Application Proof of

Fortior Technology (Shenzhen) Co., Ltd.
峰岹科技(深圳)股份有限公司

(the "**Company**")

(A joint stock company incorporated in the People's Republic of China with limited liability)

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Fortior Technology (Shenzhen) Co., Ltd.
峰岹科技(深圳)股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
[REDACTED]	**:**	**[REDACTED]**

Sole Sponsor, **[REDACTED]**

CICC 中金公司

A copy of this document, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available on Display – Documents Delivered to the Registrar of Companies" in Appendix VII, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). Neither the Securities and Futures Commission of Hong Kong nor the Registrar of Companies in Hong Kong takes any responsibility as to the contents of this document or any other documents referred to above.

The **[REDACTED]** is expected to be determined by agreement between the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and us on or around **[REDACTED]**. The **[REDACTED]** will be no more than HK$**[REDACTED]** per **[REDACTED]** and is currently expected to be not less than HK$**[REDACTED]** per **[REDACTED]**. If, for any reason, the **[REDACTED]** is not agreed by 12:00 noon on **[REDACTED]**, the **[REDACTED]** will not proceed and will lapse.

The [REDACTED] (for itself and on behalf of the [REDACTED]) may, with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] below that is stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. See "Structure of the [REDACTED]" and "How to Apply for [REDACTED]" for further details.

The obligations of the **[REDACTED]** under the **[REDACTED]** are subject to termination by the **[REDACTED]** (for itself and on behalf of the **[REDACTED]** if certain grounds arise prior to 8:00 a.m. on the **[REDACTED]**. See "**[REDACTED]**" for further details.

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[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE(1)

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

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This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the **[REDACTED]**. *There are risks associated with any investment. Some of the particular risks in investing in the* **[REDACTED]** *are set forth in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* **[REDACTED]**.

OVERVIEW

We are a pioneering IC design company dedicated to the design and R&D of BLDC motor control ICs and have established a strong market position within the industry. A BLDC motor is a type of brushless motor driven by electronic commutation, which changes the electromagnetic fields to drive the rotor of the motor. According to Frost & Sullivan, compared with traditional motors, BLDC motors offer advantages such as high efficiency, low power consumption, high control precision and low noise, and are widely used in various applications. Our products are designed to help BLDC motors optimize their performance and achieve highly efficient, low-noise, and high-precision operation. According to Frost & Sullivan, our product portfolio covers all key components of a typical motor control system, including (i) motor control chips such as MCUs and ASICs, (ii) motor driver chips such as HVICs, (iii) IPMs, and (iv) power devices such as MOSFETs. According to Frost & Sullivan:

- We are the first Chinese IC company that focuses on the design of BLDC motor control ICs;
- We are the first IC company in the world to achieve large-scale production of specific-purpose motor control chips with hardware-based FOC algorithms; and
- As of December 31, 2023, we ranked sixth with a 4.8% market share in terms of revenue in the BLDC motor control and driver chip market in China and were the only Chinese company among top ten companies in the same market.

Our R&D efforts focus on three core technological fields, namely (i) IC design, (ii) motor control algorithms and (iii) motor design, and we have achieved several competitive technologies in these fields. The combination of our technologies in these three fields forms the foundation of our core competitiveness in the motor control IC industry. According to Frost & Sullivan, we are the first motor control IC company in China with dedicated teams specializing in all these three technological fields.

Our main products include MCUs/ASICs, HVICs, MOSFETs, and IPMs, which are the key components of a typical BLDC motor control system. Among them, our MCUs/ASICs, as the motor control chips, receive electrical signals, execute motor control algorithms and generate precise control instructions. Our HVICs serve as driver chips to provide high and low voltage isolation and amplify driving capacity, allowing MCUs/ASICs to drive MOSFETs. Based on the control instructions from the MCUs/ASICs, the MOSFETs, driven by the HVICs, generate specific electromagnetic fields, which drive the rotation of the motor, allowing the BLDC motor to operate efficiently. Please see "Business – Our Products – Overview" for details. In addition, we also provide IPMs, which are modules that combine MCU/ASIC, HVIC and/or MOSFET in a package, thus reducing the number of external components and PCB area, simplifying the design of the motor control system and providing customers with simple and efficient solutions.

Our products are used in BLDC motors that have been widely used in multiple downstream applications, including smart small household appliances, white goods, electric tools, sports and leisure, industrial, and automotive applications. Leveraging our solid R&D capabilities, reliable product quality and cost-efficiency advantages, we have accumulated a broad base of high-quality end customers.

Leveraging the synergies among our IC design, motor control algorithms and motor design, we have the capability to provide system-level services for end customers and address practical technical problems. Our R&D teams in IC design, motor control algorithms and motor design communicate and work closely with our end customers and provide comprehensive system-level services. Through this process, we, in turn, also collect information about the downstream market needs and incorporate them in our R&D and technological advancement.

OUR COMPETITIVE STRENGTHS

We believe the following strengths position us well to capitalize on future opportunities and deliver continued growth: (i) Leader in advanced motor control technologies with proprietary and innovative ME core; (ii) Synergies in IC design, motor control algorithms and motor design to deliver system-level services; (iii) Highly reliable products with efficient upgrades, broad application versatility and large-scale commercialization capabilities; (iv) Serving a broad base of high-quality end customers and fostering strong, long-term cooperative relationships; and (v) Multidisciplinary team with extensive IC R&D experience.

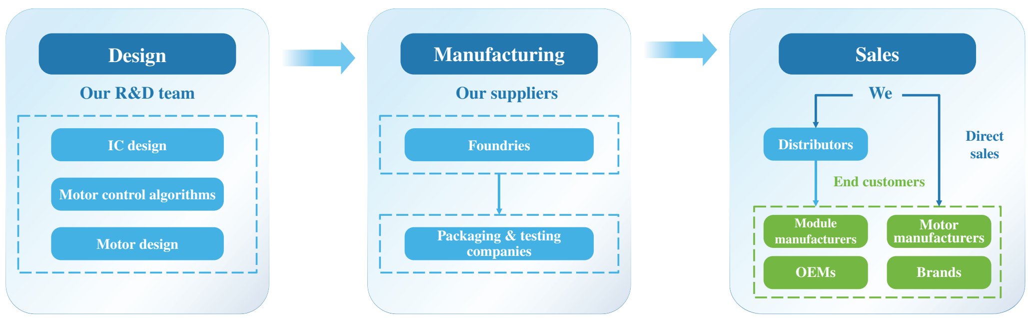
OUR GROWTH STRATEGIES

We plan to pursue the following strategies: (i) Continuous investment in R&D to consolidate and enhance our technological advantages; (ii) Consolidating our advantages in consumer applications and collaborating with our business partners to seize opportunities in the industry; (iii) Strategic deployment in emerging applications such as industrial and automotive sectors; (iv) Expanding overseas markets, promoting products globally and developing our business with an international perspective; and (v) Attracting top global talent and continuously building talent teams.

OUR FABLESS BUSINESS MODEL

We adopt the fabless model, focusing on the design and R&D of our products while outsourcing wafer fabrication, chip packaging and testing to trusted third-party partners. According to Frost & Sullivan, the fabless business model is consistent with the increasing trend of specialized division of labor within the semiconductor industry, allowing fabless companies to focus attention and resources on design and R&D.

The following diagram illustrates our fabless business model:



OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers primarily consisted of distributors. In 2022, 2023 and the nine months ended September 30, 2024, our five largest customers together generated RMB182.7 million, RMB208.3 million, and RMB205.5 million of revenues, respectively, accounting for 56.6%, 50.6%, and 47.5% of our total revenue, respectively. Revenue from our largest customer in each period of the Track Record Period accounted for 20.9%, 17.5% and 15.0% of our total revenue, respectively. See "Business–Our Customers" for more details.

During the Track Record Period, our suppliers primarily consisted of (i) foundries, and (ii) companies that provide services in chip packaging and testing. We typically engage reputable suppliers to ensure the quality of our products. In 2022, 2023 and the nine months ended September 30, 2024, purchases from our five largest suppliers amounted to RMB209.8 million, RMB182.2 million, and RMB160.3 million, respectively, representing 89.3%, 86.9%, and 79.6% of our total purchases, respectively. In addition, purchases from our largest supplier accounted for 52.4%, 62.8%, and 32.9% of our total purchases in 2022, 2023 and the nine months ended September 30, 2024, respectively. See "Business–Our Suppliers" for more details.

COMPETITIVE LANDSCAPE

We operate in a highly competitive industry, with increasing demand for innovative and efficient products. We compete with both foreign and domestic companies engaged in the design and production of BLDC motor control and driver chips. Our competition primarily revolves around product performance, technical innovation, cost-efficiency, and market responsiveness. According to Frost & Sullivan, foreign companies maintain a dominant position in the market. However, Chinese companies have achieved rapid growth by leveraging their technological innovation capabilities. These companies have strategically focused on specific market sectors, gradually increasing their market shares and achieving domestic substitution that effectively addresses the needs and requirements of these sectors. In 2023, we ranked sixth in China's BLDC motor control and driver chip market and were the only Chinese company among top ten companies in the same market. We remain focused on leveraging our technological expertise, customer-centric solutions, and operational efficiency to maintain and enhance our position in the market.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The summary of consolidated financial information should be read together with the consolidated financial information to the Accountants' Report in Appendix I to this document, including the accompanying notes and the information set out in "Financial Information" in this document.

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets out key items of our consolidated statements of profit or loss and other comprehensive income for the years indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)		(unaudited)	
REVENUE	**322,973**	**100.0**	**411,359**	**100.0**	**281,568**	**100.0**	**432,827**	**100.0**
Cost of sales	(137,774)	(42.7)	(192,678)	(46.8)	(132,325)	(47.0)	(206,838)	(47.8)
Gross profit	**185,199**	**57.3**	**218,681**	**53.2**	**149,243**	**53.0**	**225,989**	**52.2**
Other income and gains	58,967	18.3	84,376	20.5	56,277	20.0	62,043	14.3
Selling and distribution expenses	(12,605)	(3.9)	(18,396)	(4.5)	(11,989)	(4.3)	(13,020)	(3.0)
Administrative expenses	(24,543)	(7.6)	(27,193)	(6.6)	(18,487)	(6.6)	(20,353)	(4.7)
Research and development expenses	(63,845)	(19.8)	(84,674)	(20.6)	(52,007)	(18.5)	(65,079)	(15.0)
Impairment losses on financial assets, net	35	0.0	(143)	(0.0)	(112)	(0.0)	91	0.0
Other expenses	(2)	(0.0)	(1,780)	(0.4)	(4)	(0.0)	(3,963)	(0.9)
Finance costs	(62)	(0.0)	(490)	(0.1)	(395)	(0.1)	(396)	(0.1)
PROFIT BEFORE TAX	143,144	44.3	170,381	41.4	122,526	43.5	185,312	42.8
Income tax (expense)/credit	(1,143)	(0.4)	4,466	1.1	1,481	0.5	(1,500)	(0.3)
PROFIT FOR THE YEAR/PERIOD	142,001	44.0	174,847	42.5	124,007	44.0	183,812	42.5
OTHER COMPREHENSIVE INCOME/(LOSS)	320	0.1	(1,087)	(0.3)	(54)	(0.0)	(298)	(0.1)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX	**142,321**	**44.1**	**173,760**	**42.2**	**123,953**	**44.0**	**183,514**	**42.4**

Revenue

The following table sets forth a breakdown of our revenue by products, in absolute amounts and as percentages of our total revenue, for the periods indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)		(unaudited)	
MCU	232,343	71.9	274,748	66.8	187,482	66.6	276,536	63.9
ASIC	19,697	6.1	48,254	11.7	34,123	12.1	58,526	13.5
HVIC	56,261	17.4	66,395	16.1	46,424	16.5	65,368	15.1
MOSFET	7,828	2.4	3,655	0.9	2,725	1.0	1,518	0.4
IPM	4,751	1.5	16,929	4.1	9,755	3.5	30,061	6.9
Others(1)	2,093	0.6	1,378	0.3	1,059	0.4	818	0.2
Total	**322,973**	**100.0**	**411,359**	**100.0**	**281,568**	**100.0**	**432,827**	**100.0**

Note:

(1) Others primarily include revenue from sales of other products, including semiconductor demo boards and analog devices, among others.

Gross Profit and Gross Profit Margin

The table below sets forth a breakdown of our gross profit and gross profit margin by products for the periods indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)		(unaudited)	
Sales of products								
MCU	142,002	61.1	155,703	56.7	107,159	57.2	153,171	55.4
ASIC	11,931	60.6	25,303	52.4	17,371	50.9	34,491	58.9
HVIC	26,326	46.8	29,110	43.8	19,807	42.7	26,831	41.0
MOSFET	1,549	19.8	998	27.3	658	24.1	584	38.5
IPM	1,775	37.4	7,777	45.9	4,368	44.8	13,445	44.7
Others(1)	1,868	89.2	1,076	78.1	840	79.3	602	73.6
Sub-total	**185,451**	**57.4**	**219,967**	**53.5**	**150,203**	**53.3**	**229,124**	**52.9**
Write-down of inventories	(252)		(1,286)		(960)		(3,135)	
Total	**185,199**	**57.3**	**218,681**	**53.2**	**149,243**	**53.0**	**225,989**	**52.2**

Note:

(1) Others primarily include gross profit from sales of other products, including semiconductor demo boards and analog devices, among others.

Summary of Consolidated Statements of Financial Position

	As of December 31,		As of September 30,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(unaudited)
Total non-current assets	145,048	523,242	1,138,112
Total current assets	2,227,883	1,970,446	1,417,403
Total assets	2,372,931	2,493,688	2,555,515
Total non-current liabilities	27,232	9,591	4,922
Total current liabilities	90,640	92,979	45,594
Total liabilities	117,872	102,570	50,516
Net assets	2,255,059	2,391,118	2,504,999
Share capital	92,363	92,363	92,363
Treasure shares	–	–	(193)
Reserves	2,162,696	2,298,755	2,412,829
Total equity	2,255,059	2,391,118	2,504,999

Summary of Consolidated Statements of Cash Flows

The following table sets forth selected information from our cash flows for the years indicated:

	For the year ended December 31,		For the nine months ended September 30,	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Net cash flows from operating activities	34,833	111,343	65,967	120,095
Net cash flows (used in)/from investing activities	(1,586,008)	28,061	(328,789)	(439,258)
Net cash flows from/(used in) financing activities	1,677,946	(49,244)	(48,109)	(82,147)
Net increase/(decrease) in cash and cash equivalents	**126,771**	**90,160**	**(310,931)**	**(401,310)**
Cash and cash equivalents at the beginning of the year	391,773	519,585	519,585	608,696
Effect of foreign exchange rate changes, net	1,041	(1,049)	130	(54)
Cash and cash equivalents at the end of the year	**519,585**	**608,696**	**208,784**	**207,332**

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	As of or for the year ended December 31,		As of or for the nine months ended September 30,
	2022	2023	2024
			(unaudited)
Gross profit margin	57.3%	53.2%	52.2%
Net profit margin	44.0%	42.5%	42.5%
Return on equity(1)	10.6%	7.5%	10.0%
Return on total assets(2)	9.8%	7.2%	9.7%
Current ratio(3)	24.6	21.2	31.1

Notes:

(1) Return on equity was calculated based on net profit of the respective year or annualized net profit for the period, divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.

(2) Return on total assets was calculated based on net profit of the respective year or annualized net profit for the period, divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

(3) Current ratio was calculated based on current assets of the respective year/period, divided by current liabilities.

See "Financial Information – Key Financial Ratios" for more details.

RISK FACTORS

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry, (ii) risks relating to doing business in the country where we operate and (iii) risks relating to the **[REDACTED]**. These risks include, among others, the following:

- New scientific and technological outcomes or trends could make our products uncompetitive and obsolete.

- We depend on the continued services and performance of our founder, Directors, senior management and other key employees, including senior R&D personnel and skilled engineers.

- Our products are primarily used by end customers of certain industries and sectors. Factors that adversely affect these industries and sectors may adversely impact our business, financial condition and results of operations.

- The size of the markets in which we operate and the demand for our products may not increase as quickly as we anticipate due to a variety of factors, which would materially and adversely affect our business, financial condition, results of operations and prospects.

- We may not be able to implement our planned growth plan and our business and results of operations may be adversely affected.

- The industry in which we operate is highly competitive. If we fail to compete against other market players, our business, results of operations and financial condition may be materially and adversely affected.

- We may not be able to obtain or maintain adequate intellectual property rights protection for our products, or the scope of such intellectual property rights protection may not be sufficiently broad.

- We depend on a limited number of third-party wafer foundry partners to manufacture our products.

- We generated substantially all our revenue through our distribution network. Any decrease in sales from, or loss of our distributors would have adverse impacts on our business, results of operations and financial condition.

- We are subject to rapid fluctuations in the semiconductor industry.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

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 bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance. See "Business – Legal Proceedings and Compliance" for more details.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was held as to (i) 38.06% by Fortior HK, which was majority-controlled by Mr. Bi Lei and his brother, Dr. Bi Chao, and (ii) 1.46% by Xinyun Technology, which was wholly owned by Ms. Gao Shuai, the spouse of Mr. Bi Lei, representing 38.14% and 1.47% of the voting power at general meetings of our Company, respectively (excluding the 193,000 A Shares held by our Company as treasury Shares). Mr. Bi Lei, Dr. Bi Chao and Ms. Gao Shuai have entered into the Acting-in-Concert Agreement, pursuant to which they agreed, among other things, to act in concert when voting at general meetings of our Company and meetings of our Board until April 19, 2028.

Accordingly, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no additional Shares are issued pursuant to our Restricted Share Incentive Plans), Mr. Bi Lei, Dr. Bi Chao and Ms. Gao Shuai, through Fortior HK and Xinyun Technology, will collectively be entitled to exercise **[REDACTED]**% of the voting power at general meetings of our Company (excluding the 193,000 A Shares held by our Company as treasury Shares). Upon **[REDACTED]**, each of Mr. Bi Lei, Dr. Bi Chao, Ms. Gao Shuai, Fortior HK and Xinyun Technology will constitute a group of our Controlling Shareholders under the Listing Rules. See "Relationship with Our Controlling Shareholders" in this document for further details.

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that (i) the **[REDACTED]** is completed and **[REDACTED]** H Shares are newly issued in the **[REDACTED]**, (ii) the **[REDACTED]** is not exercised, (iii) no additional Shares are issued pursuant to our Restricted Share Incentive Plans, and (iv) **[REDACTED]** Shares are issued and outstanding following the completion of the **[REDACTED]**:

	Based on the [REDACTED] of HK$[REDACTED] per Share	**Based on the [REDACTED] of HK$[REDACTED] per Share**
Market capitalization of our H Shares(1)	HK$**[REDACTED]**	HK$**[REDACTED]**
Unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share(2)	HK$**[REDACTED]**	HK$**[REDACTED]**

Note:

(1) The calculation of market capitalization is based on the assumption that **[REDACTED]** H Shares are expected to be in issue immediately after completion of the **[REDACTED]**.

(2) The unaudited **[REDACTED]** adjusted consolidated net tangible assets attributable to owners of the Company per Share is calculated based on **[REDACTED]** Shares in issue assuming the **[REDACTED]** has been completed on December 31, 2023 but takes no account of any shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** or any Shares which may be issued or repurchased by the Company.

OUR LISTING ON THE STAR MARKET

Since April 2022, our A Shares have been listed on the STAR Market. Our Directors confirm that, since our A Share listing and up to the Latest Practicable Date, there had been no instances of our material non-compliance with the applicable rules of the STAR Market and other applicable PRC securities laws and regulations. To the best knowledge of our Directors, there are no material matters in relation to our compliance record on the STAR Market that should be brought to the attention of the Stock Exchange or potential **[REDACTED]** of the **[REDACTED]**. Our PRC Legal Advisor is of the view that, since our A Share listing and up to the Latest Practicable Date, there had been no instances of our material non-compliance with the applicable rules of the STAR Market and other applicable PRC securities laws and regulations. Based on the independent due diligence conducted by the Sole Sponsor and our PRC Legal Advisor's view above, no material matter has come to the Sole Sponsor's attention that would cause it to disagree with our Directors' confirmation with regard to the compliance records of our Company on the STAR Market.

DIVIDENDS AND DIVIDEND POLICY

Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, as appropriate. During the Track Record Period, we declared dividends of RMB40.6 million and RMB44.3 million in 2022 and 2023, respectively.

According to including the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies – Cash Dividend Distribution of Listed Companies (2023 Revision) (《上市公司監管指引第3號－上市公司現金分紅(2023年修訂)》), and the Articles of Association, we are required to pay cumulative cash dividends of any three fiscal years that account for not less than 30% of our average net profits for those three fiscal years which are available for distribution, calculated in accordance with PRC GAAP, provided that the sustainable operation and long term development of the Company will not be impacted and there is no plan for significant capital expenditure. Future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders' meetings. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that our Board may deem relevant.

FUTURE PLANS AND USE OF [REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the **[REDACTED]** range stated in this document), we estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**) from the **[REDACTED]** after deducting the **[REDACTED]** and other estimated expenses paid and payable by us in connection with the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised.

In line with our strategies, we intend to use our **[REDACTED]** from the **[REDACTED]** for the purposes and in the amounts set forth below:

- approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), is expected to be used for enhancing our R&D and innovation capabilities;

- approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), is expected to be used to further enrich our product portfolio and expand downstream application;

- approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), is expected to be used for expanding our overseas sales network and promoting our products in overseas markets;

- approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), is expected to be used for strategic investments and/or acquisition to achieve our long-term growth strategies; and

- approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), is expected to be used for working capital and general corporate uses.

For further details, see "Future Plans and Use of **[REDACTED]**."

[REDACTED]

[REDACTED] represent professional fees, **[REDACTED]** and other fees (such as the discretionary incentive fee) incurred in connection with the **[REDACTED]**. We estimate that our **[REDACTED]** will be approximately RMB**[REDACTED]** (or HK$**[REDACTED]**, representing **[REDACTED]**% of the gross **[REDACTED]** from the **[REDACTED]**) (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the indicative **[REDACTED]** range) and no exercise of the **[REDACTED]**), of which (i) approximately RMB**[REDACTED]**, directly attributable to the issue of our **[REDACTED]**, will be subsequently charged to equity upon completion of the proposed **[REDACTED]** and (ii) approximately RMB**[REDACTED]** is expected to be expensed in our consolidated statements of profit or loss. By nature, our **[REDACTED]** are composed of (i) **[REDACTED]** of approximately RMB**[REDACTED]** and (ii) non-**[REDACTED]**-related expenses of approximately RMB**[REDACTED]**, which consist of (a) fees and expenses of legal advisors and Reporting Accountants of approximately RMB**[REDACTED]**, and (b) other fees and expenses of approximately RMB**[REDACTED]**. We did not recognize any **[REDACTED]** in 2022, 2023 and the nine months ended September 30, 2024.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since September 30, 2024, being the end date of our latest consolidated financial statements, and there has been no event since September 30, 2024 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set forth below. Certain other terms are explained in "Glossary of Technical Terms."

