, and ensure the efficient use of equipment and personnel.

(2) Improvement of equipment operation efficiency

According to the production plan and equipment operation, the company formulates a comprehensive equipment maintenance plan, regularly upgrading equipment, reducing the equipment failure rate, and prolonging the equipment's use time. The company also strengthens the equipment preventive team construction, improves the operation proficiency and skill level, and enhances the equipment PM one-time success rate.

(3) Optimizing supply chain management

The company will strengthen supplier business collaboration, especially with core suppliers, establish in-depth cooperative relationships, ensure timely supply of

raw materials, reduce production stagnation due to supply interruption, optimize inventory strategy, adopt lean inventory management methods to reduce inventory costs while avoiding the impact of production due to insufficient inventory, and reduce the situation of capital occupation.

## **2. Accelerate new production capacity creep**

### **(1) Enhancing market access**

The company will communicate with customers in advance about the new production plan to ensure timely sales and avoid inventory backlog. It will also increase marketing efforts to expand sales channels to provide stable market demand for the new capacity.

### **(2) Develop a detailed ramp-up plan**

According to the design target of the newly built capacity, the company formulates a phased capacity ramp-up plan specifying each phase's production target and time node. The company establishes a regular evaluation mechanism to adjust the ramp-up plan in time according to actual progress and market feedback.

### **(3) Optimization of resource allocation**

The company will recruit and train new employees to ensure enough skilled workers are available for the new capacity. Before implementing the new capacity, the company will conduct comprehensive equipment commissioning and optimization to ensure the equipment operates stably.

### **(4) Strengthening of the production management control system**

The company will continue establishing a sound production monitoring system to track production progress and quality indicators in real time, identify and solve problems on time, and continuously optimize the production process through lean production methods to reduce waste and improve efficiency.

## **3. Improve the efficient utilization of idle fixed assets**

### **(1) Comprehensive detection and assessment**

The company will conduct a comprehensive detection of idle fixed assets and establish detailed asset ledgers, specifying the quantity, status, and value of the assets; hire a professional appraisal organization to assess the value of the idle assets and determine their utilizable value or disposal value.

### **(2) Revitalization of idle assets**

The company will reallocate its idle assets, prioritizing and meeting the demands of the departments or projects with such needs. For idle assets that cannot be utilized internally, the company will increase the asset return rate by renting or selling them.

(3) Strengthening asset management

The company will continue optimizing the fixed asset management system to achieve dynamic monitoring and management of assets and timely detection of idle assets. Moreover, the company will improve the management system for idle assets, clarify the asset identification, disposal, and utilization, and ensure the rational utilization of assets.

**4. Accelerate the promotion of fundraising projects**

(1) Continuous optimization of project management processes

The company will clearly define the progress plan, formulate a detailed implementation plan for the fundraising projects, and clearly define the time nodes and responsible person for each stage; optimize and improve the project monitoring mechanism, regularly check the progress of the project, and timely identify and solve the problems arising in the implementation process.

(2) Enhancement of Resource Allocation

The company will ensure that the fundraising funds are in place promptly, rationalize the use of funds to avoid affecting the progress of the project due to funding issues, select and assign experienced project teams to be responsible for the implementation of the fundraising projects, and ensure that the project teams have sufficient professional capabilities.

(3) Strengthening communication and coordination

The company will hold regular project promotion meetings to strengthen the communication between the project team and the company's management and relevant departments; good cooperative relationships are established with suppliers, constructors, designers, and other external units to ensure the timely supply of project resources.

(4) Risk management

The company will regularly conduct risk assessments of the investment projects, identify potential risk points, formulate risk response programs, and prepare for response in advance to ensure the smooth progress of the projects.