"2022 Restricted Share Incentive Plan"	our restricted share incentive plan approved by our Shareholders on September 1, 2022
"2024 Restricted Share Incentive Plan"	our restricted share incentive plan approved by our Shareholders on October 15, 2024
"A Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which are traded in Renminbi and listed on the STAR Market
"A Shareholder(s)"	holder(s) of our A Share(s)
"Accountants' Report"	the accountants' report of our Company for the Track Record Period, as included in Appendix I to this document
"Acting-in-Concert Agreement"	the acting-in-concert agreement dated March 17, 2021 entered into among Mr. Bi Lei, Dr. Bi Chao and Ms. Gao Shuai, as supplemented on January 10, 2025, details of which are set out in the section headed "Relationship with Our Controlling Shareholders – Overview" in this document
"AFRC"	Accounting and Financial Reporting Council of Hong Kong
"ARM"	ARM Holdings plc, a semiconductor and software design company listed on NASDAQ
"Articles of Association" or "Articles"	the articles of association of our Company, conditionally adopted on January 10, 2025 with effect from the **[REDACTED]**, as amended, supplemented, or otherwise modified from time to time, a summary of which is set out in Appendix V to this document
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of our Company
"Board of Supervisors"	the board of Supervisors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

[REDACTED]

"China," "mainland China" or "PRC"	the People's Republic of China, but for the purpose of this document and except where the context requires otherwise, references in this document to "China," "mainland China" or the "PRC" do not apply to Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan, China
"CNIPA"	the China National Intellectual Property Administration (中華人民共和國國家知識產權局)
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company," "our Company," "we," "our" or "us"	Fortior Technology (Shenzhen) Co., Ltd. (峰岹科技(深圳)股份有限公司), a company established under the laws of the PRC on May 21, 2010 and converted into a joint stock company with limited liability on June 22, 2020, whose A Shares have been listed on the STAR Market (stock code: 688279)
"Controlling Shareholder(s)"	has the meaning given to it under the Listing Rules and, unless the context otherwise requires, refers to the person(s) named in "Relationship with Our Controlling Shareholders" in this document
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC securities markets and overseas securities activities of PRC entities
"Director(s)"	the director(s) of our Company
"EIT"	enterprise income tax
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

[REDACTED]

"Fortior HK"	Fortior Technology (HK) Company Limited (峰岹科技(香港)有限公司), a private company limited by shares incorporated under the laws of Hong Kong on February 26, 2010, and one of our Controlling Shareholders
"Fortior International"	Fortior International Pte. Ltd., a private company limited by shares incorporated under the laws of Singapore on December 27, 2022, and our indirect wholly-owned subsidiary
"Fortior Japan"	Fortior Technology Corporation (フオーテイオテツク株式會社), a limited liability company incorporated under the laws of Japan on November 19, 2024, and our indirect wholly-owned subsidiary
"Fortior Microelectronics"	Fortior Microelectronics (HongKong) Company Limited (峰岹微電子(香港)有限公司), a private company limited by shares incorporated under the laws of Hong Kong on October 4, 2010, and our direct wholly-owned subsidiary
"Fortior Qingdao"	Fortior Technology (Qingdao) Co., Ltd. (峰岹科技(青島)有限公司), a limited liability company established under the laws of the PRC on October 11, 2019, and our direct wholly-owned subsidiary
"Fortior Semiconductor"	Fortior Semiconductor (Shanghai) Co., Ltd. (峰岧半導體(上海)有限公司), a limited liability company established under the laws of the PRC on June 5, 2024, and our indirect wholly-owned subsidiary
"Fortior Shanghai"	Fortior Technology (Shanghai) Co., Ltd. (峰岧科技(上海)有限公司), a limited liability company established under the laws of the PRC on June 8, 2018, and our direct wholly-owned subsidiary
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the industry consultant

[REDACTED]

DEFINITIONS

[REDACTED]

"Group," "our Group," "we," "our" or "us"	our Company and our subsidiaries (or our Company and any one or more of our subsidiaries, as the content may require), or where the context so requires, in respect of the periods before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"H Share(s)"	overseas **[REDACTED]** foreign shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and **[REDACTED]** on the **[REDACTED]**
"H Shareholder(s)"	holder(s) of our H Share(s)

[REDACTED]

[REDACTED]

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited

[REDACTED]

"IFRS"	International Financial Reporting Standards, as issued by the International Accounting Standards Board

"Independent Third Party(ies)"	person(s) or company(ies) who/which, to the best of our Directors' knowledge, information and belief, is/are not a connected person of our Company

[REDACTED]

"Japanese yen" or "JPY"	Japanese yen, the lawful currency of Japan
"Latest Practicable Date"	[January 8, 2025], being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication

[REDACTED]

"Listing Committee"	the Listing Committee of the Stock Exchange

[REDACTED]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
"Nomination Committee"	the nomination committee of the Board

[REDACTED]

"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC Legal Advisor"	AllBright Law Offices, our legal advisor as to PRC laws
"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time

[REDACTED]

"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of China
"Restricted Share Incentive Plans"	the 2022 Restricted Share Incentive Plan and the 2024 Restricted Share Incentive Plan, the principal terms of which are set out in "Statutory and General Information – D. Restricted Share Incentive Plans" in Appendix VI to this document
"SAFE"	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Huaxin"	Shanghai Huaxin Venture Capital Partnership (Limited Partnership) (上海華芯創業投資合夥企業(有限合夥), formerly known as Shanghai Huaxin Venture Capital Enterprise (上海華芯創業投資企業)), a non-company foreign-invested enterprise (Chinese-foreign cooperation) (非公司外商投資企業(中外合作)) established under the laws of the PRC on March 31, 2011 and converted to a limited partnership on January 4, 2025, and one of our Shareholders
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shareholder(s)"	holder(s) of our Share(s)
"Singapore"	the Republic of Singapore
"Singapore dollars" or "S$"	Singapore dollars, the lawful currency of Singapore

[REDACTED]

[REDACTED]

"Sole Sponsor"	the sole sponsor as named in "Directors, Supervisors and Parties Involved in the **[REDACTED]**" in this document

[REDACTED]

"STA"	State Taxation Administration of the PRC (中華人民共和國國家稅務總局)

[REDACTED]

"STAR Market"	the Science and Technology Innovation Board of the Shanghai Stock Exchange (上海證券交易所科創板)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Strategy and ESG Committee"	the strategy and ESG committee of the Board
"Supervisor(s)"	the supervisor(s) of our Company
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC
"Track Record Period"	the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024

[REDACTED]

"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"United Wise"	United Wise Investment Limited (統生投資有限公司), a private company limited by shares incorporated under the laws of Hong Kong on February 26, 1997
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States

"U.S. Securities Act"	United States Securities Act of 1933 and the rules and regulations promulgated thereunder
"VAT"	value-added tax
"Xinyun Technology"	Xinyun Technology (Shenzhen) Co., Ltd. (芯運科技(深圳)有限公司), a limited liability company incorporated under the laws of the PRC on November 2, 2015, and one of our Controlling Shareholders
"%"	percent

In this document, the terms "associate(s)," "close associate(s)," "connected person(s)," "connected transaction(s)," "core connected person(s)," "controlling shareholder(s)," "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

In this document, unless the context otherwise requires, explanations and definitions of certain terms used in this document in connection with our Company and our business shall have the meanings set out below. The terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"AEC-Q100"	a failure mechanism based stress test qualification for packaged integrated circuits used in automotive applications
"ASIC"	application-specific IC, a type of motor control chip that is customized to the needs of a specific application
"automotive-grade"	an automotive-grade chip refers to a chip that is specifically designed, manufactured and qualified to meet the stringent requirements and standards of the automotive industry (such as AEC-Q100)
"BDC motor"	brushed direct current motor, a type of motor converting direct current into mechanical energy and incorporating an internal brush mechanism
"BLDC motor"	brushless direct current motor, a type of motor using electronic control, instead of carbon brushes and commutators
"BLDC motor control and driver chips"	encompassing BLDC motor control chips (e.g. MCUs and ASICs) and BLDC motor driver chips (e.g. HVICs)
"BLDC motor control and driver products"	typically encompassing control chips, driver chips, power devices, Intelligent Power Modules (IPMs), and sensors, all functioning synergistically to ensure the stable operation and optimal performance of the BLDC motor
"CAGR"	compound annual growth rate
"CRC"	cyclic redundancy check
"DC"	direct current
"EDA"	electronic design automation
"fabless"	a business model where the entity focuses on R&D and design of ICs and outsources manufacturing to external parties
"FOC"	field-oriented control
"foundry"	a manufacturer specializing in the production and manufacturing of chips in the field of integrated circuits

"HVIC"	high-voltage IC, a type of motor drive chip that provides high and low voltage isolation while increasing driving capacity to allow motor control chips to indirectly drive MOSFETs through the HVIC chips
"I2C"	a protocol intended to allow multiple peripheral digital integrated circuits to communicate with one or more controller chips
"IC" or "integrated circuit"	a set of electronic circuits on one small plate of semiconductor material
"IPM"	intelligent power module
"square wave"	a periodic non-sinusoidal waveform characterized by rapid switching of the signal value between two fixed levels in one cycle
"LDO"	low dropout regulator, a type of voltage regulator that can operate with a very small input-output differential voltage
"LIN"	local interconnect network
"MCU"	micro controller unit, a type of chip that contains a general-purpose processor core, input/output interfaces and other modules for a variety of applications, such as motor control
"ME core"	abbreviation for Motor Engine core, our proprietary motor control processor core
"MOSFET"	metal-oxide-semiconductor field-effect transistor, a type of transistor used to amplify or switch electronic signals
"OEM"	original equipment manufacturing, where a manufacturer manufactures a product in accordance with the customer's design and specifications and is marketed and sold under the customer's brand name or under no specific brand
"op-amp"	an analog circuit block that takes a differential voltage input and produces a single-ended voltage output
"PCB"	printed circuit board, a board with electronic circuits connecting various components
"pre-driver"	a component used to drive motors that converts low-power signals into high-power outputs

"PWM"	pulse width modulation, which adjusts the output and waveform by changing the duty cycle of the pulse width
"R&D"	research and development
"rotor"	the moving/rotating component of the motor
"RPM"	revolution per minute
"sensor"	a device that measures or detects real-world conditions, such as motion, heat or light, and converts the conditions into analog or digital representations
"sensorless"	without the use of sensors
"single-phase"	one electric current. A single-phase BLDC motor is a BLDC motor that operates using one electric current in its coils
"SPI"	serial peripheral interface
"SVPWM"	space vector pulse width modulation, which simulates circular or elliptical rotating magnetic fields by synthesizing space vectors
"stator"	the stationary component of the motor
"three-phase"	three separate electric currents. A three-phase BLDC motor is a BLDC motor that operates using three separate electric currents in its coils
"UART"	universal asynchronous receiver-transmitter
"UAV"	unmanned aerial vehicle
"μs"	microsecond, equaling to one millionth of a second

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to our Company and its subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "believe," "could," "estimate," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "target," "will," "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business and operating strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment, operating conditions and general outlook in the industry and geographical markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our financial condition and performance;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information.

In this document, statements of or references to our intentions or those of our Directors are made as of the date of this document. Any such information may change in light of future developments.

All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

An **[REDACTED]** *in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an* **[REDACTED]** *in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material and adverse effect on our business, financial condition and results of operations. In any such case, the market price of our H Shares could decline, and you may lose all or part of your* **[REDACTED]**.

These factors are contingencies that may or may not occur and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

New scientific and technological outcomes or trends could make our products uncompetitive and obsolete.

Our success depends on our ability to develop and integrate our core technologies, including, for instance, our proprietary ME core, to support our products. To remain competitive, we must maintain and enhance our core technologies to meet the latest downstream market needs, technological advancement and industry standards. The development activities related to our core technologies may involve significant time, risks and uncertainties: our R&D team may not be able to coordinate and manage the development projects, the expenses associated with these investments may affect our margins and operating results and these investments may not generate sufficient revenue to offset related liabilities and expenses.

Moreover, our products are used in a variety of application sectors and downstream industries. Technological advancement and new industry standards in these downstream industries may affect the application requirements of our end customers and their products. If we fail to develop new products or refine our technologies to match the different or additional requirements of our end customers, the sale of our products may decrease, and our business, financial condition and results of operation may be adversely affected.

In addition, according to Frost & Sullivan, many of our competitors use Cortex-M series core licensed by ARM for their MCU products. The Cortex-M series core by ARM continues to get upgraded, which may allow competitors to introduce products that offer capabilities surpassing those of our offerings, thereby rendering our products less attractive or even obsolete. In addition, to reduce their reliance on ARM licensing, certain competitors may invest heavily on the development of proprietary MCU cores. If these competitors successfully develop their own advanced proprietary MCU cores or other cutting-edge technologies, they may gain a competitive advantage over our products. Therefore, to mitigate this risk, we must continuously enhance our core technologies, including our proprietary ME core, to meet the latest downstream market needs, technological advancement and industry standards. However, we cannot guarantee that we will be successful in all, or any, of the above, or that our core technologies will maintain their competitiveness in the future compared to alternatives developed by our competitors.

We depend on the continued services and contributions of our founder, senior management and other key employees, including senior R&D personnel and skilled engineers.

Our future performance depends on the continued services and contributions of our founder, senior management and other key employees, to oversee and execute our business plans, identify and pursue new opportunities and perform effective product design and R&D. We rely on our experienced senior management team to oversee and conduct our business operations, including maintenance of distributor and supplier relationships, compliance with relevant laws and regulations and facilitation of the commercialization and production of our products. Any loss of the service of or changes in the positions of our key personnel could significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, financial condition and operating results. Hiring and integrating suitable replacements into our team also requires significant amount of time, training and resources, and may impact our existing corporate culture. Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly skilled engineers with expertise in IC design, motor control algorithms and motor design. However, we cannot assure you that we will be able to develop or retain qualified personnel that we will need in order to achieve our strategic objectives. If we fail to respond in a timely manner to the loss of service of or changes in the positions of our key personnel, our business, financial condition and results of operations may be adversely affected.

Our products are primarily used by end customers of certain industries and sectors. Factors that adversely affect these industries and sectors may adversely impact our business, financial condition and results of operations.

Our products are primarily offered to downstream end customers of certain industries, and in applications in smart small household appliances, white goods, electric tools, sports and leisure, industrial and automotive sectors. Therefore, factors that adversely affect these industries could also materially and adversely affect our business, financial condition, results of operations and prospects. These factors include, among others:

- a decline in demand for, or negative perception of, or publicity about, products of these industries;
- rising material and labor costs relating to the design and production of motor control and driver chips in these industries;
- the reduction or elimination of preferential tax treatments and economic incentives for manufacturers in these industries;
- regulatory restrictions, trade disputes, industry-specific quotas, tariffs, non-tariff barriers and taxes that may have the effect of limiting exports of these industries from China;
- a downturn in general economic conditions of major countries and regions that import products of these industries; and
- increasing level of competition from motor control and driver chips providers in these industries in other countries and regions.

The size of the markets in which we operate and the demand for our products may not increase as quickly as we anticipate due to a variety of factors, which would materially and adversely affect our business, financial condition, results of operations and prospects.

We are pursuing opportunities in markets where it is difficult to predict the timing and size of the opportunities for each of our products. If we fail to compete with our competitors, our business, financial condition and results of operations and prospects may be materially and adversely affected.

Our business, financial condition, results of operations and prospects will depend on our ability to make timely investments in the correct market opportunities in downstream applications including in smart small household appliances, white goods, electric tools, sports and leisure, industrial and automotive sectors. Even if the markets in the downstream industries grow substantially, we cannot assure you that we will be able to pursue these opportunities. If one or more of these markets experience a shift in customer demand, our products may not be able to compete as effectively, if at all. We may not be able to adjust our inventory level in response to the decline in the demand of our downstream markets and the price of our products may be adversely affected. If we fail to meet the technological development, industry standards or applicable regulatory requirements, our products may not be incorporated into our end customers' commercialized products. Given the evolving nature of the markets in which we operate, it is difficult to predict end customer demand or the future growth of the markets in which we operate or into which we plan to enter. If we fail to adjust accordingly to changes in the market condition of our downstream industries, our business, financial condition, results of operations and prospects will be adversely affected.

We may not be able to implement our growth plan and our business and results of operations may be adversely affected.

The success of our business expansion depends on our ability to efficiently execute our growth plan. We plan to continue our independent innovation and R&D, extend the downstream applications of our products, expand our overseas markets and cultivate our talent team. Diversification of our product portfolio requires significant R&D efforts and expenses, and we may not be able to successfully upgrade our existing products or develop new products. Please see "Risks Relating to Our Business and Industry – We have been and intend to continue investing significantly in R&D activities, which may adversely affect our profitability and operating cash flow and may not generate the results we expect to achieve" in this section. We may not be able to develop business relationship with potential customers in our industry. If we or our distributors fail to identify and leverage new business opportunities, we may not be able to establish and expand our presence in additional downstream industries on our own or through our distributors.

In addition, developing international markets requires significant investment of capital and human resources, which may adversely impact our current performance. We may not be able to identify profitable international markets. Even if we identify profitable international markets, we may not be able to enter into or compete in the identified markets due to factors such as, but not limited to:

- our or our distributors' limited business experience in the international markets;
- competition with local competitors who may have greater resources, longer operating history in the local markets and more favorable market positions;
- different demand dynamics of our products;
- diversity of end customer preferences and demand, and our ability to anticipate or respond to such preferences and demand;
- compliance with applicable laws and regulations; and
- potentially adverse tax consequences.

Any of such circumstances could adversely affect our reputation, business, financial condition and results of operations.

The industry in which we operate is highly competitive. If we fail to compete against other market players, our business, results of operations and financial condition may be materially and adversely affected.

The BLDC motor control and driver chips industry in which we operate are highly competitive. We primarily compete with other companies that focus on developing and commercializing BLDC motor control and driver chips. If we compete with players that have a longer operating history than we do, or if we do not have or in the future fail to gain more financial resources and sophisticated technological capabilities and broader customer base and relationships than our competitors, we may not be able to respond as quickly and effectively to new opportunities, technologies, industry standards, customer demand or regulatory requirements as our competitors.

We may also face competition from new entrants who may offer competitive products at lower prices in the future. Such new entrants may increase industry competition and adversely impact the sales, price, and profit margins of our products and our market share. Further, we may be required to make substantial additional investments in research, development, marketing and sales, recruiting and retaining talents, and acquiring technologies complementary to, or necessary for, our current and future products in order to respond to such potential competitions, and we cannot assure you that such measures will be effective.

If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, results of operations and financial condition may be materially and adversely affected.

We may not be able to obtain or maintain adequate intellectual property rights protection for our products, or the scope of such intellectual property rights protection may not be sufficiently broad.

Our success depends in a large part on our ability to protect our proprietary technology as well as our products from competition by obtaining, maintaining and enforcing our intellectual property rights, including patent rights. We have been protecting the proprietary technologies that we consider commercially important by, among others, filing patent applications in China and other jurisdictions. As of the Latest Practicable Date, we had 110 granted patents in China and overseas, including 68 invention related patents, and several other intellectual properties including but not limited to integrated circuit layout design registrations, software copyrights and registered trademarks in China and overseas. Please see "Business – Intellectual Property." The intellectual property application process may be expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable intellectual property applications at a reasonable cost or in a timely manner, if at all. In addition, we may however fail to identify patentable aspects of our R&D outputs before it is too late to obtain patent protection. As a result, we may not be able to prevent competitors from developing and commercializing competitive products in any or all such fields.

Even if we have identified, filed and prosecuted our intellectual property applications, our applications may not be granted or our intellectual property may be invalidated for multiple reasons, including known or unknown prior deficiencies in the intellectual property application or the lack of novelty of the underlying technology. Moreover, the patent position of motor control and driver chips providers like us may be uncertain because it involves complex legal and factual considerations. As such, we cannot assure you that we will be able to discern the scope of the intellectual property protection or obtain adequate intellectual property protection with respect to our products.

Even if our intellectual property applications are approved, they may not be approved in a form that will provide us with any meaningful protection from competition or with any competitive advantage. For instance, our competitors may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner. The issuance of a patent is not conclusive as to its inventor, scope, validity or enforceability, and our patents may be challenged in the courts or patent offices in China and other jurisdictions. Further, although various extensions may be available, the life of a patent and the protection it affords is limited. For example, in China, invention patents and utility model patents are valid for 20 years and 10 years from the date of application, respectively. If we fail to extend the life of our patents, we may face competition for any approved products even if we successfully obtain patent protection once the patent life has expired for the product.

Any of the foregoing could materially and adversely affect our business, results of operations, financial condition, competitive position and prospects.

We depend on a limited number of third-party wafer foundry partners to manufacture our products.

We currently depend on Supplier A and Supplier B to manufacture most of our wafer products. Purchases from Supplier A accounted for 52.4%, 62.8% and 32.9%, respectively, of our total purchase amount for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, respectively. Purchases from Supplier B during the Track Record Period accounted for 23.1%, 6.5% and 23.3%, respectively, of our total purchase amount for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, respectively.

Because of the complex proprietary nature of our products, if there were a disaster or other business disruption at any of our foundry partners' facilities, procurement of and transition to new wafer foundry partners would take a significant period of time to complete and would likely adversely affect our inventory, business, results of operations and financial condition. Further, we are vulnerable to the risk that our current wafer foundry partners may be unable to meet the demand for our products or cease operations altogether. Moreover, any shortage in the raw materials used by our wafer foundry partners may result in shortage in their supply of our products. Therefore, we are vulnerable to the risk that our current wafer foundry partners may be unable to meet our demand.

In addition, our ability to receive sufficient supplies of our products could be adversely affected by events such as natural disasters, including earthquakes, drought and typhoons, and geopolitical challenges in locations where our suppliers operate. Our ability to receive sufficient supplies of our products could also be adversely affected by international trade policies, geopolitics and trade protection measures, including imposition of trade restrictions and sanctions. Please see "Risks Relating to Our Business and Industry – We may be subject to the risks associated with international trade policies, geopolitics and trade protection measures, including imposition of trade restrictions and sanctions, and our reputation, business, results of operations and financial condition could be adversely affected" in this section.

Moreover, increased regulation or stakeholder expectations regarding responsible sourcing practices could increase our compliance costs. Any failure by our wafer foundry partners to comply with such regulations or meet such expectations could result in negative publicity that adversely affects our reputation. Given that we do not directly control the procurement or employment practices of our wafer foundry partners, we could be subject to financial or reputational risks as a result of their conducts. To the extent we are unable to manage these risks, our ability to timely supply competitive products will be harmed, our costs will increase, and our business, results of operations and financial condition will be adversely affected.

We have been and intend to continue investing significantly in R&D activities, which may adversely affect our profitability and operating cash flow and may not generate the results we expect to achieve.

We invest in R&D activities to develop and introduce new and enhanced products. For the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, our R&D expenses amounted to RMB63.8 million, RMB84.7 million and RMB65.1 million, respectively, accounting for 19.8%, 20.6% and 15.0% of our total revenue for the respective periods. The industry in which we operate is subject to rapid technological innovations. To expand our product portfolio and to remain competitive in the industry, we need to continue investing significant resources in R&D activities. As a result, we may continue to incur significant R&D expenses in the future.

However, we cannot guarantee that our efforts will be successful or deliver the effects, functions or benefits we expect. R&D activities are inherently uncertain. We may not be able to obtain sufficient resources, including qualified R&D personnel and R&D equipment to support the R&D of new or enhanced products. Even if we succeed in our R&D efforts and generate the results we expect, we may still encounter practical difficulties in commercializing our R&D outcomes. R&D activities are time-consuming and by the time our products are due for commercialization, new technologies could render our products obsolete, in which case we may not be able to recover related R&D costs, which could result in a decline in our revenue, profitability and market share.

Even if our R&D efforts successfully result in the development and commercialization of new products, these efforts may not contribute to our future results of operations within our expected timeframe, or at all. The success and profitability of our new products are subject to various factors such as market demand, macroeconomic conditions or the pace of technological advancement, which are beyond our control. Therefore, the contributions from our R&D efforts may not meet our expectations or even cover the costs of such efforts, which would materially and adversely affect our business, results of operations, financial condition and competitive position.

We may not be able to protect our trade secrets.

In addition to our existing intellectual property rights and/or applications (such as issued patent and/or pending patent applications), we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to protect our products and thus maintain our competitive position. Nevertheless, there can be no guarantee that an employee or a third party will not make an unauthorized use or disclosure of our proprietary confidential information. This might happen intentionally or inadvertently. If a competitor gains access to and makes use of such information, our competitive position will be compromised, in spite of any legal action we might take against persons making such unauthorized disclosures. In addition, to the extent that our employees or business partners use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Trade secrets are difficult to protect. Our employees or business partners may intentionally or inadvertently disclose our trade secret information to competitors, or our trade secrets may otherwise be misappropriated. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time-consuming, and the outcome is unpredictable. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial financial and human resource costs.

We may become involved in lawsuits to protect or enforce our intellectual property and our patent rights could be found invalid or unenforceable if being challenged in court or before any related intellectual property agency in any jurisdiction.

Competitors may infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, litigation may be necessary to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. This can be expensive and time-consuming. Any claims that we assert against perceived infringers could also result in these parties asserting counterclaims against us alleging that we infringe their intellectual property rights. Many of our current and potential competitors could dedicate substantially greater resources to enforce and/or defend their intellectual property rights than we do. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. An adverse result in any litigation proceeding could put our patents, as well as any patents that may be issued in the future from our pending patent applications, at risk of being invalidated, held unenforceable or interpreted narrowly.

Furthermore, depending on the scope of discovery required in connection with intellectual property litigation, some of our confidential information could be compromised by disclosure. Defendant counterclaims alleging invalidity or unenforceability are common, and can be asserted on numerous grounds. Third parties may also raise similar claims before the CNIPA or other administrative bodies in China or other jurisdictions. Such proceedings could result in revocation or amendment to our patents in such a way that they no longer cover and protect our products or product candidates. The outcome following legal assertions of invalidity and unenforceability is unpredictable.

If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and potentially all, of the patent protection on our products or product candidates. Such loss of patent protection could materially and adversely affect our business.

Obtaining and maintaining our patent protection depends on compliance with various procedural, documentary, fee payment and other requirements imposed by governmental patent agencies.

The CNIPA and various governmental patent agencies require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process and over the lifetime of the patent. Non-compliance events, including failure to respond to official actions within prescribed time limits, non-payment of periodic maintenance fees and failure to properly legalize and submit formal documents, can result in abandonment or lapse of the relevant patent or patent application, leading to partial or complete loss of patent rights in the relevant jurisdiction. If our patent rights are compromised, we may lose market share to our competitors, which would materially and adversely affect our business.

If third parties claim that we infringe upon their intellectual property rights, we may incur liabilities and penalties and may have to redesign or suspend the sales of products involved.

The industry in which we operate is patent-intensive. Companies, including us, in this industry routinely seek patent protection for their product designs. Some of our competitors have large patent portfolios with broad rights and may claim that our expected commercial use of our products has infringed their patents. Specifically, these competitors may allege that certain features of our products fall within the coverage of their patents. Therefore, our competitors may initiate legal proceedings alleging that we are infringing, misappropriating or otherwise violating their intellectual property rights in connection with the commercialization of our products.

Whether a product infringes a patent involves an analysis of complex legal and factual issues and the conclusion of such analysis is often uncertain. Although we intend to identify and avoid intellectual property infringement activities, (i) we may hire employees who have previously worked for our competitors and cannot assure that such employees will not use their previous employers' proprietary know-how, technology and other proprietary information in their work for us, which could result in litigation against us; (ii) in the case where our employees are obligated to assign any inventions created during their work to us under assignment agreement, we may not obtain these agreements in all circumstances and the assignment of intellectual property under such agreements may not be self-executing and (iii) our competitors may also have filed for patent protection which is not as yet a matter of public knowledge or claimed trademark rights that have not been revealed through our searches of relevant public records. Therefore, our efforts to identify and avoid infringement on third parties' intellectual property rights may not always be successful. Any claims of patent or other intellectual property infringement, regardless of their merit, could be expensive and time-consuming. These claims and the relevant proceedings could diverge management attention and result in substantial financial costs. If our competitors or employees succeed in raising their claims, we may be required to suspend our sales efforts of the relevant products in controversy, redesign, reengineer or rebrand such products, pay substantial damages to third parties, or enter into royalty or licensing agreements which may not be available on terms favorable to us.

In addition, new patents obtained by our competitors could threaten the continued life of the product in the market even after it has already been introduced.

Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our patents.

The scope of patent protection in various jurisdictions is uncertain. Changes in either the patent laws or their interpretation in China or other relevant jurisdictions may diminish our ability to protect our inventions, obtain, maintain, defend and enforce our intellectual property rights and, more generally, could affect the value of our intellectual property or narrow the scope of our patent rights. We cannot predict whether the patent applications we are currently pursuing and may pursue in the future will be issued as patents in any particular jurisdiction or whether the claims of any future granted patents will provide sufficient protection from competitors. The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance.

Even if patent applications we own currently or in the future are issued as patents, they may not be issued in a form that will provide us with any meaningful protection or competitive advantage, or prevent competitors or other third parties from competing with us and gaining competitive advantage. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

We are subject to rapid fluctuations in the semiconductor industry.

Our performance is subject to the macrocondition of the semiconductor industry in which we operate. According to Frost & Sullivan, the semiconductor industry has historically experienced rapid fluctuations, including cyclical downturns due to constant and rapid technological changes, short product life cycles, and fluctuations in product supply and demand. Downturns in the semiconductor industry are characterized by a sudden and unforeseen decline in product demand, accelerated erosion of average selling prices, lower capacity utilization rates, higher inventory levels and lower inventory valuation. Due to the above factors beyond our control, we may not be able to adjust our inventory level to the decline in demand and the price of our products may be adversely affected. We may experience such adverse effects in future fluctuations. If we cannot anticipate market changes or adjust to unforeseen fluctuations, our business, financial condition and results of operation may be adversely affected.

Increases in costs of the materials and other components used in our products would adversely affect our business, results of operations and financial condition.

Significant changes in the markets in which our suppliers purchase materials, components and supplies for the production of our products may adversely affect our profitability. As a result of the global semiconductor shortage and inflationary pressures, we may in the future experience increases in the cost of our products. We price our products based on a variety of factors, including costs, gross margin and market conditions. Given the competitive nature and pressure of the market in which we operate, we may not be able to pass on the cost increase to our customers by increasing the price of our products. Therefore, any significant increase in the cost of our products may have an adverse impact on our gross margin, business, results of operations and financial condition. In addition, as our prices vary across our products, our products have different margin profiles depending on the amount, number, and type of components that we deliver. If we fail to maintain our products mix or maintain our gross margin and operating margin, our business, results of operations and financial condition would be adversely affected.

We generated substantially all our revenue through our distribution network. Any decrease in sales from, or loss of our distributors would have adverse impacts on our business, results of operations and financial condition.

During the Track Record Period, substantially all of our revenue was derived from sales to our distributors. For the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, our total sales to distributors amounted to RMB297.5 million, RMB386.7 million and RMB414.5 million, respectively, accounting for 92.1%, 94.0% and 95.8% of our revenue for the corresponding periods, respectively. Please see "Business – Sales, Marketing and Distribution." Our revenue and sales volumes depend on our ability to maintain and expand our distribution networks. The effective management and expansion of our distribution network depends on our ability to (i) enter into renewal agreements with existing distributors on terms favorable to us, such as credit periods and (ii) develop new relationship with additional distributors. Any decrease in sales from, or loss of our distributors without a corresponding increase in sales from other distributors due to the changes in the distributors' business models or for any other reasons would adversely impact our business, results of operations, financial condition and cash flows.

We have limited control over the operations of our distributors. Our business may be adversely affected due to risks relating to the acts of our distributors and their potential breach of distributorship agreements or applicable laws and regulations.

We rely on distributors for the marketing and sales of our products. We enter into distributorship agreements with our distributors to regulate their conducts in the marketing and sales of our products. However, there can be no assurance that we will be successful in detecting any non-compliant activities by our distributors violating the provision of our distributorship agreements or the applicable laws and regulations. Specifically, we may be exposed to the risks of misconducts and violations committed by our distributors. Misconducts and violations may occur in the form of unauthorized misrepresentation to our downstream end customers, misappropriation of third-party intellectual property and other proprietary rights and bribery or other unlawful payments during the course of their distribution.

In any such event, we may, as a result, incur liability to our downstream end customers for claims of misconducts committed by such distributor. Any such claim could subject us to litigation and impose a significant strain on our financial resources and divert the management attention, regardless of whether the claims have merit. Additionally, such an event could result in complaints from our downstream end customers and subsequent adverse impact on our business and reputation.

We may not be able to fully maintain quality control over our products.

The quality of our products depends on the effectiveness of our quality control and quality assurance protocol, which in turn depend on factors such as the quality and reliability of equipment used, the quality of related training programs and our ability to ensure that our employees adhere to our quality control and quality assurance protocol. However, our quality control and quality assurance protocol may not be effective in preventing and resolving deviations from our quality standards. Any failure to execute our quality control and quality assurance protocol could render our products unsuitable for use within the service life of the BLDC motors or adversely impact our market reputation and relationship with business partners.

In addition, the quality of our products or services provided by our suppliers is beyond our control. We cannot assure you that the products manufactured by suppliers are safe and free of defects or can meet the relevant quality standards. We depend on the quality control procedures of our suppliers. In the event of any quality issues, we could be subject to complaints and product liability claims and we may not be able to seek indemnification from our suppliers. If we engage in legal proceedings against our suppliers, such proceedings may be time-consuming and costly regardless of the outcome. Any such issues may materially and adversely affect our business, results of operations and financial condition.

We partner with third-party packaging and testing service providers for the packaging and testing of foundry-manufactured chips. Any disruption in the operation of these companies could adversely affect our business.

We partner with third-party packaging and testing service providers for the packaging and testing of the foundry-manufactured products. The stability of operations and business strategies of these third-party packaging and testing service providers are beyond our control. The lack of necessary materials, equipment, or services can disrupt the packaging and testing processes of our products. Additionally, we cannot assure you that we will be able to maintain good relationship or renew our agreements with these third-party packaging and testing service providers on commercially reasonable terms, if at all. If we fail to continue our cooperation with these companies, or if their business or operations are interrupted or fail due to factors beyond our control, including natural disasters including earthquakes, drought and typhoons, and geopolitical challenges in locations where they operate, and we fail to find comparable alternatives on reasonable terms, our business and results of operations may be materially and adversely affected. Given that we do not directly control the procurement or employment practices of our packaging and testing service providers, we could be subject to financial or reputational risks as a result of their conducts that violate applicable laws and regulations. To the extent we are unable to manage these risks, our ability to timely supply competitive products will be harmed, our costs will increase, and our business, results of operations and financial condition will be adversely affected.

Failure to obtain or maintain any of the government grants or preferential tax treatments could adversely affect our business, results of operations, financial condition.

During the Track Record Period, we received government grants, many of which are non-recurring in nature or are subject to periodic review. In 2022, 2023 and the nine months ended September 30, 2024, the government grants we recognized as other income and gains amounted to RMB16.9 million, RMB24.3 million and RMB17.3 million, respectively. In addition, we and certain Subsidiaries of ours are subject to preferential income tax treatments. Please see "Financial Information – Principal Components of Consolidated Statements of Profit or Loss – Income Tax Expense/(Credit)" for details.

If we cease to be entitled to such government grants or preferential tax treatment or if the relevant PRC laws and regulations change, our other income and gains may decrease and/or our income tax expenses may increase, which could adversely affect our business, results of operations, financial condition and prospects. As these government grants are provided typically on a one-off basis, there is no guarantee that we will continue receiving or benefiting from them in the future. In addition, we may not be able to successfully or timely obtain the government grants or preferential tax treatment that may become available to us in the future, and such failure could adversely affect our business, results of operations, financial condition and prospects.

Fair value change for financial assets at fair value through profit or loss may adversely affect our results of operations and financial condition.

We made investments in certain financial products during the Track Record Period and recorded a carrying amount of financial assets at fair value through profit or loss ("**FVPL**") of RMB1,467.6 million, RMB1,070.6 million and RMB831.1 million as of December 31, 2022 and 2023 and September 30, 2024, respectively. Our financial assets primarily consist of wealth management products and principal-guaranteed structured deposits issued by banks in China. Please see Note 24 to the Accountants' Report in Appendix I to this document for further details.

We face exposure to fair value change for the financial assets at FVPL and debt investments at fair value through other comprehensive income. Going forward, we may continue to invest in financial products. We cannot assure you that factors beyond our control, such as general economic and market conditions, changes in market interest rates, stability of the capital markets and regulatory environment, will result in fair value gains on the financial products we invest in or we will not incur any fair value losses on our investments in the financial products in the future. If we incur such fair value losses, our results of operations and financial condition may be materially and adversely affected. These investments may earn yields substantially lower than anticipated, and the fair values of these financial products may fluctuate significantly, which contribute to the uncertainties in valuation. Any failure to realize the benefits we expected from these financial products may materially and adversely affect our business and financial condition. In the event that we fail to address any and all uncertainties and risks, we may have limited or no recourse and the value in our investments may decrease.

We are subject to credit risk related to delay in payment and defaults of customers or related parties, which would adversely affect our liquidity and financial condition.

We are exposed to credit risk related to delay in payment and defaults of our customers or related parties. As of December 31, 2022 and 2023 and September 30, 2024, our trade receivables amounted to RMB1.4 million, RMB5.8 million and RMB2.7 million, respectively, and our prepayments, deposits and other receivables amounted to RMB55.6 million, RMB38.9 million and RMB45.1 million, respectively. We may not be able to collect any, if not all, such trade receivables and prepayments and other receivables due to a variety of factors that are beyond our control, including long payment cycle, adverse operating condition or financial condition of our customers, and our customers' inability to pay caused by their end customers' delay in payment. In such circumstances, we may have to make impairment provisions and our liquidity and financial condition will be adversely affected.

We may be subject to inventory obsolescence risk.

Our inventories were RMB156.2 million, RMB173.0 million and RMB167.0 million as of December 31, 2022 and 2023 and September 30, 2024, respectively. For the same periods, our inventory turnover days were 287.3 days, 311.8 days and 224.4 days, respectively. As our business expands, our inventory obsolescence risk may also increase with the increase in our inventories. We cannot guarantee that we will be able to maintain proper inventory levels for our raw materials, outsourced processing materials and finished products. We maintain our inventory levels based on our internal forecasts of customer demand. If our forecast demand is higher than actual demand, we may be exposed to increased inventory risks due to the accumulation of excess inventory. Excess inventory may increase our inventory holding costs, risk of inventory obsolescence or write-offs. Conversely, if our forecast demand is lower than actual demand, we may not be able to maintain an adequate inventory level and may lose sales and market share to our competitors. Therefore, our business prospects, financial condition and results of operations may be materially and adversely affected.

Our products may fail to meet new industry standards or requirements and the efforts to meet such industry standards or requirements could be costly.

Our products are based on industry standards that are continually evolving. The development of existing industry standards and emergence of new industry standards could render our products obsolete or incompatible with other products used in the BLDC motor driver or control system. To identify and comply with these industry standards, we may need to redesign our products, which may be time-consuming and costly, and the outcomes of which may be uncertain. If we cannot successfully redesign our products, our products may not be able to comply with new industry standards or compete with the products offered by our competitors. In this circumstance, we could miss opportunities to achieve crucial design wins and lose market share to our competitors, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Our business is primarily based in China and is susceptible to any policy changes in China affecting the semiconductor industry which may materially and adversely affect our business.

During the Track Record Period, substantially all of our business operations were based in China and substantially all of our revenue was derived from our sales in China. As such, we are dependent on policies affecting the semiconductor industry in China. In recent years, the PRC government has implemented policies or policy changes to stimulate growth in the semiconductor industry. Many semiconductor companies, including us, have leveraged such favorable policies. Our success, continuous growth and prospects depend and will continue to depend on policies favorable to the semiconductor industry in the foreseeable future. However, we cannot assure you that the PRC government will implement additional policies favorable to us, or maintain the policies currently in effect with regards to the semiconductor industry that benefit us. As a result, if such policies change or terminate in the future, our business, financial condition, results of operations and future business growth could be materially and adversely affected.

We may be subject to product liability claims if our products contain defects. We could incur significant expenses remediating such defects, and, as a result, our reputation and market shares may be adversely affected.

Products within the industry, such as the ones we develop, are complex and may contain errors, defects, security vulnerabilities or software issues that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Despite the verification and testing procedures in place, our products may contain serious errors, defects, security vulnerabilities or software issues which we are unable to successfully correct in a timely manner or at all. Some errors or defects in our products may only be discovered after they have been tested, commercialized and deployed by our end customers. Under these circumstances, we may incur additional remedial costs to recall, repair or replace and additional development costs to redesign our products. Furthermore, because we may be subject to warranty and indemnification provisions based on certain of our agreements with our customers, we may be subject to claims or threats of claims by our customers for their financial loss related to defects in our products. Any such claims would be time-consuming and costly for us to defend and divert our management attention, thereby adversely affecting our business, financial condition and results of operations. Additionally, our customers may terminate the business relationship with us altogether and as a result, our business and prospects may be adversely affected. These claims and terminations by our customers may generate negative publicity on us and adversely impact our reputation, business and results of operations.

Acquisitions, investments or strategic alliances may fail and materially and adversely affect our reputation, business and results of operations.

We may in the future enter into strategic alliances with various third parties. Strategic alliances with third parties could subject us to a number of risks, including

- disclosure or misappropriation of proprietary information;
- defaults including breach of covenants, non-performance by the counterparty; and
- negative publicity related to these third-parties or such strategic alliances.

In addition, we may acquire additional assets or businesses that may generate synergies when combined with our existing business. The cost of identifying and consummating acquisitions may be significant. We may also have to obtain shareholders' approvals and approvals and licenses from the government authorities for the acquisitions and comply with applicable laws and regulations. Obtaining such approvals and licenses may delay, if not halt, our acquisition efforts. Future acquisitions and the subsequent integration of new assets and businesses into our own may entail a number of risks, including:

- increased operating expenses and capital need;
- share dilution from the issuance of additional securities;
- incurrence of debt, goodwill impairment charges, amortization expenses for other intangible assets and contingent or unforeseen liabilities;
- diversion of our management's attention and resources from our existing business in the pursuit of such acquisition;
- frictions in the assimilation of operations, talents, intellectual property and products of an acquired business; and
- loss of key personnel and business relationships as a result of such acquisition.

If we fail to address the risks related to our future acquisitions and subsequent integration of new assets and businesses, we may not be able to realize the anticipated benefits of such acquisitions and our reputation, business, financial condition and results of operations may be adversely affected.

We may not be able to manage our growth effectively and our business and results of operations may be adversely affected.

The success of our business depends on our ability to manage our growth effectively, which requires significant human and financial resources. To effectively manage our growth, we need to

- monitor and control our expenses and investments in anticipation of expanded operations;
- improve our supply chain to support our growth;
- enhance our administrative infrastructure and systems;
- refine our talent management structure and recruit additional key personnel;
- carry out pre-communication/collaboration with our distributor partners in anticipation of expanded operations;
- refine our operational, financial and management internal controls and reporting systems;
- comply with different or additional laws and regulations; and
- timely address unforeseen challenges as they arise.

Our current and planned structures, systems and policies may not be adequate to support the growth of our operations. If we fail to effectively and successfully manage our growth, our expenses may increase and we may not respond to challenges or execute our business strategies in a timely manner due to factors beyond our control and our business, financial condition and results of operations may be adversely affected in the future.

Failure to fulfill our contractual obligations could adversely affect our liquidity and financial condition.

Our contract liabilities primarily arise from advance payments made by our customers to us before we fulfill our performance obligations. Our contract liabilities were RMB0.5 million, RMB1.0 million and RMB5.8 million as of December 31, 2022 and 2023 and September 30, 2024. Please see "Financial Information – Selected Balance Sheet Items – Contract Liabilities." There is no assurance that we will be able to fulfill our obligations in respect of contract liabilities as the fulfillment of our performance obligations is subject to various factors that are beyond our control. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue and we may have to refund the advance payment made by our customers. As a result, our liquidity and financial condition may be adversely affected.

We may be subject to the risks associated with international trade policies, geopolitics and trade protection measures, including imposition of trade restrictions and sanctions, and our reputation, business, results of operations and financial condition could be adversely affected.

Our operations are subject to deterioration in the political and economic relations among countries and sanctions and export controls administered by government authorities and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased custom duties, tariffs, taxes and other costs and political instability. Margins on the sales of products that include components obtained from certain suppliers from other countries and regions could be materially and adversely affected by international trade regulations, including custom duties, tariffs and antidumping penalties. In particular, the U.S. government imposed economic and trade sanctions directly or indirectly affecting China-based technology companies. It is possible that the extent and scope of such sanctions may escalate. There is no assurance as to how the U.S.-China trade tensions might develop or whether there will be any changes to the scope and extent of goods that are or will be subject to such export controls, sanctions, tariffs, or new trade policies introduced by the two countries. We cannot predict the implications of the ongoing U.S.-China trade tensions and the resulting impact on our industry and the global economy.

In recent years, the United States has increased export controls restrictions on China through the Export Administration Regulations (the "**EAR**"), administered by the Bureau of Industry and Security of the U.S. Department of Commerce ("**BIS**"), which includes a list of foreign persons on which certain trade restrictions are imposed (the "**Entity List**"). The export, re-export and/or transfer (in-country) of items subject to the EAR to a listed foreign person is generally prohibited unless the specified license requirements are met. These restrictions or regulations, and similar or more expansive restrictions or regulations that may be imposed by the U.S. or other jurisdictions in the future, may materially and adversely affect our ability to acquire technologies, systems, devices or components that may be critical to our technology infrastructure, product offerings and business operations. Any uncertainties and changes in these current or future restrictions or regulations may have a negative impact on our reputation and business. If certain of our customers and suppliers are listed on the Entity List and subject to restrictions from sourcing or selling technologies, software, or components from or to us, we may not be able to obtain, extend or maintain the requisite regulatory permits in relation to our transactions with these customers and suppliers.

In addition, on August 9, 2023, the Biden Administration issued the Executive Order on Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern ("**Reverse CFIUS EO**") granting the U.S. government the authority to establish and enforce an outbound investment screening regime ("**Outbound Investment Program**"). On October 28, 2024, the U.S. Department of the Treasury issued the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern (the "**Final Rule**") to implement the Executive Order of August 9, 2023. The Final Rule has become effective on January 2, 2025. The Final Rule targets investments involving persons and entities associated with "countries of concern," currently including China, and it imposes requirements (such as prohibition or notification requirements) on a wide range of investments in persons engaged in activities in certain sectors such as semiconductors and microelectronics, quantum information technologies or artificial intelligence (which the Final Rule defines as "covered activities"), with persons from countries of concern engaged in covered activities defined as "Covered Foreign Persons." Investments by U.S. persons subject to the Final Rule, which are defined as "covered transactions," include acquisitions of equity interests (including purchases of shares in an initial public offering), certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. We will likely be deemed a Covered Foreign Person because we are engaged in the design of ICs. Following the completion of the **[REDACTED]**, it is expected that U.S. persons will be able to **[REDACTED]** in our H Shares based on the publicly traded securities exception under the Final Rule as long as the **[REDACTED]** made does not afford a U.S. person certain rights that are not standard minority shareholder protections. However, the Final Rule nonetheless may increase the compliance burden of U.S. **[REDACTED]** and may cause certain U.S. **[REDACTED]** to adopt a more cautious approach in their **[REDACTED]**, affecting the **[REDACTED]** sentiment towards us, and therefore negatively impacting our ability to raise capital.

During the Track Record Period, our products are offered to our downstream customers in China and overseas. However, we cannot assure you that our downstream customers will not engage in the export of their goods incorporating our products into the U.S. or other countries and regions, and that such export will not be subject to the restrictions introduced by the U.S. or other states and political entities. Furthermore, if we export our products to other countries and regions which are or become subject to sanctions or export controls, our business, financial condition and results of operations may be materially and adversely affected.

Further, we have no control over the countries to which the downstream customers will sell and/or export their end products. If the export sales of the downstream customers' end products are restricted, prohibited or made subject to any trade conditions under any international policies or international export controls or economic sanctions imposed by any jurisdictions, the downstream customers' demand in our products may drop significantly and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

Our business growth and results of operations may be adversely affected by changes in global and regional macroeconomic conditions, natural disasters, health epidemics and pandemics, and social disruption and other outbreaks.

Uncertainties about global and regional macroeconomic conditions including fluctuation of interest rates, inflation level, conditions in the industries in which we operate, unemployment, labor and healthcare costs, access to credit, consumer confidence and other factors beyond our control may pose risks and materially and adversely affect the demand for our products. In addition, natural disasters such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic, acts of war, terrorism or other force majeure events beyond our control may disrupt our R&D, manufacturing and commercialization activities and business operations, all of which could adversely affect our business, financial condition, results of operations and prospects.

If we fail to obtain and maintain the requisite licenses and approvals required in any jurisdiction where we operate, our business, financial condition and results of operations may be materially and adversely affected.

The industry we operate in is highly regulated. For example, under the current PRC regulatory scheme, a number of governmental authorities jointly regulate major aspects of our industry. We are required to obtain and maintain the requisite licenses and approvals required in China and in other jurisdictions where we operate. Please see "Regulatory Overview" and "Business – Licenses, Approvals and Permits" for more details. Compliance with the relevant regulations may require substantial expense and non-compliance may expose us to sanctions and penalties. Moreover, we cannot assure you that we can successfully update or renew the licenses required for our business in a timely manner as the licenses may only be valid for a limited period of time. Neither can we assure you that these licenses are sufficient to conduct all of our present or future business. Considerable uncertainties exist regarding the interpretation and implementation of existing and future laws, regulations and policies governing our business activities. We cannot assure you that we will not be found in violation of any future laws, regulations and policies or any of the laws, regulations and policies currently in effect due to changes in the relevant authorities' interpretation of these laws, regulations and policies. If we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings in any of the jurisdiction where we operate, we may be subject to various penalties, such as confiscation of the revenue that were generated through unlicensed activities, or the suspension or revocation of our licenses and approvals. Any such penalties may disrupt our business operations and materially and adversely affect our business, results of operations and financial condition.

Any failure to offer high-quality support services for our customers or end customers may harm our relationships with them and, consequently, our business.

We typically do not allow customers to return or exchange products except that our customers may negotiate with us on return and indemnification of defective products due to our faults. We have developed a standard product return or exchange procedure according to our customer complaint handling procedure. As we expand our business, we need to be able to continue to provide efficient customer support at scale. We may not be able to recruit customer support specialists with sufficient experience in customer support service or to enhance our infrastructure to efficiently process and respond to our customers' requests. As a result, we may not be able to respond to our customers' request for return, exchange, technical support or maintenance assistance in a timely manner. Because technical support and maintenance assistance is complex and case-specific, we may not be able to modify the future scope and delivery of such services as our business and product portfolio develop. Under such circumstance, we may fail to compete with changes and updates in the technical services provided by our competitors.

If we experience increased customer demand for support and maintenance, our operational expense may increase and adversely impact our financial condition and results of operations. Our ability to attract new customers is highly dependent on our business reputation and on recommendations from our existing customers. If we are unable to provide efficient maintenance and support services with results satisfactory to our customers, our reputation and business may be harmed. In addition, our distributors provide customer service to our indirect downstream customers. Although we require our distributors to follow relevant standards and protocols established by us, we may not be able to continuously monitor or control the quality of customer service provided by our distributors. If our distributors fail to conform to our standards and protocols or provide satisfactory services on our products, our reputation and business may be adversely affected.