**II. Emphasize the investment in research and development (R&D), adhere to the leading technology, and enhance core competitiveness**

The company focuses on the core concept of "Innovation, Breakthrough, Harmony, and Development". Besides, the company is oriented to the six major fields of AIoT, new energy, automotive electronics, communications, ultra-high-definition display, and high-stability applications. The company focuses on the four primary directions of silicon-based optoelectronics, power semiconductors, ASICs, and sensors. Based on 6-inch, 8-inch, and 12-inch chip lines, the company has established various process platforms such as MOSFET, IGBT, SGT, BCD, MEMS, TVS, SBD, FRD, LCD Driver, CMOS, RF-LDMOS, SiN Silicon Optical, etc. The process nodes of the company cover 0.35  $\mu\text{m}$ , 0.18  $\mu\text{m}$ , and 90 nm, and are further upgraded to 65 nm, 55 nm, 40nm, and other higher process nodes. In addition, as "Moore's Law" is approaching its physical limit, in the post-Moore era, the company adheres to the development direction of More than Moore, takes the development route of Foundry+IDM, and actively lays out in the field of silicon-based optoelectronics and third-generation semiconductors of SiC and GaN.

In 2025, the company will focus on the following aspects to promote the continuous improvement of its science and technology innovation capability:

### **1. Optimize the technological innovation system**

Establishing an efficient technological innovation system is an important guarantee to enhance the enterprise's innovation capability. It is the basic condition to promote the organic integration of key resources such as strategy, R&D, market, supply chain, and manufacturing, as well as the orderly connection between technological R&D and product development to ensure that innovation is carried out efficiently. To enhance the overall competitiveness of the industry and oriented by process platform and product structure, the company continues to optimize the organization system of technological innovation, gives full play to the leading role of the Technology Strategy Committee, initiates the construction of the evaluation system of scientific and technological innovation capability, carries out the evaluation of enterprise scientific and technological innovation capability, and strengthens the awareness of the responsibility of taking the enterprise technology center as the main body of innovation. At the same time, the company improves the R&D management system, optimizes departmental business processes, enhances operational efficiency, and effectively allocates resources.

### **2. Maintain high-intensity R&D investment**

Increasing R&D investment is an essential guarantee for realizing scientific and technological self-reliance and self-improvement, and it is the key to enhancing the core function of enterprise scientific and technological innovation. Further strengthen the awareness of the main R&D investment, continue to increase the R&D investment, actively seek project and policy support, increase diversified R&D investment, smooth the channel of financial support for scientific and technological innovation, effectively mobilize scientific and technological innovation resources, and improve R&D investment and the use of efficiency.

### **3. Building scientific and technological talent**

The high-quality scientific and technological talent team is key to promoting the industry's high-quality development. Vigorously implement the strategy of "Strengthening Enterprises with Talents", further implement the strategy of "Talent Pilot" of Beijing Electronics Holding and the 14th Five-Year Plan of YanDong, and take various measures to attract, motivate and retain core technical talents by the working guideline of "Strengthening Basic Structure, Expanding Increment and Activating Power", which has taken various measures to attract, motivate, and retain the core technical talents. The company will implement special actions in talent gathering and innovation, and will hunt for high-level talents flexibly through talent recommendation, flexible talent attraction, etc. The company will actively carry out major talent programs, vigorously cultivate various technical leaders who can break through key technologies and drive industrial development, and replenish professional and technical personnel suitable for enterprise development. Strengthen the construction of the talent echelon, accelerate the construction of a reasonable structure, outstanding ability, and a dynamic innovative talent team, to enhance the scientific and technological innovation ability to plant the talent advantage. Implement medium and long-term incentive plans, mobilize the enthusiasm and creativity of core talents, build the career community and value community between employees and the enterprise, and provide strong talent protection for the company's quality, efficiency, and long-term development.

### **4. Accelerating the transformation of scientific and technological achievements**

To promote the transformation of scientific and technological achievements and ensure that the innovative achievements can enter the market quickly. Firstly, the company organizes the technical and marketing teams to conduct market research in

collaboration with high efficiency, comprehensively collect user feedback and technical requirements, and provide data support for the design and development of new products. Secondly, the company establishes a rapid response mechanism, sets up cross-departmental project teams, and adopts the "agile development" mode to shorten the product development cycle and flexibly respond to market demand changes. Third, the company will establish an R&D project evaluation mechanism to assess the input and output of R&D projects, adjust resource allocation promptly to improve the efficiency of capital utilization, and ensure that project investment can bring higher returns. Finally, continuously optimize the project management platform to monitor the progress of projects in real time, optimize the management process, and improve management efficiency. By implementing the above measures, the company effectively promotes the rapid transformation and marketization of scientific and technological achievements, and further encourages the innovation and development of the company.