If the quality of our products deteriorates, we will incur higher costs associated with returns and exchanges. We may also be required by law to adopt new or amend existing return, exchange and warranty policies from time to time. While these policies improve customer experience and promote customer loyalty, which may in turn help us acquire and retain customer, they also subject us to additional costs and expenses that may not be offset by increased revenue. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied. Customer dissatisfaction may result in loss of existing customers or failure to acquire new users, which may materially and adversely affect our business and results of operations.

Our insurance coverage may not be sufficient to cover all losses or potential claims by our customers, which would affect our business, financial condition and results of operations.

We have maintained insurance policies to cover various aspects of our business, including property loss and damage and cargo transportation to secure our business continuity. However, the amount of coverage, depending on the insurance policies to which we subscribe, may not be adequate to fully compensate all types of loss, damage and liability we may suffer in the future. For example, insurances covering loss from acts of war, terrorism, or natural disasters may be unavailable or cost prohibitive. In addition, we cannot guarantee that our policies can be renewed on similar or acceptable terms, or at all. If we suffer unexpected severe losses or losses that far exceed the policy limits, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not be able to obtain additional capital when desired, on favorable terms or at all.

To remain competitive and expand our business, we may need additional capital to support our operations. The amount of additional capital we need depends on factors including, but not limited to:

- our R&D expenses;
- our relationships with our customers and suppliers;
- our ability to control the cost and increase the sale of our products;
- sales and marketing expenses;
- enhancements to our infrastructure and systems;
- potential acquisitions of businesses and product lines; and
- general economic conditions, inflation, rising interest rates, and international conflicts and their impact on the downstream industries.

Our ability to obtain additional capital depends on factors, including, but not limited to:

- our market position and competitiveness in the BLDC motor control and driver chips industry;
- our overall financial condition, results of operations and future profitability;
- general market conditions for financing activities in China; and
- general economic and political conditions in China and internationally.

If our capital need is materially different from those currently planned, we may initiate financing activities for additional capital sooner than anticipated. Such financing may not be available on favorable terms on a timely basis, or at all. If we cannot obtain adequate capital on terms favorable to us, or at all, we may not be able to continue our operations, R&D and sales and marketing efforts, take advantage of future opportunities or respond to competitive pressures. Under these circumstances, our business, financial condition, results of operations and prospects may be adversely affected.

Our business and prospects depend on our ability to build our brand and reputation, which could be harmed by negative publicity regarding us, our Directors, employees, branding or products. Any negative publicity, whether warranted or not, could adversely affect our business.

We believe that our brand is integral to the success of our business. Since we operate in a highly competitive market, brand maintenance directly affects our ability to maintain our market position. The successful maintenance of our brand depends on our ability to provide competitive products and to strengthen business relationship with our customers. The successful promotion of our brand depends on the effectiveness of our marketing efforts and the amount of word-of-mouth referrals by our customers. We may incur extra expenses in promoting our brand. However, we cannot assure you that these activities will be successful or effective as expected. In addition, any negative publicity about our Company, Directors, employees, branding or products, whether warranted or not, may adversely affect our reputation and business. If our brand and reputation is damaged, we may face challenges in maintaining our current business relationships with our customers and in entering into new markets, which may adversely affect our business, financial condition, results of operations and prospects.

Our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches.

We rely on our and third-party information technology systems to facilitate communications among our employees and with suppliers and customers and other aspects of our business operations. These information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during maintenance, power outages, hardware failures, malware attacks or catastrophic events. If the information technology systems suffer damage, disruption or shutdown, we may incur substantial costs in repairing or replacing these systems. If we do not effectively resolve the issues in a timely manner, our business, financial condition and results of operations may be materially and adversely affected. In addition, if the information technology systems fail to satisfy additional requirements related to our business expansion, our future growth may be adversely affected.

Failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, suppliers, customers or other third parties may materially and adversely affect our business.

We are exposed to fraudulent or illegal activities or other misconduct by our employees, suppliers, customers or other third parties, that could subject us to liabilities, fines and other penalties imposed by government authorities. Although we have established internal control policies and relevant contractual covenants, we cannot assure you that we will be able to prevent fraud or illegal activity by such persons or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity by our employees, suppliers, customers or other third parties, including, but not limited to, those in violation of anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws, could also subject us to negative publicity that could severely damage our brand and reputation and subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, suppliers, customers or other third parties could materially and adversely affect our business.

Our risk management and internal control systems may not be adequate or effective.

We have designed and implemented risk management and internal control systems in relation to our business operations, financial reporting and general compliance which we believe are appropriate for our business operations. Please see "Business – Internal Control and Risk Management" for more details. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective in ensuring, among other things, accurate report of our financial results and prevention of fraud. Since our risk management and internal control systems depend on the implementation by our employees, we cannot assure you that our employees or other related third parties are sufficiently or fully trained to implement these systems, or that their implementation will be free from human error or mistakes. If we fail to timely update, implement, and modify, or fail to deploy sufficient human resources to maintain our risk management policies and procedures, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may be involved in legal proceedings and commercial or contractual disputes, which could materially and adversely affect our reputation, business, financial condition and results of operations.

We may be involved in commercial or contractual disputes, legal and administrative proceedings, and claims arising out of the ordinary course of our business. We cannot assure you that we will not be involved in various disputes in the future, which may expose us to additional risks and losses. In addition, existing or future disputes, proceedings and claims may be costly to defend or resolve. We may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies. Any claims, disputes, inquiries, investigations and proceedings may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our core business. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may materially and adversely affect our reputation, business, financial condition and results of operations.

Our legal right to some leased properties may be challenged.

We lease properties mainly for offices and employee dormitories. As of the Latest Practicable Date, with respect to our eight out of nine leased properties in China, we have not received real estate ownership certificates or proof of authorizations from the lessors or the property owners and the lease filing procedures of the eight leased properties have not been completed. Under the Measures for Administration of Lease of Commodity Properties (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on December 1, 2010 and became effective on February 1, 2011, both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. We cannot assure you that we will be able to comply with the relevant laws and regulations by completing all required filings of our existing and future lease agreements in China. We may be required by relevant government authorities to file future lease agreements for registration within a time limit, and may be subject to a fine ranging from RMB1,000 to RMB10,000 for such non-registration exceeding such time limit. Moreover, if the lessor was not the owner of the property and the lessor had not obtained consent from the owner or their lessor, our lease could be invalidated or terminated as a result of challenges by third parties. Our inability to enter into new leases or renew existing leases on terms acceptable to us could materially adversely affect our business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA AND OTHER JURISDICTIONS

Failure to fully adapt to changes in the economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines in China could materially and adversely affect our business, financial condition, results of operations and prospects.

The majority of our business assets are located in China and substantially all of our sales and revenue is currently derived from China. Accordingly, our business, financial condition, results of operations and prospects are subject to the economic, political and legal conditions in China. Political and economic policies of the PRC government could affect our business and financial condition. Failure to fully adapt to these changes in political and economic policies may adversely affect our growth. In recent years, the PRC government implemented a series of laws, regulations and policies with respect to, among other things, quality and safety control, and supervision and administration of companies in our industry. Please see "Regulatory Overview" for details. Laws, regulations and policies related to our industries will continue to evolve and undergo changes or adjustments, compliance to which may incur additional costs for us. If we cannot fully comply with these Laws, regulations and policies, our business, financial condition, results of operations and prospects may be adversely affected.

Development in the legal system of certain geographic markets in which we operate could materially and adversely affect us. The legal systems in these geographic markets vary significantly from one jurisdiction to another.

We conduct business in multiple geographic markets that adopt different legal systems. These jurisdictions in which we operate adopt either the civil law system or the common law system. In the civil law system, prior court decisions may be cited for reference and may have limited precedential value. For example, in recent years, the PRC government has passed reformative laws and regulations related to economic affairs such as protection to various forms of foreign investments in China. However, many of these laws and regulations are relatively new with few published cases and judicial interpretations. Therefore, it may be difficult to evaluate the level of legal protection we have in many of the geographic markets in which we operate. Any failure to comply with these laws and regulations may result in substantial costs and the diversion of resources and management attention, thereby adversely affecting our business, financial condition and results of operations.

Regulations on currency exchange may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your [REDACTED].

The conversion of Renminbi is subject to applicable laws and regulations in China. We cannot guarantee that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange needs. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE. We are required to present documentary evidence of such transactions and conduct such transactions at banks that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be registered in advance by the SAFE or its designated banks.

Under existing foreign exchange regulations, following the completion of the **[REDACTED]**, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, any change in these foreign exchange policies or any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements, or to capitalize our capital expenditure plans, and even our business, results of operations and financial condition, may be affected.

Fluctuations in exchange rates could result in foreign currency exchange losses.

Most of our revenue and expenditures were denominated in Renminbi. We recorded net foreign exchange gain of RMB2.4 million in 2022 and net foreign exchange loss of RMB0.3 million and RMB2.9 million in 2023 and the nine months ended September 30, 2024, respectively. Any significant revaluation of the Renminbi may adversely affect our financial condition and results of operations.

Additionally, the **[REDACTED]** from the **[REDACTED]** will be in Hong Kong dollars. Fluctuations in the exchange rates among the Renminbi, the Hong Kong dollar, the U.S. dollar and other foreign currencies will affect the relative purchasing power in Renminbi in terms of the **[REDACTED]** from the **[REDACTED]**. Fluctuations in the exchange rate may also incur foreign exchange losses and affect the relative value of any dividend issued by us, thereby adversely affecting our business, financial condition and results of operations. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or the U.S. dollar may affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business, financial condition or results of operations.

Our operations are subject to PRC tax laws and regulations.

As a company incorporated in China, we are subject to PRC tax laws and regulations. We cannot assure you that we are able to fully comply with such laws and regulations. Any violation of such laws and regulations may result in fines, other penalties, actions or proceedings that could adversely affect our business, financial condition and results of operations.

Holders of our H Shares may be subject to PRC income tax obligations.

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares by them. Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the dividends or gain from share transfer derived in China under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》)and its implementation regulations. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between the PRC and the jurisdiction in which the foreign individual or enterprise resides reduce or exempt the relevant tax obligations. Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region ("**HKSAR**") for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a resident of the HKSAR (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable by the Chinese company. If an HKSAR resident directly holds 25% or more of the equity interest in a PRC company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》) issued by the STA effective on December 6, 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions. For non-PRC resident enterprises that do not have establishments or premises in the PRC, and for those who have establishments or premises in the PRC but whose income is not related to such establishments or premises, under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), and its implementation regulations, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are typically subject to PRC enterprise income tax at a 10% rate. The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the STA, also stipulates that the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares shall be 10%, subject to a further reduction under a special arrangement or an applicable treaty between China and the jurisdiction of the residence of the relevant non-PRC resident enterprise. Despite the arrangements mentioned above, the interpretation and application of applicable PRC tax laws and regulations are subject to the then relevant laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your **[REDACTED]** in our H Shares may be materially affected.

You may experience difficulties in effecting service of legal process and enforcing judgments against us, our most Directors, Supervisors and senior management.

We are a company incorporated under the PRC laws and a majority of our assets and subsidiaries are located in China. The majority of our Directors, Supervisors and senior management reside within China. The assets of these Directors, Supervisors and senior management also may be located within China. As a result, it may be complex and difficult to effect service of process upon or to enforce judgements against us, most of our Directors, Supervisors and senior management outside China.

Any failure to comply with relevant regulations regarding the registration requirements for employee share incentive plans may subject our share incentive plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We, our executive officers and other employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who have been granted options of H shares will be subject to these regulations when we become an H-share **[REDACTED]** company upon the completion of the **[REDACTED]**. Failure to complete SAFE registrations may subject them to fines and legal sanctions. In light of the above, we cannot assure you that we will continuously adopt additional H shares incentive plans for our directors, executive officers and employees under PRC law. In addition, the STA has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. We have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities.

RISKS RELATED TO THE [REDACTED]

We will be concurrently subject to [REDACTED] and regulatory requirements of mainland China and Hong Kong.

As our A Shares are listed on the STAR Market and our H Shares will be **[REDACTED]** on the **[REDACTED]**, we will be required to comply with the applicable **[REDACTED]** rules and other regulatory regimes of both jurisdictions unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and resources to ensure our compliance with the **[REDACTED]** rules of both jurisdictions.

The characteristics of the A share and H share markets may differ.

Our A Shares are listed and traded on the STAR Market. Following the **[REDACTED]**, our A Shares will continue to be traded on the STAR Market and our H Shares will be **[REDACTED]** on the **[REDACTED]**. Under current laws and regulations in China, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. With different **[REDACTED]** characteristics, the H Share and A Share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the **[REDACTED]** performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. Therefore, you should not place undue reliance on the trading history of our A Shares when making your **[REDACTED]** decision in our H Shares.

There has been no prior [REDACTED] for our H Shares, and an active [REDACTED] for our H Shares may not develop or be sustained.

Prior to the **[REDACTED]**, there was no **[REDACTED]** for our H Shares. We cannot assure you that a **[REDACTED]** for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the **[REDACTED]**. In addition, the **[REDACTED]** of our H Shares is expected to be fixed by agreement between the **[REDACTED]** and us, and may not be an indication of the **[REDACTED]** of our H Shares following the completion of the **[REDACTED]**. If an active **[REDACTED]** for our H Shares does not develop following the completion of the **[REDACTED]**, the **[REDACTED]** and liquidity of our H Shares may be materially and adversely affected. The **[REDACTED]** and **[REDACTED]** of our H Shares may be volatile, which could lead to substantial losses to **[REDACTED]**.

The [REDACTED] and [REDACTED] of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of securities in Hong Kong and elsewhere in the world.

The Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular **[REDACTED]** company. The business and performance and the market price of the shares of other **[REDACTED]** companies engaging in similar business may also affect the **[REDACTED]** and **[REDACTED]** of our Shares. In addition to market and industry factors beyond our control, the **[REDACTED]** and **[REDACTED]** of our Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies **[REDACTED]** on the Hong Kong Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in **[REDACTED]** not directly related to our performance.

Future sales or perceived sales of substantial amounts of our H Shares in the [REDACTED] could have a material adverse impact on the prevailing [REDACTED] of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.

The market price of our H Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate could be negatively impacted as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the **[REDACTED]**, especially by our Directors, executive officers and Controlling Shareholders, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. In addition, our Shareholders may experience dilution in their holdings if we **[REDACTED]** more securities in the future. Furthermore, we may **[REDACTED]** Shares pursuant to any existing or future share option incentive schemes, which would further dilute our Shareholders' interests in our Company. New shares or shares-linked securities **[REDACTED]** by us may also confer rights and privileges that take priority over those conferred by the H Shares. Certain amount of the Shares controlled by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which **[REDACTED]** in our Shares commences on the Hong Kong Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Market sale of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the **[REDACTED]** of our Shares.

In addition, while **[REDACTED]** subscribing shares in the **[REDACTED]** are not subject to any restrictions on the disposal of the H Shares they subscribed, they may have existing arrangements or agreement to dispose part or all of the H Shares they hold immediately or within certain period upon completion of the **[REDACTED]** for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the **[REDACTED]**. Any sale of the H Shares subscribed by such **[REDACTED]** pursuant to such arrangement or agreement could adversely affect the **[REDACTED]** of our H Shares and any sizeable sale could have a material and adverse effect on the **[REDACTED]** of our H Shares and could cause substantial volatility in the **[REDACTED]** of our H Shares.

The interests of our Controlling Shareholders may not be aligned with the interests of other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters related to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. Immediately following the completion of the **[REDACTED]** and assuming the **[REDACTED]** is not exercised and no Shares are issued pursuant to our Restricted Share Incentive Plans, our Controlling Shareholders will hold approximately **[REDACTED]**% of the issued share capital of our Company (excluding the 193,000 A Shares held by our Company as treasury Shares). This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the **[REDACTED]** of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance whether and when we will pay dividends in the future.

We have declared dividends in the past. We protect our Shareholders' interest by ensuring a consistent dividend policy. However, there is no assurance that we will be able to declare or distribute dividends of any amount in any year in the future. Under the applicable PRC laws and regulations, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under IFRS. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors, including but not limited to our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at Shareholders' meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable PRC laws and regulations. Please see "Financial Information – Dividends and Dividend Policy" for further details of our dividend policy. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the STAR Market.

As our A Shares are listed on the STAR Market, we have been subject to periodic reporting and other information disclosure requirements in China. As a result, from time to time, we publicly release information relating to us on the STAR Market or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in China, which are different from those applicable to the **[REDACTED]**. The presentation of financial and operational information for the Track Record Period disclosed on the STAR Market or other media outlets may not be directly comparable to the financial and operational information contained in this document. Therefore, prospective **[REDACTED]** in our H Shares should be reminded that, in making their **[REDACTED]** decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this document. By applying to purchase our H Shares in the **[REDACTED]**, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the **[REDACTED]**.

You should read the entire document carefully and only rely on the information included in this document to make your [REDACTED] decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the [REDACTED].

We strongly caution our **[REDACTED]** not to rely on any information contained in press articles or other media regarding us, our Shares and the **[REDACTED]**. Prior to the publication of this document, there may be press and media coverage regarding the **[REDACTED]** and us. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and our **[REDACTED]** should not rely on such information.

Certain facts, forecast and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this document are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been independently verified by us, the Sole Sponsor, **[REDACTED]** or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our **[REDACTED]** that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our **[REDACTED]** should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

In preparation of the **[REDACTED]**, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since our principal business and operations are substantially located, managed and conducted in the PRC, our Directors consider that appointment of additional executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to or appropriate for the Group. As none of our executive Directors are ordinarily based in Hong Kong, we do not, and do not contemplate that we will in the foreseeable future, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules. We will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and our Company:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Bi Lei, our executive Director, chairman of our Board, general manager and chief executive officer and Ms. Yan Hoi Ling Jovian ("**Ms. Yan**"), one of our joint company secretaries. Mr. Bi Lei confirms that he possesses valid travel documents and can readily travel to Hong Kong and Ms. Yan is ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone and email. Each of the authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange;

(b) the authorized representatives have means to contact our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matter;

(c) all of our Directors have confirmed that they possess or can apply for and renew valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange upon reasonable notice and within a reasonable period. Each of our Directors will be readily contactable by telephone and email, and is authorized to communicate on behalf of our Company with the Stock Exchange;

(d) each of our Directors has provided his/her respective contact details, including office phone numbers, mobile phone numbers email addresses and addresses, to the Stock Exchange and the authorized representatives. In the event that any Director expects to travel or otherwise be out of office, he/she will provide the contact details and his/her place of accommodation to the authorized representatives;

(e) our Company has appointed Altus Capital Limited as compliance advisor pursuant to Rule 3A.19 of the Listing Rules who will have access at all times to the authorized representatives, our Directors and other senior management of our Company, and will act as an additional channel of communication with the Stock Exchange for the period commencing on the date of the **[REDACTED]** of our H Shares on the Main Board and ending on the date when our Company distributes its annual report for the first full financial year in accordance with Rule 13.46 of the Listing Rules; and

(f) meetings between the Stock Exchange and our Directors can be arranged through the authorized representatives or the compliance advisor of our Company or directly with our Directors within a reasonable time frame. The Company will inform the Stock Exchange promptly in respect of any change in the authorized representatives and/or its compliance advisor.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, our company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

The Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In assessing "relevant experience," the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he or she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to be the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Ms. Jiao Qianqian ("**Ms. Jiao**") as one of our joint company secretaries. Ms. Jiao joined our Group in December 2021 and is the secretary of our Board. She is primarily responsible for Board affairs, corporate governance, capital management, investor relations and securities affairs of our Group. Although our Company believes, having regard to Ms. Jiao's past experience in handling corporate matters, that she has a thorough understanding of our Company and the Board, Ms. Jiao does not possess the requisite qualifications required by Rule 3.28 of the Listing Rules. Therefore, our Company has appointed Ms. Yan, who is a Hong Kong resident and possesses such qualifications, to be a joint company secretary to assist Ms. Jiao in the compliance matters for the **[REDACTED]** as well as other Hong Kong regulatory requirements for a period of three years commencing from the **[REDACTED]**. For the biographies of our joint company secretaries, see "Directors, Supervisors and Senior Management – Joint Company Secretaries" in this document. Over such three-year period, we will implement measures to assist Ms. Jiao to satisfy the requisite qualifications as prescribed in Rule 3.28 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 8.17 and 3.28 of the Listing Rules in relation to Ms. Jiao's appointment as a joint company secretary pursuant to Chapter 3.10 of the Guide for New Listing Applicants on the following conditions:

(a) Ms. Jiao must be assisted by Ms. Yan, who possesses the qualification and experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the validity period of the waiver; and

(b) the waiver is valid for a period of three years from the **[REDACTED]** and will be revoked immediately if and when Ms. Yan ceases to provide such assistance or if there are material breaches of the Listing Rules by our Company.

It is anticipated that Ms. Jiao will gain experience with the assistance of Ms. Yan. Before the end of the initial three-year period, we will evaluate the then experience of Ms. Jiao in order to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied at the time and on-going assistance would be needed. We would then endeavor to demonstrate to the satisfaction of the Stock Exchange that Ms. Jiao, having had the benefit of Ms. Yan's assistance for three years, would then have acquired the "relevant experience" within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Bi Lei (畢磊)	504, Building A Guangcai Shanju Time Home Nanshan District, Shenzhen Guangdong PRC	Singaporean
Dr. Bi Chao (畢超)	296 Beach Road #18-02 Concourse Skyline Singapore	Singaporean
Independent Non-Executive Directors		
Mr. Wang Jianxin (王建新)	1-405, Dingtai Fenghua Qianhai Road Nanshan District, Shenzhen Guangdong PRC	Chinese
Dr. Niu Shuangxia (牛雙霞)	14E, Block 5 Willow Mansions Whampoa Garden Hong Kong	Chinese (Hong Kong)
Mr. Chen Jingyang (陳井陽)	Room 901, Building 2 South District, Begonia Apartments 38 Ximen Road Zhuji City, Shaoxing Zhejiang PRC	Chinese

SUPERVISORS

Name	Residential address	Nationality
Ms. Wang Yuhong (汪鈺紅)	24F, Pisces Building, Building 2 Xinhe Freedom Plaza East of Nanyou Avenue Nanshan District, Shenzhen Guangdong PRC	Chinese
Ms. Liu Haimei (劉海梅)	2804, Building B Shanhai Mansion Intersection of Bao'an Avenue and Gongda Road Bao'an District, Shenzhen Guangdong PRC	Chinese
Mr. Bai Yuhong (柏玉宏)	103, No. 3, West 8 Lane Nanchang Second New Village Bao'an District, Shenzhen Guangdong PRC	Chinese

Further information about our Directors and Supervisors are set out in "Directors, Supervisors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong

[REDACTED]

[REDACTED]

Legal Advisors to our Company	*As to Hong Kong and U.S. laws:* **Paul Hastings** 22/F, Bank of China Tower 1 Garden Road Hong Kong *As to PRC law:* **AllBright Law Offices** 21, 22, 23/F, Excellence Century Centre Fu Hua 3 Road Futian District Shenzhen PRC
Legal Advisors to the Sole Sponsor and the [REDACTED]	*As to Hong Kong and U.S. laws:* **Sullivan & Cromwell (Hong Kong) LLP** 20/F, Alexandra House 18 Chater Road Central Hong Kong *As to PRC law* **Beijing Jingtian & Gongcheng Law Firm** Room 1401A Tower 2, Kerry Center Qianhai Qianhai Avenue, Nanshan District Shenzhen PRC
Auditor and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 2504, Wheelock Square No. 1717, Nanjing West Road Jingan District, Shanghai PRC

[REDACTED]

CORPORATE INFORMATION

Registered Office	203, Building 11 Software Park (Phase II) 1 Keji Central Road II, Gaoxin Central Zone Nanshan District, Shenzhen Guangdong PRC
Headquarters and Principal Place of Business in the PRC	203, Building 11 Software Park (Phase II) 1 Keji Central Road II, Gaoxin Central Zone Nanshan District, Shenzhen Guangdong PRC
Place of Business in Hong Kong	40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
Company's Website	**www.fortiortech.com** *(The information on the website does not form part of this document)*
Joint Company Secretaries	**Ms. Jiao Qianqian (焦倩倩)** 27A-B, Building 6 Dachong City Garden 12 Kefa Road Nanshan District, Shenzhen Guangdong PRC **Ms. Yan Hoi Ling Jovian (甄凱寧)** *ACG (CS, CGP); HKACG (CS, CGP)* 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong

CORPORATE INFORMATION

Authorized Representatives	**Mr. Bi Lei (畢磊)** 504, Building A Guangcai Shanju Time Home Nanshan District, Shenzhen Guangdong PRC
	Ms. Yan Hoi Ling Jovian (甄凱寧) 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Mr. Wang Jianxin (王建新) *(Chairperson)* Dr. Niu Shuangxia (牛雙霞) Mr. Chen Jingyang (陳井陽)
Remuneration and Appraisal Committee	Mr. Wang Jianxin (王建新) *(Chairperson)* Mr. Bi Lei (畢磊) Dr. Niu Shuangxia (牛雙霞)
Nomination Committee	Dr. Niu Shuangxia (牛雙霞) *(Chairperson)* Mr. Bi Lei (畢磊) Mr. Wang Jianxin (王建新)
Strategy and ESG Committee	Mr. Bi Lei (畢磊) *(Chairperson)* Dr. Bi Chao (畢超) Dr. Niu Shuangxia (牛雙霞)

[REDACTED]

Compliance Advisor	**Altus Capital Limited** 21 Wing Wo Street Central Hong Kong

Principal Banks	**Bank of China, Shenzhen Shenzhen Bay Branch** 1/F, Kingkey Banner Center Nanshan District, Shenzhen Guangdong PRC **Ping An Bank, Shenzhen Xiangmi Lake Branch** 2/F, Sunshine Golf Mansion 7008 Shennan Avenue Futian District, Shenzhen Guangdong PRC **Bank of Ningbo, Shenzhen Nanshan Branch** 1/F–2/F, Building A Lotus Square 3168 Nanshan Avenue Nanshan District, Shenzhen Guangdong PRC

The information and statistics presented in this section and other sections of this document, unless otherwise indicated, were extracted from different official government publications and other publications, and from the industry report prepared by Frost & Sullivan, an independent market research and consulting company that was commissioned by us, in connection with this **[REDACTED]**. *The information from official government sources has not been independently verified by us, the Sole Sponsor,* **[REDACTED]**, *any of their respective directors and advisers, or any other persons or parties involved in the* **[REDACTED]**, *and no representation is given as to its accuracy.*

SOURCES OF INFORMATION

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report on global and China's BLDC motor control and driver chip industry for the use in this document (the "**F&S Report**"), which was commissioned by us for a fee of RMB550,000. In compiling and preparing the F&S Report, Frost & Sullivan adopted the following assumptions: (i) the social, economic and political conditions globally currently discussed will remain stable during the forecast period, (ii) global and China's government policies on BLDC motor control and driver chip industry will remain consistent during the forecast period, (iii) global and China's BLDC motor control and driver chip industry will be driven by the factors which are stated in the report in the forecast period. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the F&S Report. The F&S Report has been prepared by Frost & Sullivan independently without any influence from us or other interested parties.