#### **5. Promoting cooperation between industry, academia, and research**

Deepen university-enterprise cooperation, actively establish strategic partnerships with universities and research institutes, jointly carry out various scientific and technological activities, and share resources and achievements. Jointly with universities, research institutes, industry leading enterprises to carry out project application, product development, technology research, frontier field expansion research, accelerate the combination of production, learning and research and school-enterprise cooperation, jointly explore new technologies and solutions, absorb the industry's advanced technological achievements to transfer, and constantly improve the technological sophistication and innovativeness, to ensure that the company's R&D investment is effectively utilized and transformed. Relying on the company's postdoctoral research station, combining industry, academia, and research, and enhancing the enterprise's independent innovation capability. Strengthen the depth of cooperation to enhance the core competitiveness of enterprises.

Through the above joint research and development and technical cooperation, the company will continue to improve the depth and breadth of its collaboration with research institutes, continuously enhance its ability to develop products in new fields, deeply expand its scientific and technological innovation output, and safeguard its sustained competitiveness in the integrated circuit chip industry.

Through the promotion and implementation of various initiatives, the company actively promotes scientific research projects, advance the construction of process platforms, accelerate the forward-looking technology reserves, accelerate the transformation of innovative achievements, enhance the output benefits of R&D inputs, continue to improve the ability of scientific and technological innovation, enhance the quality of scientific and technological innovation work, strengthen the core competitiveness of the enterprise, improve the quality and efficiency of the company's development, and enhance the company's market competitiveness and overall returns.

### **III. Continuous optimization of financial management to improve operational and capital efficiency**

In 2024, the company focused on optimizing the internal control system and value creation. It enhanced operational efficiency and capital efficiency through three major initiatives: firstly, the company optimized the target cost management, implemented monthly deviation review and appraisal, and enhanced the profitability of products; secondly, the company strengthened the management of cash and capital, and established the mechanism of customer credit rating and supplier competition to enhance the operational efficiency of assets; thirdly, the company deepened treasury management, and established a monthly capital rolling mechanism to enhance the capital yield capacity. In 2025, the company will further optimize its financial management and enhance its operating quality, with specific measures as follows:

#### **1. Optimizing product mix and enhancing product profitability**

Optimize the market demand research mechanism, new product development in conjunction with the company's strategic planning, the formation of gradient product matrix; build cross-departmental agile response team, deepen the integration of the R&D- production-sales chain, to achieve the linkage of technology iteration and customer demand; strengthen the standardized control of the whole process, to ensure that the process stability of the mass production stage, to enhance the overall level of the production line, and to protect the rapid response to market demand.

#### **2. Improvement of management and reduction of production and operating costs**

Strengthen supply chain management, control procurement costs, shorten inventory time, and reasonably reduce inventory size; optimize resource allocation through asset integration and improve asset utilization efficiency; optimize the digital

management platform to achieve real-time data sharing, reduce information asymmetry, and lower communication costs.

### **3. Strengthening fund management and promoting joint efficiency gains**

Optimize the bill management platform, reduce capital occupation, expand the pledge financing business of the bill pool, and enhance asset liquidity; establish the Group's fund income and expenditure control, optimize the idle fund allocation strategy, and improve the efficiency of fund usage through structured financial management portfolio under risk control, to form a fund operation system that unifies liquidity, safety and profitability.

## **IV. Improving corporate governance and promoting high-quality development of the company**

The company attaches great importance to improving its governance and establishing a sound internal control system. The powers and responsibilities of the shareholders' general meeting, the Board of Directors, the Supervisory Committee, and the management layer of the company are clearly defined. The Board of Directors has set up four specialized committees, namely, the Strategy Committee, the Audit Committee, the Nomination Committee, and the Remuneration and Evaluation Committee, to provide advice and recommendations for the Board of Directors to make significant decisions, to ensure that the Board of Directors' deliberation and decision-making are professional, efficient, fair and reasonable.

In 2025, the company will continue to improve its corporate governance structure and internal control system, and enhance its standardized operation and scientific decision-making.

1. The company will strengthen the learning and training efforts of the directors, supervisors and key position holders to improve their standardized operation and management level and ability to perform their duties, strengthen the operational resilience, and continue to increase the company's core competitiveness, profitability, operational efficiency and risk prevention and control capabilities, and to effectively enhance the effectiveness of the Board of Directors' governance, decision-making efficiency and operational effectiveness. The company creates a good working environment for independent directors, strengthens their supervision mechanism, opens an exclusive office, designates the Board of Directors' Office as a communication service organization, and is specifically responsible for the preparation of materials for meeting motions, information feedback, etc., which



facilitates independent directors to carry out on-site work for no less than 15 days per year, and provides convenient conditions for independent directors to carry out their work. At the same time, the company will promptly report to the independent directors on the operational situation and significant issues, and submit relevant documents to safeguard the independent directors' right to know effectively.

2. The company will take into account the latest provisions of laws and regulations, departmental rules of the Securities and Futures Commission and business rules of the Stock Exchange relating to independent directors and shareholders' returns, accelerate the implementation of the reform requirements of the independent directors' system, optimize the selection and appointment of accounting firms and the management of internal audits, revise and improve the relevant management system and several internal control systems, and strictly formulate the appropriate approval process, to provide a strong safeguard for the legitimate rights and interests of all shareholders. At the same time, the management of the company will take the lead to conduct a comprehensive review of the internal control system, conduct an in-depth investigation of the potential pitfalls of the company, and carry out rectification of the problems found, to promote the company's continuous realization of high-quality development.

#### **V. Focus on shareholder returns and improve investor return mechanisms**

The company attaches great importance to quality development, actively responds to the policy call, formulates the Market Value Management System, firmly establishes the awareness of returning to shareholders, honesty and trustworthiness, standardized operation, focusing on the main business, steady operation, and promotes the improvement of the operation level and the quality of development with the cultivation and application of the new quality productivity and on this basis, does a good job in investor relationship management and enhances the quality and transparency of information disclosure.

The company attaches great importance to shareholders' return on investment and endeavors to create long-term sustainable value for shareholders. The company has formulated and committed to strictly abide by the relevant profit distribution policies applicable in the provisions of the "Plan for Shareholders' Dividend Returns for the Three Years after the Listing of Beijing YanDong Microelectronics Co., Ltd." and the "Articles of Association of Beijing YanDong Microelectronics Co., Ltd.", etc. In 2023, the company paid all shareholders a cash dividend of 0.4 RMB per 10 shares

(including tax), total cash dividend of 47,964,164.44 RMB (including tax), accounting for 10.6% of the net profit attributable to shareholders of the listed company for the year of 2023, the company strengthened the confidence of investors through the implementation of cash dividends and other means.

Based on the confidence in the future development prospects of the company, promote the stable and healthy development of the company, while safeguarding the interests of all shareholders of the company and promoting the long-term development of the company, under the comprehensive consideration of the company's financial situation and future profitability, the company issued the "Proposal on the Repurchase of Shares using Centralized Bidding" on 2024, intending to repurchase the company's shares with its funds utilizing centralized bidding transactions. The total amount of repurchase funds shall not be less than 40 million RMB (inclusive) and not more than 80 million RMB (inclusive) to repurchase the company's shares. In 2025, the company will carry out share repurchases as scheduled at the opportune time, and as always, will put the investors in the first place. In conjunction with the business's current situation, the future development plan is to coordinate the dynamic balance between the operational development, the growth of the performance, and the return to the shareholders. While considering the company's long-term development, the company will let shareholders feel the fruits of the company's development, establish a "long-term, stable and sustainable" shareholders' value return mechanism, and enhance investors' confidence in the company's development.