Frost & Sullivan is an independent global consulting firm founded in 1961 in New York and its services include, among others, industry consulting, market strategic consulting and corporate training. Frost & Sullivan conducted (i) primary research, which involved discussing the status of the industry with certain leading industry participants, and interviews with industry experts on a best-effort basis to collect information in aiding in-depth analysis; and (ii) secondary research, which involved reviewing company reports, independent research reports and data based on its own research database.

ANALYSIS OF GLOBAL AND CHINA'S BLDC MOTOR INDUSTRY

Definition and Comparison among Different Types of Motors

Motors are devices that utilize the principles of electromagnetic induction to achieve mutual conversion between electrical energy and mechanical energy, which can be categorized into direct current (DC) motors and alternating current (AC) motors. DC motors can be further divided into brushless DC (BLDC) motors and brushed DC (BDC) motors, while AC motors can be further divided into synchronous motors and asynchronous motors.

Compared with other types of motors, BLDC motors have several advantages, including higher output power, higher efficiency, longer life span, lower power consumption, and ease of maintenance.

Comparison among Major Types of Motors

	DC Motor		AC Motor	
	BLDC	**BDC**	**Synchronous Motor**	**Asynchronous Motor**
Definition	A BLDC motor is a type of motor that uses electronic control, instead of carbon brushes and commutators, to manage power supply commutation for motor operation.	A BDC motor converts direct current into mechanical energy and incorporates an internal brush mechanism.	A synchronous motor is an AC motor where the rotor speed matches the rotating magnetic field speed of the stator.	An asynchronous motor is an AC motor where the rotor speed does not match the speed of the rotating magnetic field produced by the stator.
Output Power per Unit Volume	High	Medium	Medium	Medium
Efficiency	High	Low	High	Low
Life Span	Long	Short	Long	Long
Maintenance Costs	Low	High	High	Low

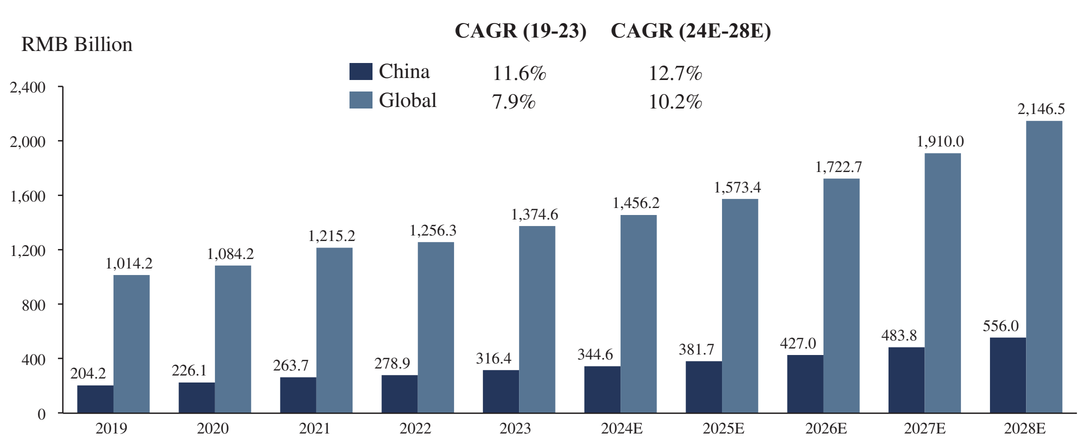
Source: Frost & Sullivan

Global and China's Market Size of Motors

The global motor market grew from RMB 1,014.2 billion in 2019 to RMB 1,374.6 billion in 2023, with a CAGR of 7.9%, attributed to the progress of chip technology and the growth of downstream market demand. The market is expected to increase from RMB 1,456.2 billion in 2024 to RMB 2,146.5 billion in 2028, with a CAGR of 10.2%, driven by the increased investment in infrastructure construction globally.

As for the Chinese market, its size is expected to grow from RMB 344.6 billion in 2024 to RMB 556.0 billion in 2028, with a CAGR of 12.7%.

Market Size of Motors (by sales value), Global and China, 2019-2028E



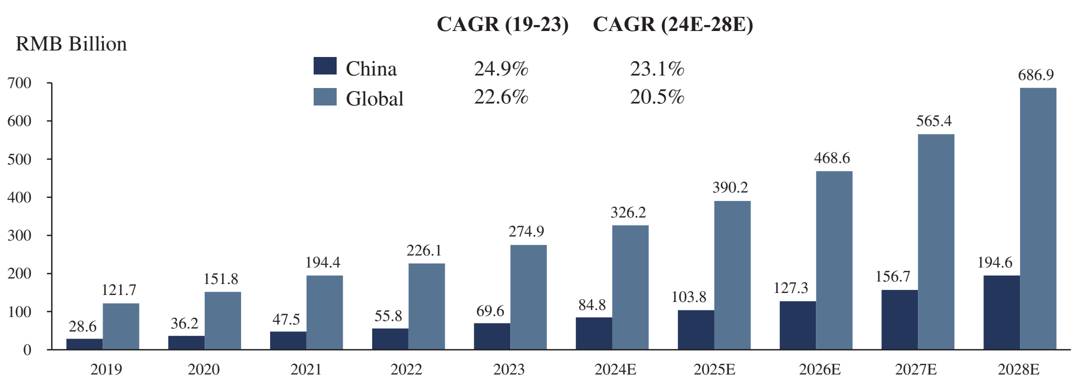
Source: Frost & Sullivan

Global and China's Market Size of BLDC Motors

Due to higher energy efficiency and lower power consumption compared with other types of motors, BLDC motors meet the needs of energy conservation and emission reduction from downstream industries. Therefore, they have been more widely used in multiple fields such as home appliances, electric tools, intelligent robots and EVs. The global BLDC motor market increased rapidly from RMB121.7 billion in 2019 to RMB274.9 billion in 2023, with a CAGR of 22.6%, and is expected to further increase from RMB326.2 billion in 2024 to RMB686.9 billion in 2028, representing a CAGR of 20.5%. The global BLDC motor market accounts for 12% and 20% of the global motor market in 2019 and 2023 respectively. With the widespread use of BLDC motors in downstream applications, the penetration rate is expected to increase to 32% in 2028.

China's BLDC motor market increased from RMB28.6 billion in 2019 to RMB69.6 billion in 2023, with a CAGR of 24.9%, and is expected to further grow from RMB84.8 billion in 2024 to RMB194.6 billion in 2028, representing a CAGR of 23.1%. China's BLDC motor market accounted for 14% and 22% of China's motor market in 2019 and 2023 respectively, and such a share is expected to increase to 35% in 2028.

Market Size of BLDC Motor Market (by sales value), Global and China, 2019-2028E



Source: *Frost & Sullivan*

DOWNSTREAM APPLICATIONS OF BLDC MOTORS

Downstream applications of BLDC motors mainly include home appliances, civilian unmanned aerial vehicles, intelligent robots, electric vehicles, electric tools, and servo systems.

- ***Home Appliances.*** With the intelligent development trend of home appliances and the continuous improvement of consumer purchasing power, the global household appliances market, including smart small household appliances and white goods, is expected to reach RMB325.9 billion by 2028 with a CAGR of 4.2% from 2023 to 2028. Similar to the global market, China's market is also expected to grow from RMB60.4 billion in 2023 to RMB76.9 billion in 2028, at a CAGR of 4.9%.

- ***Civilian Unmanned Aerial Vehicles.*** Driven by the continuous development of new intelligent technologies, including 5G, artificial intelligence, IoT, cloud computing, and big data, the global civilian unmanned aerial vehicles market size is expected to grow from RMB408.1 billion in 2023 to RMB1,223.3 billion by 2028 with a CAGR of 24.6%. As for China's market, its size is expected to grow from RMB117.4 billion in 2023 to RMB392.2 billion in 2028, with a CAGR of 27.3%.

- ***Intelligent Robots.*** Driven by the industrial chain improvement and coordinated development, the global intelligent robot market size is expected to increase from RMB410.3 billion in 2023 to RMB887.8 billion in 2028, with a CAGR of 16.7%. And the China's market size is expected to increase from RMB148.6 billion in 2023 to RMB392.1 billion in 2028, with a CAGR of 21.4%.

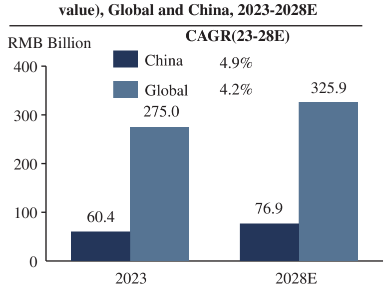
- ***Electric Vehicles.*** Driven by longer driving ranges with increasing battery capacity, decreasing costs and prices of EVs, more mature and convenient charging infrastructure, improving experiences of intelligent cabins, and stronger environmental consciousness of consumers, the penetration rate of EVs over total vehicles is expected to continue to grow in the forecast period. The global sales volume of EVs is expected to further increase to 36.2 million units by 2028, representing a 20.9% CAGR from 14.0 million units in 2023. EV will be an important application scenario and demand driver for BLDC motors. And the sales volume in China is expected to grow from 9.5 million units in 2023 to 24.9 million units in 2028, at a CAGR of 21.3%.

- ***Electric Tools.*** Driven by growing demand from downstream sectors including industrial manufacturing and agriculture, the global market size of electric tools is expected to grow from RMB407.6 billion in 2023 to RMB521.3 billion in 2028, representing a CAGR of 5.0%. With the expanding application scenarios of electric tools, China's market size is also expected to grow from RMB32.3 billion in 2023 to RMB47.7 billion in 2028, with a CAGR of 8.1%.

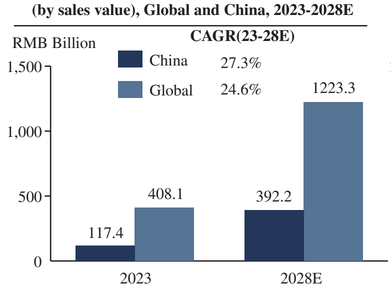
- ***Servo Systems.*** With the promotion of industrial automation and intelligent manufacturing, the servo system is expected to expand its applications in various areas including industrial automation and robots. The global market size of servo systems is expected to grow from RMB110.4 billion in 2023 to RMB162.9 billion in 2028, with a CAGR of 8.1%. As for the Chinese market, its size is expected to reach RMB27.0 billion in 2023 and RMB41.1 billion in 2028, with a CAGR of 8.8%.

The following charts show the global and China's market size trends of BLDC motors' major downstream applications.

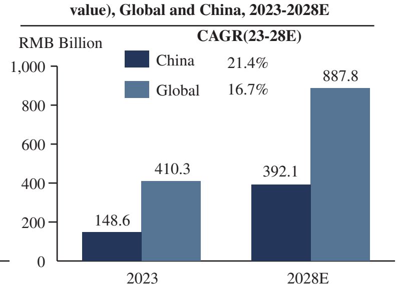
Market Size of Home Appliances (by sales value), Global and China, 2023-2028E



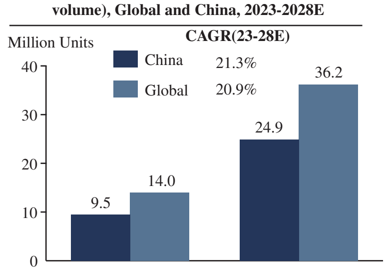
Market Size of Civilian Unmanned Aerial Vehicles (by sales value), Global and China, 2023-2028E



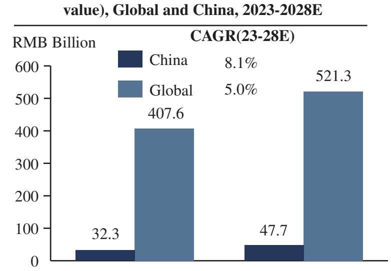
Market Size of Intelligent Robots (by sales value), Global and China, 2023-2028E



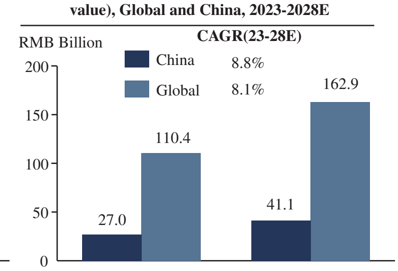
Market Size of EVs (by sales volume), Global and China, 2023-2028E



Market Size of Electric Tools (by sales value), Global and China, 2023-2028E



Market Size of Servo Systems (by sales value), Global and China, 2023-2028E



Source: China Association of Automobile Manufacturers, Frost & Sullivan

ANALYSIS OF GLOBAL AND CHINA'S BLDC MOTOR CONTROL AND DRIVER PRODUCT INDUSTRY

Definition and Categorization of BLDC Motor Control and Driver Products

The BLDC motor control and driver product constitutes a comprehensive suite of components specifically engineered for the precise regulation, driving, and safeguarding of BLDC motors. Such a product typically encompasses control chips, driver chips, power devices, Intelligent Power Modules (IPMs), and sensors, all functioning synergistically to ensure the stable operation and optimal performance of the BLDC motor.

- ***Control chips.*** The "brains" of the BLDC motor control system, and are responsible for electrical signal detection, motor driver control algorithm processing and control instruction generation. They can be classified into MCUs and ASICs. MCUs contain a general-purpose processor core, memory, input/output interfaces, and other modules for a variety of applications. And ASICs are a type of motor control chips that are customized to the needs of a specific application.

- ***Driver chips.*** Responsible for converting the low-power signal from the motor control chips into a high-power output signal to drive the motor. HVICs are a typical type of motor driver chips that can convert the low voltage control signal of the control chips into a high voltage signal to drive the power devices and realize the control of the motor.

- ***Power Devices.*** Used to convert electrical energy into mechanical energy to drive motors. Common power devices include MOSFETs and IGBTs.

- ***IPMs.*** Modules that combine power devices, drive circuits and protection circuits into a compact package to simplify the design of BLDC motor control systems. IPMs can reduce the number of components and system costs, as well as improve the stability and reliability of the BLDC motor driver system.

- ***Sensors.*** Used to detect status of BLDC motors, including rotor position and speed, and transit the data back to the chips, in order to realize accurate control and stable operation of motors.

Technology Analysis of BLDC Motor Control and Driver Products

- **Specific-Purpose Chips and General-Purpose Chips**. In terms of the coverage of applications, BLDC motor control chips can be classified into specific-purpose control chips and general-purpose control chips. Some specific-purpose chips have a dual-core structure consisting of a general-purpose core as well as a specific-purpose core. Such chips have higher processing power and parallel computing capability. By contrast, general-purpose chips such as ARM-based chips only have a general-purpose core, and their application fields are not limited to motors. General-purpose chips are typically based on mature IP architectures. Therefore, manufacturers of general-purpose chips can conduct secondary development based on the mature IP architectures.

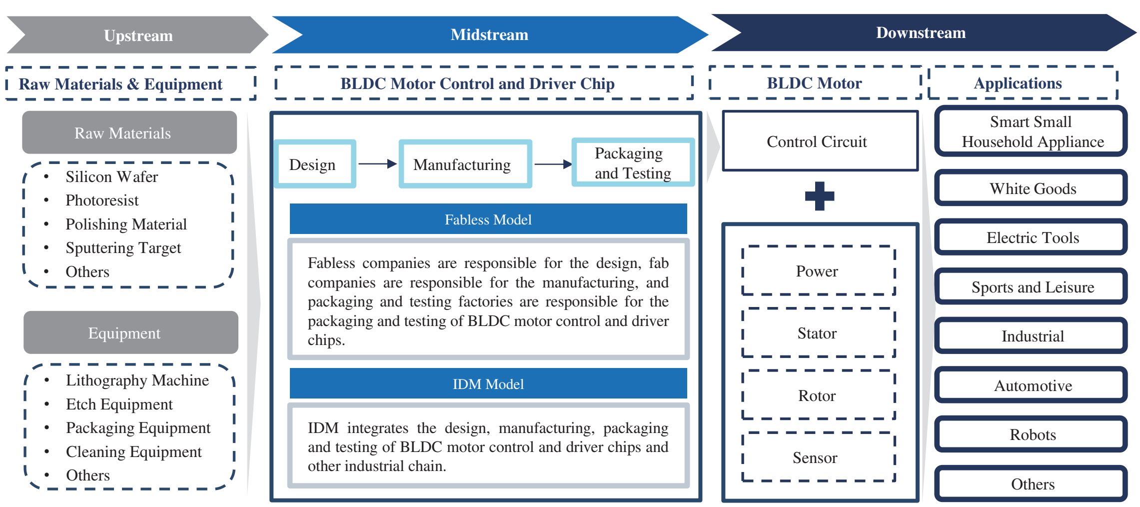
- **Sensorless FOC and Other Algorithms.** Based on the different position sensors and control methods, BLDC control chip algorithms can be classified into sensored square wave, sensorless square wave, sensored SVPWM, sensored FOC and sensorless FOC. Comparing sensored algorithms with sensorless algorithms, sensored ones obtain the precise position information of the rotor in the motor through the position sensor, while sensorless ones estimate the position of the rotor through algorithms. Therefore, sensorless algorithms can avoid system failures caused by sensor failures and improve the reliability of the system. Compared with other types of control algorithms, FOC control algorithms can accurately control the size and direction of the magnetic field, improving the efficiency of the motor and the overall efficiency of the system. Sensorless FOC algorithms combine the dual characteristics of sensorless algorithms and FOC algorithms, and have the advantages of high system reliability and high system efficiency. Meanwhile, sensorless FOC algorithms are more complex and therefore have higher requirements on chip design companies.

- **Control Chips with Different Levels of Integration.** Some control chips can integrate a large number of functions of other components such as LDOs and op-amps, and even those of HVICs and MOSEETs. Such a design reduces the number of connection points between components, thereby improving system stability and reliability. By contrast, there are also control chips that do not integrate a large number of functions of other components. Such a design allows downstream customers to select the most suitable components for specific application requirements with greater flexibility.

Value Chain of BLDC Motor Control and Driver Product Industry

Major participants in the upstream of the BLDC control and driver product industry include raw material and equipment suppliers. The BLDC control and driver product companies in the midstream of the value chain are responsible for designing, manufacturing, packaging and testing of the BLDC control and driver chips. There are primarily two business models in the midstream, namely integrated device manufacturer (IDM) model and fabless model. In the downstream, the control circuits which include the BLDC motor control and driver chips are integrated with power supply, stators, rotors and sensors into BLDC motors. BLDC motors can be used in a wide range of application scenarios, including smart small household appliance, white goods, electric tools, sports and leisure, industrial, automotive and robots, etc.

Value Chain of BLDC Motor Control and Driver Product Industry



Source: Frost & Sullivan

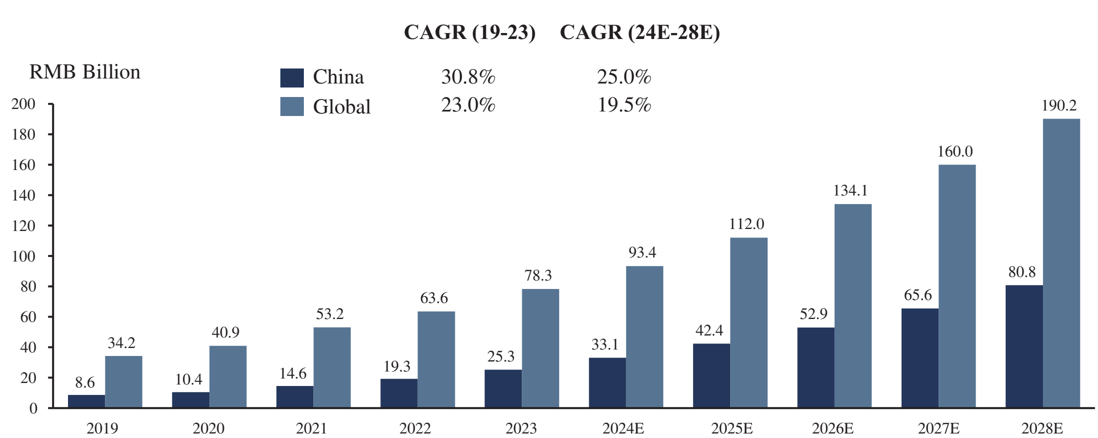
Global and China's Market Size of Chips

Benefiting from advancements and innovations in chip technology, as well as growing market demand, the overall size of the global chip market exhibited an upward trend, rising from RMB2,302.2 billion in 2019 to RMB3,195.9 billion in 2022. However, in 2023, due to the stockpiling of downstream companies, and the short-term decline in consumer demand caused by the global economic downturn, the size of the global chip market decreased to RMB3,030.9 billion. During the forecast period, the global chip market still possesses vast development prospects and significant market potential, with its market size expected to grow from RMB3,660.6 billion in 2024 to RMB5,844.0 billion in 2028, at a CAGR of 12.4%. As for the Chinese market, its size is also expected to grow at a CAGR of 8.8% between 2024 and 2028 to reach RMB1,441.0 billion in 2028, driven by favourable government policies, increasing downstream demands, and technology improvements.

Global and China's Market Size of BLDC Motor Control and Driver Products

The BLDC motor control and driver product market encompasses control chips, driver chips, power devices, IPMs, and sensors. Benefiting from various driving factors including technological innovation, growing downstream demand, favorable policy environment, etc., BLDC motor control and driver product market has shown broad development prospects worldwide. The global BLDC motor control and driver product market increased rapidly from RMB34.2 billion in 2019 to RMB78.3 billion in 2023, with a CAGR of 23.0%, and is expected to further increase from RMB93.4 billion in 2024 to RMB190.2 billion in 2028, representing a CAGR of 19.5%. The China BLDC motor control and driver product market increased from RMB8.6 billion in 2019 to RMB25.3 billion in 2023, with a CAGR of 30.8%, and is expected to further grow from RMB33.1 billion in 2024 to RMB80.8 billion in 2028, representing a CAGR of 25.0%. Power devices and control and driver chips occupy the largest market share in the market. In 2023, power devices and control and driver chips account for 53.8% and 30.6% of China's BLDC control and driver product market, respectively.