## **VI. Continuously strengthening communication with investors and continuously improving the quality of information disclosure**

Since the company went public, it has established open, fair, transparent and multi-dimensional investor communication channels, strengthened exchanges and communications with investors through the SSE e-interactive platform, investor mailboxes, investor hotline, acceptance of on-site research and other forms of exchange and communication, and regularized the holding of performance briefings after the disclosure of regular reports, to deepen the investors' understanding of the company's production and operation, and to better convey the company's investment value. The company strictly abides by the laws and regulations and the provisions of the regulatory bodies to ensure that under the company's information disclosure management system, the information disclosure obligations are fulfilled in a truthful,

accurate, complete, timely and fair manner, to enhance the sense of identity of investors towards the company and to build up the confidence of the market.

In 2025, the company will continue to communicate the operating results and financial condition to investors promptly, openly, and transparently through many channels, such as announcements of listed companies, investor communication meetings, performance briefing sessions, SSE e-interactive, telephone calls, and emails.

#### **VII. Strengthening the constraints on the sharing of benefits between management and shareholders**

The company has established a scientific and reasonable performance-based compensation system. The remuneration of executives consists of position salary, annual performance bonus, term bonus, and medium and long-term incentives. Position salary is the basic income of the executives, which the company will determine according to the position duties, market salary level, and other factors. The annual performance bonus is linked to the company's yearly business performance assessment results, reflecting the executive's contribution to the company's annual operating results. The company will link the tenure bonuses and medium and long-term incentives to medium and long-term development strategies and operating results, guiding executives to focus on the company's long-term value creation. The company will closely link the executive compensation to the company's operating results, significant R&D progress, and major business development. Performance assessment indicators include, but are not limited to: financial indicators, R&D and innovation indicators, operation and management indicators, and major project progress indicators. The company employs a third-party organization to audit the performance assessment data annually and issues performance remuneration based on the assessment results. The executives' performance assessment and remuneration honors are applied after the Board of Directors' decision. In the event of failure to pass the appraisal, performance of duties, serious dereliction of duty, serious violations of discipline and law, etc., the company will terminate the employment, the term bonus will not be issued, and those already issued will be recovered and deducted. The company's comprehensive remuneration performance management mechanism ensures that the interests of management and shareholders are aligned.

#### **VIII. Strengthening the responsibility of the "key few"**

To effectively protect the legitimate rights and interests of investors and maximize the overall interests of the company, the controlling shareholder of the company, the actual controller Beijing Electronics Holdings Limited (BEHC), the relevant directors and senior management have made the relevant important commitments regarding the lock-up of shares and the commitment to stabilize the share price. The company will continue to pay attention to fulfilling its obligations and do a good job of pre-communication to ensure that the relevant obligations are strictly enforced. At the same time, the company passes the applicable laws and regulations, the training contents of the SSE and other regulatory organizations, to the key personnel in time to strengthen their professional knowledge.

In 2025, the company will continue to maintain close communication with directors, supervisors, senior management and other "key few", actively organize directors, supervisors and relevant staff to participate in the training of the Securities and Futures Commission and the Stock Exchange on governance, disclosure of information and finance of listed companies, and invite intermediaries such as the sponsoring agency, law firm, etc. To conduct several training activities for the directors and supervisors to learn the relevant laws and regulations of the securities market and promote the continuous standardization of the company's operations. Continuously improve self-discipline awareness, strengthen the sense of responsibility and fulfillment, and jointly promote the company to achieve standardized operation.

#### **IX. Continuous evaluation to improve action programs**

The company will continue to evaluate the specific initiatives of the "Corporate Value and Return Enhancement Action Plan" action program and promptly fulfill its information disclosure obligations. The company will continue to focus on its primary business, improve its risk management ability, profitability and core competitiveness, and strive to fulfill its responsibilities and obligations as a listed company through good performance, standardized corporate governance and positive investor returns, to establish a "long-term, stable and sustainable" shareholders' value return mechanism, to return the trust of our investors and maintain a good market image of the company.