Market Size of BLDC Motor Control and Driver Product Market (by sales value), Global and China, 2019-2028E



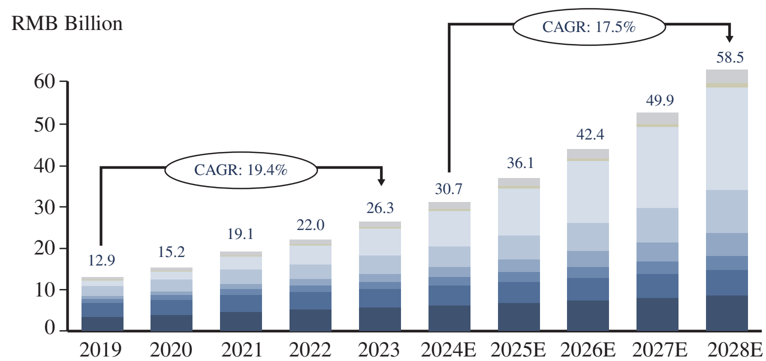
Source: Frost & Sullivan

Global and China's Market Size of BLDC Motor Control and Driver Chips

The BLDC motor control and driver chip market encompasses BLDC motor control chips (e.g. MCUs and ASICs) and BLDC motor driver chips (e.g. HVICs). It is also common practice in the industry to use BLDC motor control ICs to refer to BLDC motor control and driver chips.

Driven by the increasing penetration of BLDC motors in downstream industries, as well as the advantages of BLDC motor control and driver chips including high efficiency, high reliability, low vibration, low noise, and quick response, the global BLDC motor control and driver chip market grew promptly from RMB12.9 billion in 2019 to RMB26.3 billion in 2023, with a CAGR of 19.4%, and the market is expected to grow from RMB30.7 billion in 2024 to RMB58.5 billion in 2028, with a CAGR of 17.5%.

Market Size of BLDC Motor Control and Driver Chip Market (by sales value), Global, 2019-2028E



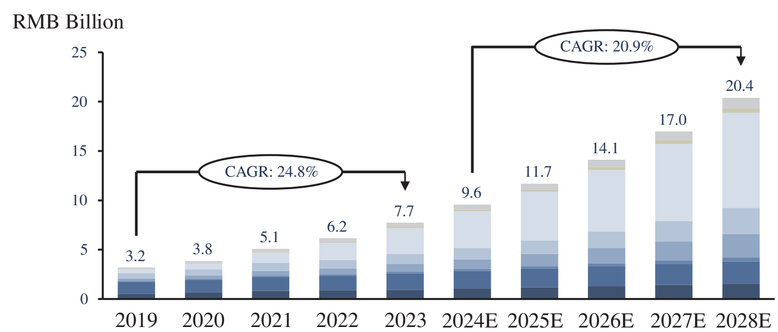
	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	CAGR 19-23	CAGR 24E-28E
Smart Small Household Appliance	3.4	3.9	4.5	5.2	5.6	6.2	6.7	7.3	7.9	8.5	13.7%	8.5%
White Goods	3.4	3.6	4.1	4.2	4.4	4.8	5.1	5.4	5.8	6.1	7.1%	6.4%
Electric Tools	0.9	1.2	1.5	1.6	1.7	2.0	2.3	2.7	3.0	3.4	17.0%	13.8%
Sports and Leisure	0.7	0.9	1.1	1.5	1.9	2.4	3.0	3.7	4.6	5.6	27.6%	23.2%
Industrial	2.5	2.9	3.5	3.6	4.5	4.9	5.7	6.8	8.3	10.4	16.0%	20.4%
Automotive	1.3	1.9	3.1	4.5	6.4	8.4	10.8	13.6	16.9	20.6	49.0%	25.1%
Robots	0.2	0.2	0.3	0.3	0.4	0.5	0.5	0.7	0.8	1.0	22.6%	21.8%
Others[(1)]	0.6	0.7	1.0	1.1	1.4	1.6	1.9	2.2	2.6	3.1	22.2%	17.5%

Source: Frost & Sullivan

Note: Others mainly include applications in the medical field, such as surgical equipment, ventilators and CT scanners.

China's BLDC motor control and driver chip market grew significantly from RMB3.2 billion in 2019 to RMB7.7 billion in 2023 with a CAGR of 24.8%, and is expected to grow from RMB9.6 billion in 2024 to RMB20.4 billion in 2028 with a CAGR of 20.9%.

Market Size of BLDC Motor Control and Driver Chip Market (by sales value), China, 2019-2028E



	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	CAGR 19-23	CAGR 24E-28E
Smart Small Household Appliance	0.5	0.7	0.8	0.9	0.9	1.1	1.2	1.3	1.4	1.6	15.9%	10.2%
White Goods	1.2	1.2	1.4	1.5	1.7	1.8	1.9	2.0	2.1	2.3	8.0%	6.0%
Electric Tools	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.4	20.7%	18.1%
Sports and Leisure	0.3	0.4	0.5	0.6	0.8	1.0	1.2	1.5	1.9	2.4	30.2%	25.1%
Industrial	0.5	0.6	0.8	0.9	1.0	1.2	1.4	1.7	2.1	2.7	18.4%	23.2%
Automotive	0.4	0.6	1.1	1.8	2.6	3.7	4.9	6.3	7.8	9.6	62.1%	26.9%
Robots	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.4	0.5	31.3%	27.4%
Others	0.2	0.2	0.3	0.3	0.4	0.5	0.6	0.7	0.9	1.1	27.6%	20.9%

Source: Frost & Sullivan

- ***Smart Small Household Appliance and White Goods.*** China's BLDC motor control and driver chip market in the smart small household appliance and white goods sectors grew steadily from RMB0.5 billion and RMB1.2 billion in 2019 to RMB0.9 billion and RMB1.7 billion in 2023, respectively, with CAGRs of 15.9% and 8.0%, respectively. And the two markets are expected to further grow to RMB1.6 billion and RMB2.3 billion in 2028, respectively, with CAGRs of 10.2% and 6.0% between 2024 and 2028, respectively. The growth is mainly attributed to the ability of BLDC motor control and driver chips to improve energy efficiency and performance of home appliances, as well as consumers' demand for better performance of home appliances with the advancement of technology.

- ***Electric Tools.*** China's BLDC motor control and driver chip market in the electric tools sector increased from RMB0.1 billion in 2019 to RMB0.2 billion in 2023, with a CAGR of 20.7%. Since BLDC motors are better suited to meet the demand for integrated control and wireless operation in electric tools, the market is expected to further grow from RMB0.2 billion in 2024 to RMB0.4 billion in 2028, with a CAGR of 18.1% during the period.

- ***Sports and Leisure.*** China's BLDC motor control and driver chip market in the sports and leisure sector increased from RMB0.3 billion in 2019 to RMB0.8 billion in 2023, with a CAGR of 30.2% during the period. Due to the advantages in high efficiency, low energy consumption, long life and low noise, BLDC motors are gradually replacing traditional motors in the fields of UAVs, electric bikes, treadmills, and intelligent balance bikes. Therefore, the market is expected to further grow from RMB1.0 billion in 2024 to RMB2.4 billion in 2028, with a CAGR of 25.1% in the forecast period.

- ***Industrial.*** China's BLDC motor control and driver chip market in the industrial sector grew swiftly from RMB0.5 billion in 2019 to RMB1.0 billion in 2023, with a CAGR of 18.4%. The market is expected to grow further from RMB1.2 billion in 2024 to RMB2.7 billion in 2028 with a CAGR of 23.2%, primarily due to the widespread use of BLDC motors in the fields of servo system, PC, and data center.

- ***Automotive.*** In the automotive sector, China's BLDC motor control and driver chip market grew rapidly from RMB0.4 billion in 2019 to RMB2.6 billion in 2023, with a CAGR of 62.1%. Benefiting from the increasing penetration rate of BLDC motor in the automotive field and the expansion of BLDC motor application scenarios to areas including main drive and auxiliary components, the market size of BLDC motor control and driver chips in automotive is expected to increase rapidly from RMB3.7 billion in 2024 to RMB9.6 billion in 2028, with a CAGR of 26.9%.

- ***Robots.*** In the robots sector, China's BLDC motor control and driver chip market increased from RMB0.05 billion in 2019 to RMB0.14 billion in 2023, with a CAGR of 31.3%. With the rapid development of China's intelligent robotics market, the demand for high-performance motors is also increasing. And with advantages such as high energy efficiency and control accuracy, BLDC motors have great application potential in the field, which greatly drive the demand for BLDC motor control and driver chips in the future. The market is expected to grow from RMB0.18 billion in 2024 to RMB0.47 billion in 2028, with a CAGR of 27.4% during the period.

Market Drivers of BLDC Motor Control and Driver Chip Market

- ***Increasing Penetration Rate of BLDC Motor.*** BLDC motor control and driver chips are expected to be more widely used in downstream application fields in the forecast period, including automotive, household appliances, and UAVs. Firstly, BLDC motors can meet the higher requirements of automotives for reliability, energy consumption, and power density, thus are expected to gradually replace traditional motors and expand application into more scenarios, including main drive, auxiliary components (EPS, electronic suspension system, vehicle stability control system, body system, etc.), and air-conditioning systems. In the field of automotive, the penetration rate of BLDC motors in EV in the China market is expected to increase from approximately 40% in 2019 to approximately 80% in 2028. Secondly, consumers' requirements for home appliances are continuously increasing, with a greater focus on the intelligence and high-end nature of the products. The advantages of BLDC motors in terms of control precision and noise levels make them an indispensable part of high-end products. Benefiting from consumption upgrades and the iteration and upgrading of the household appliance market, the BLDC motor market is expected to have a broader space in smart small household appliance industry. For instance, the penetration rate of BLDC motors in vacuum cleaners in the China market is expected to increase from approximately 30% in 2019 to approximately 90% in 2028. Furthermore, BLDC motors are widely used in UAVs due to their performance advantages such as high reliability, low vibration, high efficiency, and low noise. Its integration and customization trends help reduce the size and weight of UAVs while improving efficiency and response speed. As BLDC motor expands its application to more downstream markets, the demand for BLDC motor control and driver chips is also expected to experience explosive growth.

- ***Growing Downstream Industries.*** Downstream industries of the BLDC motor control and driver chip market has been continuously expanding. In China, with the increase in domestic residents' disposable income as well as technological improvements in products, the overall home appliances market is expected to grow from RMB60.4 billion in 2023 to RMB76.9 billion in 2028. Besides, driven by longer driving range with increasing battery capacity, decreasing price, more mature and convenient charging infrastructure and the stronger environmental consciousness of consumers, the sales volume of EVs in China is expected to grow from 9.5 million units in 2023 to 24.9 million units in 2028, at a CAGR of 21.3%. Additionally, with the continuous development of new intelligent technologies, including 5G, AI, and big data, etc., China's civilian UAV market is expected to grow from RMB117.4 billion in 2023 to RMB392.2 billion in 2028, with a CAGR of 27.3%. The growing development of these downstream markets provides opportunities for the development of the BLDC motor market and the BLDC motor control and driver chip market.

- ***Technological Advancement and Innovation of BLDC Motor Control and Driver Chips.*** The realm of BLDC motor control and driver chips has made significant advancements in technological innovation and algorithmic refinement. For instance, leading companies in the industry have developed proprietary ME (Motor Engine) core and hardware-based motor control algorithms, effectively improving the operation speed of algorithm and the reliability of control and driver chip reliability. In addition, advanced control and driver technologies such as highly integrated chip solutions and intelligent control algorithms are constantly emerging, further improving the performance of BLDC motors and driving the continuous expansion of the BLDC motor control and driver chip market.

- ***Supportive Policies.*** Governments in different countries have shown strong support for energy efficiency improvement, especially for high-efficiency and low-energy-consumption equipment such as BLDC motors. In March 2024, China's MIIT and other departments issued the "Implementation Program for Promoting the Modernization of Equipment in the Industrial Sector," which clearly emphasizes the promotion of energy efficiency upgrading of key energy-using equipment including motors, focusing on energy efficiency level upgrading. In October 2019, the European Commission issued the "Commission Regulation (EU) 2019/1781," which sets clear requirements for the energy efficiency of the electric motors and variable speed drives pursuant. The scope of the regulation has been further expanded and the requirements have been raised from July 1, 2023. Therefore, it further promotes the technological progress and energy efficiency improvement of the motor and variable speed drive industry, and the development of the BLDC motor industry.

Development Trends of BLDC Motor Control and Driver Chip Market

- ***Increasing Domestic Substitution.*** In January 2024, China's MIIT and other departments issued the "Implementation Opinions on Promoting Innovation and Development of Future Industries," which promotes industrial terminal products that adapt to the general intelligent trend. With the support of government policies and the technological innovation made by domestic companies in the industry, their market share has gradually increased. In 2023, the domestic supplying rate of China's BLDC motor control and driver chip market was 23.1%, increasing from 9.2% in 2019. In the forecast period, with technological advancements and the continuous growth of market demand, the domestic supplying rate is expected to further increase to 48.2% in 2028.

- ***Higher Integration Level and Further Improving Performance.*** With increasing performance requirements from terminal markets on motor control, BLDC motor control and driver chips are developing towards higher integration levels and further improving performance. Highly integrated chip design can integrate more devices and functions on a single chip, thereby greatly simplifying peripheral circuits, reducing the number of peripheral devices, reducing the overall size of the control system, as well as its cost. By reducing the number of connection points between system components, they can greatly improve the stability and reliability of the system. Furthermore, highly integrated solutions can also effectively reduce the difficulty of designing subsequent application programs for chip products. In addition, the sensorless FOC control algorithm has been widely adopted especially in the fields of white goods, smart small household appliance and industrial automation due to its advantages of high efficiency, low vibration, low noise and high response speed.

- ***Intelligent Development Trend.*** With the continuous development of AI technology, new intelligent functions such as intelligent algorithms and adaptive control are constantly being applied into the BLDC motor industry. BLDC motors are accelerating their penetration into multiple emerging application fields, such as smart homes, EVs, industrial automation, etc., and such fields have put forward higher requirements on the performance, efficiency and intelligence level of motors. By introducing AI and intelligent algorithm technology, BLDC motors can achieve more efficient energy management, more precise position control and smarter fault diagnosis.

- ***Provision of System-level Services.*** As downstream end customers have increasingly higher requirements on the diversity and complexity of BLDC motor control and driver systems, suppliers that only provide BLDC motor chips can no longer meet their needs. Therefore, it is expected to be a trend in the industry that BLDC motor control and driver chip companies provide system-level motor control services, which includes not only IC design, but also motor control algorithms and motor design technologies. And companies with such comprehensive system-level service capabilities are poised to gain a competitive edge in the market.

COMPETITIVE ANALYSIS OF GLOBAL AND CHINA'S BLDC MOTOR CONTROL AND DRIVER CHIP MARKET

Competitive Landscape of Global and China's BLDC Motor Control and Driver Chip Market

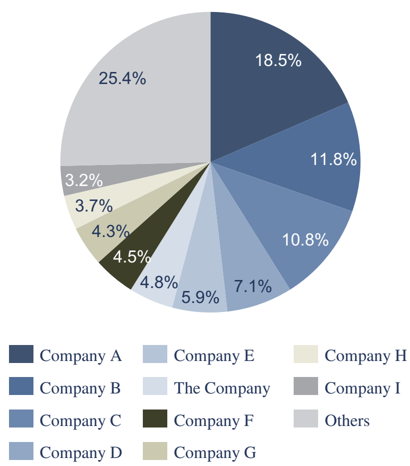
In the Global and China's BLDC motor control and driver chip market, foreign companies hold the major market share, leveraging on their technical accumulation from other segments of the semiconductor market. While Chinese companies have experienced rapid growth in recent years, and have advantages in providing tailored products that meet specific industry requirements.

Most of the BLDC motor control and driver chip companies worldwide provide general-purpose control chips, including Company A, Company B, and Company C. While a few companies provide specific-purpose control chips, including Company E and the Company.

Ranking of BLDC Motor Control and Driver Chip Companies in the Chinese Market

The Company's MCU, ASIC and HVIC segments constitute its BLDC motor control and driver chip business. In 2023, the Company's revenue generated from sales of MCU, ASIC and HVIC products to customers in China amounted to RMB373 million. Based on BLDC motor control and driver chip revenue in 2023, the Company ranked sixth in the Chinese market, including domestic and overseas companies, with a market share of 4.8%. Based on BLDC motor control and driver chip revenue in 2023, the Company is the largest domestic company in the Chinese market.

TOP 10 BLDC MOTOR CONTROL AND DRIVER CHIP COMPANIES (BY REVENUE), CHINA, 2023



Rank	Company	Country	BLDC Motor Control and Driver Chip Revenue (in RMB Million)	Market Share
1	Company A	Germany	1,431	18.5%
2	Company B	US	910	11.8%
3	Company C	Switzerland	835	10.8%
4	Company D	Netherlands	550	7.1%
5	Company E	Japan	454	5.9%
6	**The Company**	**China**	**373**	**4.8%**
7	Company F	Belgium	350	4.5%
8	Company G	US	333	4.3%
9	Company H	Germany	286	3.7%
10	Company I	Japan	251	3.2%
	Others		1,964	25.4%
	Total		**7,738**	**100.0%**

Source: Frost & Sullivan

Company A, a company headquartered in Germany and listed on the Frankfurt Stock Exchange, was established in 1999 and primarily offers semiconductors, system solutions, and others.

Company B, a company headquartered in the US and listed on the NASDAQ Exchange, was established in 1951 and primarily offers semiconductors, calculators, and other electronic components.

Company C, a company headquartered in Switzerland and listed on the New York Stock Exchange, Euronext Paris Exchange, and Borsa Italiana Exchange, was established in 1987 and primarily offers semiconductors, power ICs, and others.

Company D, a company headquartered in the Netherlands and listed on the NASDAQ Exchange, was established in 2006 and primarily offers semiconductors, embedded systems, and others.

Company E, a company headquartered in Japan and listed on the Tokyo Stock Exchange, was established in 1958 and primarily offers semiconductors, power devices, and others.

Company F, a company headquartered in Belgium and listed on the Euronext Brussels Exchange, was established in 1988 and primarily offers semiconductor-based sensor ICs, signal conditioning devices, and others.

Company G, a company headquartered in the US and listed on the NASDAQ Exchange, was established in 1990 and primarily offers power ICs, sensors, and others.

Company H, a company headquartered in Germany and listed on the Frankfurt Stock Exchange, was established in 1984 and primarily offers analog ICs, sensors, and others.

Company I, a company headquartered in Japan and listed on the Tokyo Stock Exchange, was established in 2002 and primarily offers semiconductors, microcontrollers, and others.

Entry Barriers of BLDC Motor Control and Driver Chip Market

- ***Technology Barrier.*** The BLDC motor control and driver chip industry is a highly specialized, technology-intensive field with applications across various sectors. Leading companies have accumulated extensive technical expertise and proprietary designs, while new entrants would face significant challenges, particularly in mastering complex motor control algorithms and achieving high-performance chip integration. Therefore, the gap in technologies between new entrants and leading companies would be a huge challenge for new entrants in their early stages of development. And companies that have accumulated technological advantages hold a first-mover advantage within the competitive landscape.

- ***Product Reliability Barrier.*** In the BLDC motor control and driver chip industry, product reliability is a critical determinant of consistent operational performance. Established companies benefit from extensive testing, product refinement, and accumulated performance data, ensuring high reliability and minimizing failure rates. Such companies possess a clear first-mover advantage in the competitive landscape. While new entrants face considerable challenges in achieving similar levels of product reliability.

- ***Customer Stickiness Barrier.*** The number and quality of downstream clients have significant impact on the long-term growth of BLDC motor control and driver chip companies. Customer stickiness in the industry is high because companies in the industry have to undergo rigorous evaluations before entering the supply chain of major clients and securing long-term partnerships. Moreover, large-scale clients, especially recognized brands, have low willingness in changing suppliers due to the lengthy qualification process and high switching costs. As a result, the lack of established customer relationships creates a substantial barrier for new entrants, establishing a significant first-mover advantage for existing industry leaders.

- ***Talent Barrier.*** The BLDC motor control and driver chip industry requires a highly specialized talent pool covering complex hardware, software, and production processes. Moreover, some of the leading companies in the industry have built talent teams in IC design, motor control algorithms, and motor design, so as to provide system-level services. As the BLDC motor control and driver chip market continues to expand, the demand for high-end talent with both technical knowledge and practical experience is increasing. For new entrants, recruiting and retaining the necessary technical expertise across multiple areas poses a significant challenge.

THE PRC LAWS, REGULATIONS AND POLICIES

This section sets out summaries of certain aspects of PRC laws, regulations and policies, which are relevant to business operations of our Company.

LAWS, REGULATIONS AND POLICIES RELATING TO THE INTEGRATED CIRCUIT INDUSTRY

From 2010 to 2020, the State Council has issued a series of regulations aimed at romoting the development of the integrated circuit industry, which includes the Decision of the State Council on Accelerating the Fostering and Development of Strategic Emerging Industries (國務院關於加快培育和發展戰略性新興產業的決定), the Notice of the State Council on Promulgation of Several Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (國務院關於印發進一步鼓勵軟件產業和集成電路產業發展若干政策的通知), the Outline for Advancing the National Integrated Circuit Industry (國家集成電路產業發展推進綱要), Made in China 2025 (中國製造2025), the Innovation-driven Development Strategy (國家創新驅動發展戰略綱要), the Outline of the National Informatization Development Strategy (國家信息化發展戰略綱要), the Notice of the State Council on the "13th Five-Year Plan" for the Development of National Strategic Emerging Industries (國務院關於印發"十三五"國家戰略性新興產業發展規劃的通知), the Notice of the State Council on the "13th Five-Year Plan" for National Scientific and Technological Innovation (國務院關於印發"十三五"國家科技創新規劃的通知), the Notice of the State Council on Promulgation of Several Policies for Promoting the High-quality Development of Integrated Circuit and Software Industries in the New Era (國務院關於印發新時期促進集成電路產業和軟件產業高質量發展若干政策的通知), the Notice of the State Council on the "14th Five-Year Plan" for the Development of Digital Economy (國務院關於印發"十四五"數字經濟發展規劃的通知).

On July 27, 2020, the Notice on Administrative Measures on Import Tax Policies to Support the Development of Integrated Circuit Industry and Software Industry by the Ministry of Finance, the National Development and Reform Commission, the Ministry of Industry and Information Technology and Other Departments (財政部、國家發展改革委、工業和信息化部等關於支持集成電路產業和軟件產業發展進口税收政策管理辦法的通知) became effective. On the same day, the Notice of the Ministry of Finance, the General Administration of Customs and the State Taxation Administration on Import Tax Policies to Support the Development of Integrated Circuit Industry and Software Industry (財政部、海關總署、税務總局關於支持集成電路產業和軟件產業發展進口税收政策的通知) took effect. The above notices relating to importing tax for the integrated circuit industry have made some installment tax payment policies and import tariff exemption policies.

On December 11, 2020, the Ministry of Finance (the "**MOF**"), the STA, the National Development and Reform Commission (the "**NDRC**") and the Ministry of Industry and Information Technology(the "**MIIT**") jointly promulgated the Announcement on Enterprise Income Tax Policies for Promoting High-quality Development of Integrated Circuit Industry and Software Industry (關於促進集成電路產業和軟件產業高質量發展企業所得税政策的公告). Pursuant to the foregoing provisions, key integrated circuit design enterprises and software enterprises encouraged by the State will be exempted from enterprise income tax from the first to the fifth year from the profit-making year and will be subject to enterprise income tax at a reduced tax rate of 10% in subsequent years.

On March 12, 2021, the National People's Congress (the "**NPC**") approved the Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Long-Range Objectives for 2035 (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要), proposing to foster advanced manufacturing clusters and promote the innovation and development of industries such as integrated circuits, aerospace equipment, high-tech ships and ocean engineering equipment, robots, advanced railway equipment, advanced power equipment, engineering machinery, high-end CNC machine tools, medicine and medical equipment.

On May 21, 2022, the STA issued the Guidelines on Tax and Fee Preference Policies for Software and Integrated Circuit Enterprises (軟件企業和集成電路企業稅費優惠政策指引). For the purpose of facilitating timely knowledge of applicable tax preference policies, the foregoing guidelines have clearly demonstrated preference contents, conditions, and policy basis for integrated circuit enterprises.

Pursuant to the Notice of the Ministry of Finance and the State Taxation Administration on the Weighted Deduction Policy for Value-added Tax on Integrated Circuit Enterprises (財政部、稅務總局關於集成電路企業增值稅加計抵減政策的通知), which was promulgated on April 20, 2023, from January 1, 2023 to December 31, 2027, enterprises engaged in the design, production, closed beta test, equipment and materials of integrated circuits are allowed to deduct extra 15% of the deductible input tax in the current period from the value-added tax payable.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Overseas investors' investment activities in the PRC are principally governed by the Catalog of Encouraged Industries for Foreign Investment (鼓勵外商投資產業目錄), and the Special Administrative Measures (Negative List) for Foreign Investment Access (外商投資准入特別管理措施(負面清單)), which are promulgated and amended from time to time by the Ministry of Commerce (the "**MOFCOM**") and the NDRC, and together with the Foreign Investment Law of PRC (中華人民共和國外商投資法) (the "**Foreign Investment Law**") and its respective implementation rules and ancillary regulations.

The Foreign Investment Law, which was promulgated by the NPC on March 15, 2019 and implemented on January 1, 2020, establishes the management system for pre-access national treatment and negative list for foreign investment in the PRC. "Pre-access national treatment" means that foreign investors and their investments shall be treated no less favorably than domestic investors and their investments at the stage of investment access; "negative list" refers to the special administrative measures for access of foreign investment in specific fields as prescribed by the PRC. The PRC gives national treatment to foreign investment outside the negative list. In addition, the Regulation for Implementing the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例) (the "**Implementation Regulations**"), which came into effect on January 1, 2020, further stipulates that the PRC shall, according to the needs of national economic and social development, formulate a catalogue of encouraged foreign-invested industries, and specify the specific industries, fields and regions in which foreign investors are encouraged and guided to invest.

The NDRC and the MOFCOM jointly revised and issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 version) (外商投資准入特別管理措施(負面清單)(2024年版)) (the "**Negative List**") on September 6, 2024, which came into effect on November 1, 2024, to replace the previous negative list thereunder (the NDRC and MOFCOM commonly revise the list every 1-3 years). Pursuant to the Foreign Investment Law, the Implementation Regulations and the Negative List, overseas investors shall not make investments in prohibited industries as specified in the Negative List, while foreign investments must satisfy certain conditions stipulated in the Negative List for investment in restricted industries. Industries not listed in the Negative List are generally deemed "permitted" for foreign investments.

REGULATIONS IN RELATION TO OVERSEAS INVESTMENT

Pursuant to the Administrative Measures for Overseas Investments (境外投資管理辦法) which was promulgated by the MOFCOM on September 6, 2014 and came into effect on October 6, 2014, the MOFCOM and provincial competent commerce departments shall conduct filing or approval management depending on different circumstances of overseas investments of enterprises. Overseas investments involving any sensitive country or region, or any sensitive industry shall be subject to approval management, overseas investments under other circumstances shall be subject to filing management.

Pursuant to the Administrative Measures for Outbound Investment by Enterprises (企業境外投資管理辦法) which was promulgated by the NDRC on December 26,2017 and came in effect on March 1, 2018, an enterprise located within the territory of the PRC (the "**Investor**") making an outbound investment shall go through such formalities as the approval and filing for the outbound investment project (the "**Project(s)**"), the reporting of relevant information, and the cooperation in the supervision and inspection over the outbound investment. Sensitive Projects carried out by Investors directly or through overseas enterprises controlled by them shall be subject to approval; non-sensitive Projects directly carried out by Investors, namely, the non-sensitive Projects involving Investors' direct investment of assets and equities or the provision of financing or guarantees shall be subject to filing. The aforementioned "sensitive project" means a project involving a sensitive country or region or a sensitive industry. The NDRC promulgated the Catalogue of Sensitive Industries for Outbound Investment (Edition 2018) (境外投資敏感行業目錄(2018年版)), effective on March 1, 2018 to list the current sensitive industries in detail.

SAFE issued the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) on 13 February 2015, abolishing the verification and approval of foreign exchange registration of overseas direct investment. The banks shall directly examine and handle foreign exchange registration of overseas direct investment. SAFE and its branches shall conduct indirect regulation of foreign exchange registration of overseas direct investment via banks.

LAWS AND REGULATIONS RELATING TO CYBERSECURITY AND DATA SECURITY

On July 1, 2015, the Standing Committee of the National People's Congress (the "**SCNPC**") promulgated the State Security Law of the PRC (中華人民共和國國家安全法), which became effective on the same day, pursuant to which the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, projects relating to national security matters and other important activities that are likely to impact national security of China. According to the State Security Law of the PRC, national security refers to a status in which the regime, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other vital interests of the state, and the capability to maintain a sustained security status are not faced with any danger and not threatened internally or externally.

The SCNPC promulgated the Data Security Law of the PRC (中華人民共和國數據安全法) on June 10, 2021, which became effective on September 1, 2021, for the establishment of a data classification and hierarchical protection system to conduct classified and hierarchical protection of data. Entities carried out data processing activities shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security, in accordance with the provisions of laws and regulations.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

Pursuant to the Patent Law of the PRC (中華人民共和國專利法) (the "**Patent Law**") promulgated by the SCNPC on March 12, 1984 and latest amended on October 17, 2020 and came into effect on June 1, 2021, and the Implementing Rules of the Patent Law of the PRC (中華人民共和國專利法實施細則) (the "**Implementing Rules**") promulgated by the State Council on June 15, 2001 and latest amended on December 11, 2023 and came into effect on January 20, 2024, there are three types of patents, namely "invention," "utility model" and "design". "Invention" refers to a new technical scheme proposed for a product, a process or the improvement thereof; "utility model" refers to an applicable and practical new technical scheme proposed for the shape or structure of a product or a combination thereof; and "design" refers to a new design of the whole or partial shape or pattern of a product or a combination thereof as well as a combination of color with shape or pattern, which creates an aesthetic feeling and is fit for industrial application. The duration of patent rights for an invention shall be 20 years, the duration of patent rights for a utility model shall be 10 years and the duration of patent rights for a design shall be 15 years, commencing from the filing date. Following the grant of patent rights for an invention or a utility model, unless otherwise stipulated in this Law, no organization or individual shall implement the patent without licensing from the patentee, i.e. shall not manufacture, use, offer to sell, sell or import such patented products for manufacturing and business purposes, or use the patented method and use, offer to sell, sell or import products obtained directly according to the patented method. Following the grant of design patent rights, no organization or individual shall implement the patent without licensing from the patentee, i.e. shall not manufacture, offer to sell, sell or import the design patented products for manufacturing and business purposes.

Trademark

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法) promulgated by the SCNPC on August 23, 1982 and latest amended on April 23, 2019 and came into effect on November 1, 2019, and the Implementation Rules of the Trademark Law of the PRC (中華人民共和國商標法實施條例) promulgated by the State Council on August 3, 2002 and latest amended on April 29, 2014 and came into effect on May 1, 2014, trademarks approved and registered by the Trademark Bureau are registered trademarks, including commodity trademarks, service marks and collective trademarks, certification marks; trademark registrants enjoy exclusive rights to use trademark and are protected by the law. The Trademark Bureau is responsible for trademark registration and administration nationwide and grants a term of 10 years to registered trademarks, commencing from the date of registration. Upon expiry of the validity period of a registered trademark, where the trademark registrant intends to continue using the trademark, it shall complete renewal formalities pursuant to the provisions within the 12-month period before the expiry date; where renewal formalities are not completed within the stipulated period, a six-month extension may be allowed. The validity period of each renewal shall be 10 years, commencing from the date following expiry of the preceding validity period of the said trademark. Where renewal formalities are not completed upon expiry of the validity period, the registered trademark shall be cancelled.

Copyright

Pursuant to the Copyright Law of the PRC (中華人民共和國著作權法) promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020 and came into effect on June 1, 2021, and the Implementation Regulations of the Copyright Law of the PRC (中華人民共和國著作權法實施條例) promulgated by the State Council on August 2, 2002, last amended on January 30, 2013 and came into effect on March 1, 2013, Chinese citizens, legal persons or organizations without legal personality enjoy copyright over their works, whether published or not, in accordance with this Law. Works refer to original intellectual achievements in the fields of literature, art and science which can be expressed in a certain form, including written works, oral works, musical, dramatic, opera, dance, acrobatic artistic works, fine arts, architectural works, photographic works, audio-visual works, graphic works and model works, such as engineering design plan, product design plan, map, schematic diagram, etc., computer software and any other intellectual achievements which comply with the characteristics of the works. A copyright holder shall enjoy a number of personal rights and property rights, including publication right, the right of authorship, the right of revision, the right to preserve the integrity of work, reproduction right, distribution right, rental right, exhibition right, performance right, screening right, broadcasting right, information network transmission right, filming right, adaptation right, translation right, compilation right and any other rights enjoyed by a copyright holder.

Pursuant to the Regulations on the Protection of Computer Software (計算機軟件保護條例) promulgated by the State Council on December 20, 2001, last amended on January 30, 2013 and became effective on March 1, 2013, and the Measures for the Registration of Computer Software Copyright (計算機軟件著作權登記辦法) promulgated by the National Copyright Administration on February 20, 2002, "computer software" (the "**software**") refers to computer programs and related files. Chinese citizens, legal persons or other organizations enjoy the copyright of the software he/it has developed, whether the software is released publicly or not. Software copyright commences from the date on which the development of the software is completed. The protection period for software copyright of a legal person or other organization shall be 50 years, concluding on 31 December of the 50th year after the software's initial release. But if the software has not been released within 50 years from the date on which the software development is completed, it shall no longer receive protection.

Layouts Design of Integrated Circuit

Pursuant to the Protection of the Layout Design of Integrated Circuits (集成電路布圖設計保護條例) (the "**Regulations on the Protection**") promulgated by the State Council on April 2, 2001 and became effective on October 1, 2001, where Chinese natural persons, legal persons or other organizations create layout designs, they shall enjoy the proprietary rights in the layout designs in accordance with the Regulations on the Protection. Proprietary rights in layout designs shall become valid after being registered with the administrative department of the State Council responsible for intellectual property. Unregistered layout designs are not protected by the Regulations on the Protection. The protection period of the proprietary rights in a layout design is 10 years, commencing from the date of the application for registration of the layout design or the date that it is put into commercial use anywhere in the world, whichever is earlier. However, regardless of whether or not a layout design is registered, or whether or not it is put into commercial use, it shall no longer be protected by the Regulations on the Protection after 15 years from the time of its creation.

Domain Name

Pursuant to the Administrative Measures on the Internet Domain Names (互聯網域名管理辦法) promulgated by the MIIT on August 24, 2017 and became effective on November 1, 2017. The MIIT is the main regulatory authority responsible for implementing supervision and administration over domain name services nationwide. Domain names registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

LAWS AND REGULATIONS ON LAND, PLANNING AND PROJECT CONSTRUCTION LAND

Land

According to the Land Administration Law of the PRC (中華人民共和國土地管理法) promulgated by the SCNPC on June 25, 1986, latest amended on August 26, 2019, and became effective on January 1, 2020, the Implementing Regulation for the Land Administration Law of the PRC (中華人民共和國土地管理法實施條例) promulgated by the State Council on December 27, 1998, latest amended on July 2, 2021, and became effective on September 1, 2021, and the Provisional Regulations of the PRC for the Grant and Assignment of the Right to Use the State-owned Land in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) promulgated by the State Council on May 19, 1990 and latest amended on November 29, 2020, the land in the PRC is either State-owned or collectively-owned. Except for land which is legally owned by the State or has been expropriated as State-owned according to law, all of the land is collectively-owned. The State-owned land use rights may be used by third parties through grant, allocation, lease, capital contribution and other forms. Third parties who have obtained the State-owned land use rights may legally use, profit from and dispose of the State-owned land use rights within the statutory term of use and scope of planned uses.

Planning

According to the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法) promulgated by the SCNPC on October 28, 2007, latest amended and became effective on April 23, 2019, if the construction of buildings, structures, roads, pipelines and other projects is carried out in the planned area of a city or a town, the construction entity or individual shall apply to the competent authority of urban and rural planning of the people's government of the city or county or the people's government of the town as determined by the people's government of the province, autonomous region or municipality directly under the Central Government for a construction project planning permit.

Project Construction

According to the Construction Law of the PRC (中華人民共和國建築法) promulgated by the SCNPC on November 1, 1997, latest amended and became effective on April 23, 2019, prior to the commencement of construction work, the construction entity shall apply to the competent construction administrative authority of the people's government at or above the county level where the project is located for a construction permit in accordance with the relevant provisions of the State, except for small-scale projects under the quota as determined by the construction administrative authority under the State Council. A construction project shall be delivered for use only after it has passed the acceptance examination. A construction project shall not be delivered for use without conducting or passing the acceptance examination.

REGULATIONS RELATING TO PROPERTY LEASING

Pursuant to the Law on Administration of Urban Real Estate of the PRC (中華人民共和國城市房地產管理法) promulgated by the SCNPC on July 5, 1994, latest amended on August 26, 2019, and became effective on January 1, 2020, the lessor and the lessee shall enter into a written lease contract for leasing of building to stipulate the term of lease, purpose of the lease, lease price, maintenance and repair liability etc., and any other rights and obligations of both parties; the lease contract shall be registered and filed with the real estate administration authorities.

In addition, according to the Management Measures for the Lease of Commercial Housing (商品房屋租賃管理辦法) promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010, and became effective on February 1, 2011, the lessor and the lessee shall complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development (real estate) department of the People's Government of the centrally-administered municipality, municipality or county where the leased property is located. Individuals or organizations who violate the foregoing provisions shall be ordered by the development (real estate) department of the People's Governments of centrally-administered municipalities, municipalities or counties to make correction within a stipulated period; where the individual failed to make correction within the stipulated period, a fine of not more than RMB1,000 shall be imposed; where the organization failed to make correction within the stipulated period, a fine ranging from RMB1,000 to RMB10,000 shall be imposed.

LAWS AND REGULATIONS ON PRODUCT QUALITY

According to the Product Quality Law of the PRC (中華人民共和國產品質量法) (the "**Product Quality Law**") promulgated by the SCNPC on February 22, 1993 and latest amended on December 29, 2018, producers and sellers shall establish a sound internal product quality control system, strictly adhere to a job responsibility system in relation to quality standards and quality liabilities, and implement corresponding examination and inspection measures. The forgery or imitation of quality marks such as certification marks is prohibited; falsifying the place of origin of product, and falsifying or imitating the name or address of another factory is prohibited; adulteration of, or mixing of improper elements with products under manufacturing or on sale, passing off the sham as the genuine or passing off the inferior as the superior is prohibited. Any manufacturer or seller who violates the Product Quality Law may be subject to (i) administrative penalties, including suspension of production or sale, ordered correction of illegal activities, confiscation of products subject to illegal production or sale, imposition of fines, confiscation of illegal gains and, in severe cases, revocation of business license; and (ii) criminal liabilities if the illegal activity constitutes a crime.

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT TRADE

Pursuant to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) promulgated by the Standing Committee of the NPC on May 12, 1994, and latest amended on December 30, 2022 and the Regulations on the PRC on the Administration of the Import and Export of Goods (中華人民共和國貨物進出口管理條例) issued by the State Council of the PRC on December 10, 2001, became effective on January 1, 2002, and last amended on March 10, 2024, the State Council of the PRC shall allow free importation and exportation of goods, and maintain fair, free and orderly import and export trade in goods except for the goods which is explicitly prohibited or restricted by laws or administrative regulations.

The Provisions on the Registration of Customs Declaration Entities of the People's Republic of China (中華人民共和國海關報關單位備案管理規定 which was promulgated by the General Administration of Customs of the PRC (the "**GAC**") on November 19, 2021 and took effect on January 1, 2022, the consignee or consignor of imported or exported goods or a customs declaration enterprise needs only to apply for record-filing to the customs, with no registration with the GAC necessary any longer. The record-filing information shall be made public via the Import and Export Credit Information Publicity Platform of the Customs of China.

According to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) promulgated by the SCNPC on May 12, 1994, and latest amended on December 30, 2022, the requirements for foreign trade operators engaging in goods or technology import and export to go through the record-filing registration with the foreign trade department of the State Council or its authorized agencies have been abolished.

LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION AND FIRE SAFETY

Regulations on Environment Protection

The Environmental Protection Law of the PRC (中華人民共和國環境保護法), promulgated by the SCNPC on December 26, 1989 and last amended on April 24, 2014, outlines the authorities and duties of various environmental protection regulatory agencies. The environmental protection department of the State Council is authorized to issue national standards for environmental quality and pollutant emissions, and to implement unified supervision and administration of environmental protection work nationwide. Meanwhile, local environment protection authorities may formulate local standards which are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards.

Regulations on Fire Safety

According to the Fire Protection Law of the People's Republic of China (中華人民共和國消防法) promulgated by the SCNPC on April 29, 1998 and last amended on April 29, 2021, the fire prevention design and construction of a construction project must conform to the national fire prevention technical standards for project construction. For construction projects that require fire prevention design in accordance with the national fire prevention technical standards for project construction, the fire prevention design review and acceptance system for construction projects shall be implemented. Upon completion of a construction project that is required to apply for fire control acceptance inspection by the competent department of housing and urban-rural development under the State Council, the construction entity shall apply to the competent department of housing and urban-rural development for fire control acceptance inspection. For construction projects other than those specified in the preceding paragraph, the construction entity shall report to the competent department of housing and urban-rural development for filing after the acceptance, and the competent department of housing and urban-rural development shall conduct spot checks. Construction projects which are subject to fire control acceptance inspection according to law shall not be put into use without fire control acceptance inspection or failing to pass fire control acceptance inspection. Other construction projects which fail to pass the legal spot checks shall cease to be used.

LAWS AND REGULATIONS RELATING TO LABOR AND SOCIAL SECURITY

Labor Law and Labor Contract Law

According to the Labor Law of the PRC (中華人民共和國勞動法), promulgated by the SCNPC on July 5, 1994 and latest amended on December 29, 2018, and the Labor Contract Law of the PRC (中華人民共和國勞動合同法), promulgated by the SCNPC on June 29, 2007, latest amended on December 28, 2012 and became effective on July 1, 2013, a labor contract shall be concluded for establishment of work relationships. Wages paid by the employers to their employees shall not be less than the local minimum wage standards. Employers shall establish a comprehensive management system to protect the rights of their employees, including a system governing occupational health and safety to provide employees with occupational training to prevent occupational injury, and employers are required to truthfully inform prospective employees of the job description, working conditions, working location, occupational hazards, and status of safe production as well as remuneration and other conditions.

Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法), promulgated by the SCNPC on October 28, 2010 and last amended on December 29, 2018, the Provisional Regulations for the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), promulgated by the State Council on January 22, 1999 and last amended on March 24, 2019, and the Regulations on the Housing Provident Fund (住房公積金管理條例), promulgated by the State Council on April 3, 1999 and last amended on March 24, 2019, employers in mainland China shall provide their employees with welfare schemes covering basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing provident fund. Employers who fail to contribute to the above social insurance and housing provident funds may be subject to a fine and ordered to make full payment within a prescribed time period. If an employing entity fails to make the payment towards the social insurance and housing provident funds within a prescribed time limit, penalty may be imposed or an application may be made to a people's court for enforcement.

LAWS AND REGULATIONS RELATING TO OVERSEAS SECURITIES OFFERING AND LISTING BY DOMESTIC COMPANIES

Securities Laws and Regulations

The Securities Law of the RRC (中華人民共和國證券法) (the "**Securities Law**"), promulgated by the SCNPC on December 29, 1998, latest amended on December 28, 2019 and came into effect on March 1, 2020, comprehensively regulating activities in the mainland China securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The CSRC is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Overseas Listings

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and relevant guidelines promulgated by the CSRC on February 17, 2023 and effective on March 31, 2023 (the "**Trial Measures**"), a domestic company that seeks to offer and list securities in overseas markets shall fulfill the filing procedure with the CSRC as per requirement of the Trial Measures. Initial public offerings or listings in overseas markets shall be filed with the CSRC within 3 working days after the relevant application is submitted overseas.

According to Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities by Domestic Companies (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定) (the "**Provisions on Strengthening Confidentiality and Archives Administration**") jointly issued by the CSRC and other relevant departments on February 24, 2023 and effective on March 31, 2023, in the course of overseas issuance and listing of domestic enterprises, domestic enterprises and securities companies and securities service agencies which provide the corresponding services shall strictly comply with the relevant laws and regulations of the PRC and the requirements of the Provisions on Strengthening Confidentiality and Archives Administration, strengthen legal awareness of confidentiality of State secrets and archives administration, establish a sound system for confidentiality and archives work, adopt the requisite measures to perform the responsibilities of confidentiality and archives administration, and shall not divulge State secrets and work secrets of State agencies or harm State and public interests. To provide or publicly disclose to the relevant securities companies, securities service agencies, overseas regulatory authorities and other entities and individuals, or to provide or publicly disclose, through its overseas listing entities, any document or material involving State secrets or work secrets of State agencies, a domestic enterprise shall apply to the competent department with examination and approval authority for approval in accordance with the law, and file the same with the secrecy administration at the same level for the record. To provide or publicly disclose to the relevant securities companies, securities service agencies, overseas regulatory authorities and other entities and individuals, or to provide or publicly disclose, through its overseas listing subjects, other documents and materials, the disclosure of which will cause adverse impact on the national security or public interests, a domestic enterprise shall strictly go through the corresponding procedures pursuant to the relevant provisions of the State.

OVERVIEW

The history of our Company began in May 2010, when it was established by our founder, Mr. Bi Lei, through Fortior HK. Leveraging his expertise in electronic engineering and extensive industry experience, Mr. Bi Lei has led us in the research and development of BLDC motor control ICs. For his biography, see "Directors, Supervisors and Senior Management" in this document.

Over the years, our Group has evolved into a globally leading company specializing in the design and R&D of BLDC motor control ICs. Empowered by our proprietary technologies and deep industry knowledge, our product portfolio covers all key components of a typical motor control system, catering to the diverse needs of our customers in complex motor control scenarios. According to Frost & Sullivan, as of December 31, 2023, we ranked sixth with a 4.8% market share in terms of revenue in the BLDC motor control and driver chip market in China and were the only Chinese company among top ten companies in the same market.

In April 2022, our A Shares were listed on the STAR Market under the stock code 688279.

BUSINESS MILESTONES

The following is a summary of our key business development milestones.

Year	Event
2010	Our Company was established in Shenzhen and commenced its exploration into BLDC motor control ICs.
2013	Our Company was recognized as a "National High-Tech Enterprise" (國家高新技術企業) by the Technology Innovation Committee of Shenzhen Municipality (深圳市科技創新委員會), the Finance Committee of Shenzhen Municipality (深圳市財政委員會), the State Taxation Bureau of Shenzhen Municipality (深圳市國家税務局) and the Domestic Taxation Bureau of Shenzhen Municipality (深圳市地方税務局).
2015	We unveiled dual-core driver control IC, our flagship product.
2017	We obtained ISO 9001:2015 quality control system certification.
2018	The accumulative shipment volume of our motor driver control ICs exceeded 100 million units.
	Our Company became a member of the Shenzhen Semiconductor Industry Association (深圳市半導體行業協會).
2019	We obtained UL certification for our FU68 series ICs.
	Our Company served as the Vice President Unit of Guangdong Mechanical Engineering Society Electrical Machinery and Appliance Branch (廣東省機械工程學會電機電器分會).

Year	Event
2020	We were awarded the "IC Unicorn Enterprise" (IC獨角獸企業) by China Semiconductor Industry Association (中國半導體行業協會) and China Center for Information Industry Development (中國電子信息產業發展研究院).
2021	We were recognized as the "Guangdong Provincial Research Center for High-Performance Motor Driver and Control IC Engineering Technology" (廣東省高性能電機驅動控制芯片工程技術研究中心) by the Department of Science and Technology of Guangdong Province (廣東省科學技術廳).
2022	Our A Shares were listed on the STAR Market (stock code: 688279).
	Our Company was awarded the "China Patent Excellence Award" (中國專利優秀獎) by the China National Intellectual Property Administration (中國國家知識產權局).
2023	We obtained ISO 26262 functional safety management system certification.
2024	We joined Guangdong Provincial Embodied AI Robotics Innovation Center (廣東省具身智能機器人創新中心).

OUR MAJOR SUBSIDIARIES

The following sets out the principal business activities, place of establishment and date of establishment and commencement of business of our subsidiaries that made a material contribution to our results of operations during the Track Record Period.

Name of subsidiary	Place of establishment	Date of establishment	Equity interest attributable to our Group	Principal business activities
Fortior Shanghai	PRC	June 8, 2018	100%	R&D, design and sales
Fortior Qingdao	PRC	October 11, 2019	100%	R&D, design and sales

As of the date of this document, our Company had six subsidiaries, all of which were wholly owned by us. For further details of these subsidiaries, see "– Corporate Structure" in this section. For changes in the registered capital of our subsidiaries, see "Statutory and General Information – A. Further Information about Our Group – 3. Changes in the Share Capital of Our Subsidiaries" in Appendix VI to this document.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Early Development and Conversion into a Joint Stock Company

On May 21, 2010, our Company was established by Fortior HK, one of our Controlling Shareholders, under the laws of the PRC as a limited liability company with an initial registered capital of RMB5,000,000. Between 2012 and 2020, our Company underwent several rounds of capital increases and transfers, upon completion of which our registered capital increased to RMB69,272,530.

On June 22, 2020, our Company was converted into a joint stock company. Upon completion of the conversion, our Company had a total share capital of RMB69,272,530 divided into 69,272,530 Shares. The shareholding structure of our Company immediately following our conversion into a joint stock company was as follows:

Shareholder	Number of Shares	Percentage shareholding
Fortior HK	35,154,431	50.75%
Shanghai Huaxin	13,465,723	19.44%
Shenzhen Xinqi Investment Enterprise (Limited Partnership) (深圳市芯齊投資企業(有限合夥), "**Xinqi Investment**")(1)	4,812,900	6.95%
Shenzhen Weihe Investment Co., Ltd. (深圳微禾投資有限公司, now known as Weihe Venture Capital (Zhuhai Hengqin) Co., Ltd. (微禾創業投資(珠海橫琴)有限公司), "**Weihe**")(2)	2,702,050	3.90%
Xinyun Technology	1,350,716	1.95%
Ms. Peng Ruitao (彭瑞濤)(2)	908,068	1.31%
Shenzhen Xinsheng Investment Enterprise (Limited Partnership) (深圳市芯晟投資企業(有限合夥), "**Xinsheng Investment**")(1)	287,052	0.41%
Other Shareholders(3)	10,591,590	15.29%
Total	**69,272,530**	**100.00%**

Notes:

(1) Xinqi Investment and Xinsheng Investment were our employee share incentive platforms prior to our A Share listing.

(2) Weihe was wholly owned by Ms. Peng Ruitao (彭瑞濤), an Independent Third Party, at the time of our conversion into a joint stock company.

(3) Other Shareholders represent 13 Shareholders at the time of our conversion into a joint stock company, each of whom/which held no more than 3% of our Shares and was an Independent Third Party.

Listing on the STAR Market

On April 20, 2022, our A Shares were listed on the STAR Market under the stock code 688279. In connection with the A Share listing, we issued an aggregate of 23,090,850 A Shares, accounting for approximately 25.0% of our then enlarged share capital, raising net proceeds of approximately RMB1,728.5 million. The shareholding structure of our Company immediately following our A Share listing was as follows:

Shareholder	Number of Shares	Percentage shareholding
Fortior HK	35,154,431	38.06%
Shanghai Huaxin	13,465,723	14.58%
Xinqi Investment	4,812,900	5.21%
Weihe	2,702,050	2.93%
Xinyun Technology	1,350,716	1.46%
Ms. Peng Ruitao	908,068	0.98%
Xinsheng Investment	287,052	0.31%
Other A Shareholders	33,682,440	36.47%
Total	**92,363,380**	**100.00%**

In connection with our A Share listing, A Shares held by Fortior HK and Xinyun Technology, our Controlling Shareholders, are subject to a lock-up period of 42 months since the listing date of our A Shares. As of the Latest Practicable Date, no other A Shares of our Company were subject to any lock-up arrangements in connection with our A Share listing.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, we had not conducted any acquisitions, disposals or mergers that we consider material to us.

OUR A SHARE LISTING AND REASONS FOR THE H SHARE [REDACTED]

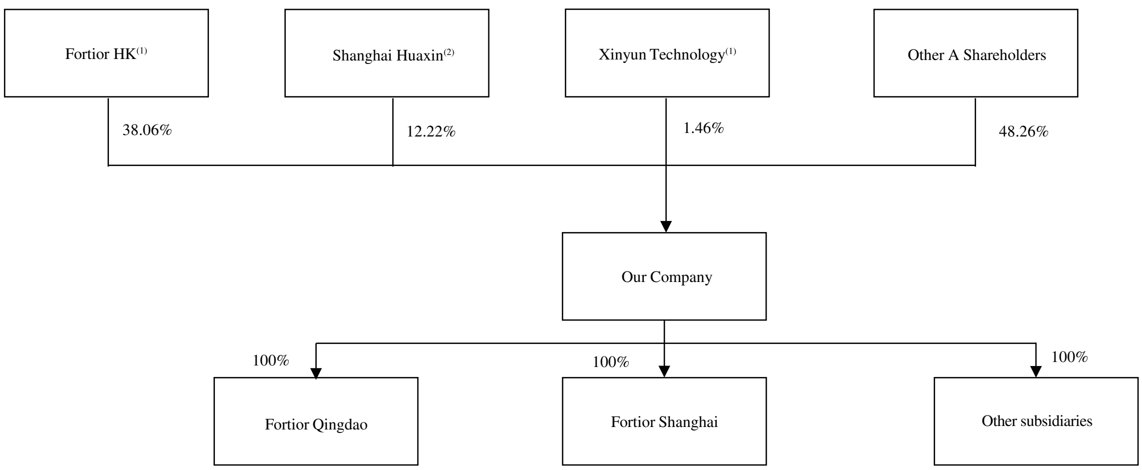
Since April 2022, our A Shares have been listed on the STAR Market. Our Directors confirm that, since our A Share listing and up to the Latest Practicable Date, there had been no instances of our material non-compliance with the applicable rules of the STAR Market and other applicable PRC securities laws and regulations. To the best knowledge of our Directors, there are no material matters in relation to our compliance record on the STAR Market that should be brought to the attention of the Stock Exchange or potential **[REDACTED]** of the **[REDACTED]**. Our PRC Legal Advisor is of the view that, since our A Share listing and up to the Latest Practicable Date, there had been no instances of our material non-compliance with the applicable rules of the STAR Market and other applicable PRC securities laws and regulations. Based on the independent due diligence conducted by the Sole Sponsor and our PRC Legal Advisor's view above, no material matter has come to the Sole Sponsor's attention that would cause it to disagree with our Directors' confirmation with regard to the compliance records of our Company on the STAR Market.

We seek to **[REDACTED]** our H Shares on the Stock Exchange to raise additional capital for business growth and expansion, diversify our fundraising channels, reinforce our industry standing, enhance global brand awareness and competitiveness, and optimize our capital structure and shareholder composition to support sustainable development and governance. See "Business – Our Strategies" and "Future Plans and Use of **[REDACTED]**" in this document for more details.

CORPORATE STRUCTURE

Corporate Structure Immediately Before the [REDACTED]

The following chart sets forth the simplified shareholding and corporate structure of our Group immediately before the **[REDACTED]**.



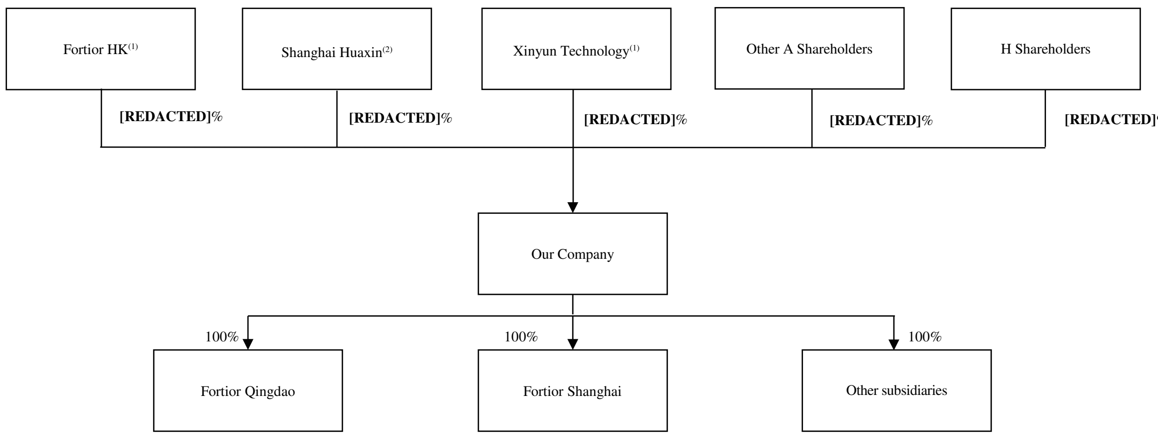
Notes:

(1) As of the Latest Practicable Date, Fortior HK was held by Mr. Bi Lei and Dr. Bi Chao, our Controlling Shareholders and executive Directors, as to 35.25% and 30.55%, respectively. The remaining shares in Fortior HK were held as to 18.89% by United Wise (which is ultimately owned by Mr. Yao Jianhua (姚建華) and his spouse, Ms. Zhu Chongyun (朱崇惲), each holding 50%), 8.81% by Mr. Zhang Qun (the spouse of Ms. Peng Ruitao), 4.70% by Mr. Soh Cheng Su (our former employee) and 1.80% by Mr. Chan Hung Ngan. Each of United Wise, Mr. Zhang Qun, Mr. Soh Cheng Su and Mr. Chan Hung Ngan is an Independent Third Party and a passive financial investor in Fortior HK, and none of them has entered into any voting arrangement or concert-party arrangement with Mr. Bi Lei or Dr. Bi Chao. Xinyun Technology was wholly owned by Ms. Gao Shuai, the spouse of Mr. Bi Lei and one of our Controlling Shareholders. Mr. Bi Lei, Dr. Bi Chao and Ms. Gao Shuai have entered into the Acting-in-Concert Agreement, pursuant to which they agreed, among other things, to act in concert when voting at general meetings of our Company and meetings of our Board until April 19, 2028. For further details, see "Relationship with Our Controlling Shareholders" in this document.

(2) As of the Latest Practicable Date, Shanghai Huaxin was owned as to approximately 1.00% by Moselle Limited (香港摩澤爾責任有限公司), an Independent Third Party, as its general partner. The remaining partnership interest in Shanghai Huaxin was distributed among 21 limited partners, each holding less than 20% thereof.

Corporate Structure Immediately After the [REDACTED]

The following chart sets forth the simplified shareholding and corporate structure of our Group immediately after the completion the **[REDACTED]**, assuming the **[REDACTED]** is not exercised and no additional Shares are issued pursuant to our Restricted Share Incentive Plans.



Notes:

(1) and (2) See "– Corporate Structure – Corporate Structure Immediately Before the **[REDACTED]**" in this section.

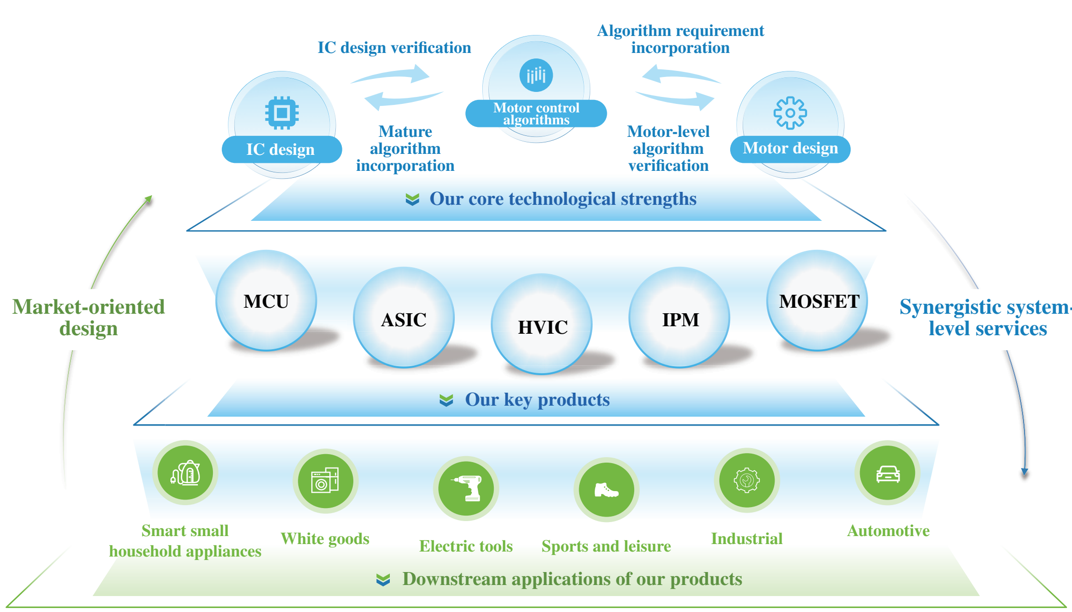
OVERVIEW

About Us

We are a pioneering IC design company dedicated to the design and R&D of BLDC motor control ICs and have established a strong market position within the industry. A BLDC motor is a type of brushless motor driven by electronic commutation, which changes the electromagnetic fields to drive the rotor of the motor. According to Frost & Sullivan, compared with traditional motors, BLDC motors offer advantages such as high efficiency, low power consumption, high control precision and low noise, and are widely used in various applications. Our products are designed to help BLDC motors optimize their performance and achieve highly efficient, low-noise, and high-precision operation. According to Frost & Sullivan, our product portfolio covers all key components of a typical motor control system, including (i) motor control chips such as MCUs and ASICs, (ii) motor driver chips such as HVICs, (iii) IPMs, and (iv) power devices such as MOSFETs. According to Frost & Sullivan:

- We are the first Chinese IC company that focuses on the design of BLDC motor control ICs;
- We are the first IC company in the world to achieve large-scale production of specific-purpose motor control chips with hardware-based FOC algorithms; and
- As of December 31, 2023, we ranked sixth with a 4.8% market share in terms of revenue in the BLDC motor control and driver chip market in China and were the only Chinese company among top ten companies in the same market.

The following diagram sets forth our business model:



Our R&D efforts focus on three core technological fields, namely (i) IC design, (ii) motor control algorithms and (iii) motor design, and we have achieved several competitive technologies in these fields. The combination of our technologies in these three fields forms the foundation of our core competitiveness in the BLDC motor control and driver chip industry. According to Frost & Sullivan, we are the first motor control IC company in China with dedicated teams specializing in all these three technological fields.

Our comprehensive achievement of technologies in the three core technological fields include:

IC design	Motor control algorithms	Motor design
❑ ME core (our proprietary motor control processor core) ❑ Hardware-based algorithms ❑ Functional integration ability in chip products	❑ Sensorless FOC algorithms ❑ Sensorless high-torque motor startup	❑ High torque density ❑ Three-phase low-speed motors ❑ Ultra-thin motors

Please see "Our Core Technological Strengths" in this section for details of these technologies.

The synergies among our IC design, motor control algorithms, and motor design allow us to deliver high-quality products that satisfy the needs of our end customers' diverse applications. Guided by the specific needs of end-use applications and leveraging our deep understanding of motor technology, we translate the specific requirements of end customers for their motors into effective motor control algorithms, which are then implemented through hardware logic circuits at the IC design level.

Our main products include MCUs/ASICs, HVICs, MOSFETs, and IPMs, which are the key components of a typical BLDC motor control system. Among them, our MCUs/ASICs, as the motor control chips, receive electrical signals, execute motor control algorithms and generate precise control instructions. Our HVICs serve as driver chips to provide high and low voltage isolation and amplify driving capacity, allowing MCUs/ASICs to drive MOSFETs. Based on the control instructions from the MCUs/ASICs, the MOSFETs, driven by the HVICs, generate specific electromagnetic fields, which drive the rotation of the motor, allowing the BLDC motor to operate efficiently. Please see "Our Products – Overview" in this section for details. In addition, we also provide IPMs, which are modules that combine MCU/ASIC, HVIC and/or MOSFET in a package, thus reducing the number of external components and PCB area, simplifying the design of the motor control system and providing customers with simple and efficient solutions.

Our products are used in BLDC motors that have been widely used in multiple downstream applications, including smart small household appliances, white goods, electric tools, sports and leisure, industrial, and automotive applications. Leveraging our solid R&D capabilities, reliable product quality and cost-efficiency advantages, we have accumulated a broad base of high-quality end customers.

Leveraging the synergies among our IC design, motor control algorithms and motor design, we have the capability to provide system-level services for end customers and address practical technical problems. Our R&D teams in IC design, motor control algorithms and motor design communicate and work closely with our end customers and provide comprehensive system-level services. Through this process, we, in turn, also collect information about the downstream market needs and incorporate them in our R&D and technological advancement.

Our Market Opportunities

According to Frost & Sullivan, BLDC motors are increasingly popular in a growing number of applications due to their advantages in energy efficiency, performance and control. As a result, the market penetration of BLDC motors continues to increase. The sustained growth of the BLDC motor market is driven by the following factors:

- ***Demand-Side Drivers:*** rising market penetration of BLDC motors due to energy efficiency and product upgrades:

  - *Energy Efficiency and Sustainability:* BLDC motors, with their high efficiency and low power consumption, have become the preferred choice for upgrading various electrical products in the context of the global trend of energy conservation, emission reduction and transition to a low-carbon economy. As energy and environment regulations become increasingly stringent, traditional motors are expected to be progressively replaced by BLDC motors;

  - *High-End Product Upgrades:* Consumers are demanding smarter and more advanced products in sectors such as smart small household appliances, white goods, electric tools and sports and leisure. The advantages of BLDC motors in control precision and lower noise levels make them important components of high-end products, driving the popularity of BLDC motors as these products undergo upgrades; and

  - *System-Level Services:* End customers increasingly require more sophisticated BLDC motor control systems, and, to meet their demand, it is no longer sufficient to only provide motor control ICs. Instead, the market is trending towards comprehensive system-level services that combine IC design, motor control algorithms and motor design. Companies with the capability to provide such comprehensive system-level services are well-positioned to gain a competitive edge.

- ***Supply-Side Drivers:*** technological advancements and decrease in costs of manufacturing BLDC motors:

  - *Technological Advancements:* Innovations in motor control technologies, particularly the FOC algorithms and the emergence of specific-purpose ICs, have significantly enhanced the overall performance of BLDC motors; and

  - *Cost Decrease:* Advancements in technology have gradually lowered the costs of manufacturing BLDC motors, accelerating BLDC motors' replacement of traditional motors.

- ***Expanding Application Scenarios:*** growth in consumer markets and opportunities in emerging markets:

  - *Consumer Markets:* Applications in consumer markets, including smart small household appliances, white goods, electric tools and sports and leisure, are expected to benefit from ongoing product upgrades and the increasing localization of supply chains. The penetration rate of BLDC motors in these applications is expected to grow steadily, creating significant market opportunities for companies like us; and

  - *Emerging Markets*: Emerging markets are expected to drive growth in demand for BLDC motors and, in turn, our products. For instance, in the automotive sector, demand for our products benefits from the increasing penetration rate of BLDC motors as well as expansion of BLDC motor application scenarios to various automotive areas such as active grille shutters, seat ventilation, water pumps, oil pumps, water valves, electronic valves and electronic fans. In the robot sector, the demand for high-performance motors is also increasing with the rapid development of China's intelligent robotics market. With the quick growth of these sectors, the demand for BLDC motors and, in turn, our products, is expected to increase further.

The broad market prospects and increasing penetration of BLDC motors provide substantial growth opportunities for companies like us.

Our Financial Performance

We have achieved positive financial performance in revenue and profit during the Track Record Period:

- Our revenue increased by 27.4% from RMB323.0 million in 2022 to RMB411.4 million in 2023, and increased by 53.7% from RMB281.6 million for the nine months ended September 30, 2023 to RMB432.8 million for the nine months ended September 30, 2024;

- Our gross profit increased by 18.1% from RMB185.2 million in 2022 to RMB218.7 million in 2023, and increased by 51.4% from RMB149.2 million for the nine months ended September 30, 2023 to RMB226.0 million for the nine months ended September 30, 2024; For the nine months ended September 30, 2024, we achieved gross profit margin of 52.2%, higher than the average gross profit margin level of our Chinese market peers, according to Frost & Sullivan; and

- Our net profit increased by 23.1% from RMB142.0 million in 2022 to RMB174.8 million in 2023, and increased by 48.2% from RMB124.0 million for the nine months ended September 30, 2023 to RMB183.8 million for the nine months ended September 30, 2024. In the nine months ended September 30, 2024, we achieved a net profit margin of 42.5%.

OUR STRENGTHS

Leader in advanced motor control technologies with proprietary and innovative ME core

We are a leader in advanced motor control technologies. Through over a decade of effort in R&D, we have developed an innovative "dual-core" motor control chip architecture and successfully developed the ME core, our proprietary motor control processor core, based on which we have further developed a series of competitive motor control chips, algorithms and motor designs. Our products can effectively help end customers address industry challenges in relation to motors, such as sensorless high-torque motor startup, silent motor operation and ultra-high speed motor rotation.

According to Frost & Sullivan:

- We are the first Chinese IC company that focuses on the design of BLDC motor control ICs; and

- We are the first IC company in the world to achieve large-scale production of specific-purpose motor control chips with hardware-based FOC algorithms.

Our MCU products based on our proprietary ME core have the following advantages:

- ***Flexible Use, Wide Applicability and High Cost-Efficiency:*** According to Frost & Sullivan, the majority of motor control IC companies in the industry develop general-purpose MCU chips, and their chip core architectures are typically based on ARM's licensed Cortex-M cores. As a result, their IC design is constrained by ARM's licensing system and is required to pay licensing fees to ARM. In contrast, we use our proprietary ME core and control algorithms that are specialized for motor control, without constraints from licensing or the need to pay licensing fees. Therefore, our MCU products based on the ME core can be easily finetuned to meet the needs of different application sectors and are highly cost-efficient;

- ***Dual-Core Architecture with Outstanding Performance:*** According to Frost & Sullivan, with the continuous upgrading of electronic and electrical products, the requirements for motor control are becoming increasingly stringent, including high efficiency, low noise, rapid response to load and environment changes, and intelligent interconnection with peripheral systems. Our MCU products adopt a "dual-core" chip architecture, in which our proprietary ME Core is dedicated to complex motor control tasks, while the general-purpose core handles auxiliary tasks such as external communication functions. The dual-core architecture effectively expands the MCU's computing capacity and speed, offering advantages such as high integration, high stability, high efficiency, multi-functionality and low noise; and

- ***Highly Reliable Hardware-based Algorithms:*** Leveraging our proprietary ME core, we can implement the motor control algorithms at the hardware level. Compared with the industry's common approach of implementing motor control algorithms through software programming, the hardware-based algorithm approach can effectively improve the algorithm computing speed and reliability of the motor control chip.

Leveraging our innovative technologies and products, we have become a major player in the BLDC motor control and driver chip industry in China:

- According to Frost & Sullivan, as of December 31, 2023, we ranked sixth with a 4.8% market share in terms of revenue in the BLDC motor control and driver chip market in China and were the only Chinese company among top ten companies in the same market; and

- According to Frost & Sullivan, we have achieved leading market positions in multiple application sectors such as smart small household appliances and electric tools. For instance, in 2023, our market shares in terms of revenue of BLDC motor control and driver chips that are used in vacuum cleaner and electric fan sectors in China were 80.7% and 83.6%, respectively.

As of the Latest Practicable Date, we had obtained 110 patents in China and overseas, including 68 invention patents. Our innovation capabilities and market position have been widely recognized by government authorities and industry organizations.

Synergies in IC design, motor control algorithms and motor design to deliver system-level services

We specialize in three core technological fields: IC design, motor control algorithms, and motor design, and we have established several competitive advantages in these fields. Unlike many motor control IC companies that focus solely on IC design, our R&D team integrates expertise across all three fields. Guided by the specific needs of end-use applications and leveraging our deep understanding of motor technology, we translate the specific requirements of end customers for their motors into effective motor control algorithms, which are then implemented through hardware logic circuits at the IC design level. According to Frost & Sullivan, we are the first motor control IC company in China with dedicated teams specializing in all these three technological fields.

In terms of IC design:

- We have developed our proprietary ME core and hardware-based motor control algorithms. Additionally, we have successfully developed chip products that integrate other functions. According to Frost & Sullivan, to enhance the reliability and control performance of motor control ICs while reducing the size of motor control systems to accommodate the miniaturization and customization trends in BLDC motors, the industry trend is gradually towards products with greater levels of functional integration. We have achieved a comprehensive product line across varying levels of integration, ranging from integrated op-amps and LDOs to integrated HVICs and MOSFETs.

In terms of motor control algorithms:

- We have successfully developed sensorless FOC algorithms, positioning ourselves at the forefront of the R&D of this algorithm, which is now widely adopted in the industry. According to Frost & Sullivan, sensorless FOC algorithms can best achieve objectives such as high efficiency, low vibration, low noise and quick response, making it the mainstream trend in BLDC motor control technology for applications such as white goods, smart small household appliances and industrial automation. Our proprietary ME core implements the FOC algorithm through hardware-based algorithms, which is able to complete one round of FOC computation in 6~7μs, faster than software-based algorithms. Our sensorless FOC control solution supports the electric cycle up to 270 thousand RPM, higher than the maximum speed achievable with software-based algorithms.

- We have strategically invested in the R&D for the current mainstream sensorless algorithms and FOC algorithms and have developed tailored motor control algorithms for specific downstream applications. For instance, we have developed sensorless FOC algorithms for smart small household appliances and sensorless high-torque motor startup algorithms for electric tools. These innovations allow our end customers to address industry challenges such as sensorless high-torque motor startup, silent motor operation and ultra-high speed motor rotation. By doing so, we help expand the application of high-performance motors across more diverse uses.

In terms of motor design:

- With a deep understanding of motor electromagnetic principles, we are able to develop specific motor control methods tailored to the characteristics of our end customers' motors. We are also able to optimize the electromagnetic structure of the motor in a cost-effective manner to achieve the optimal motor system performance.

With years of accumulated expertise in these three fields, we possess the ability to provide system-level services to end customers. **Our system-level services involve addressing end customers' needs and providing comprehensive motor control and driver products by leveraging our expertise in (i) IC design, (ii) motor control algorithms and (iii) motor design.** We actively engage with our end customers through ongoing technical communications, site visits, seminars and on-site technical support, and address practical and technical challenges through innovative algorithms and motor control system optimization, providing mature and comprehensive products.

The synergies across our three core technological strengths allow our IC products to achieve performance that is on par with or exceeds that of competitors in terms of technical capabilities and performance. This has also earned recognition from end customers and facilitated the increasing adoption of our products across various applications and types of end customers. The market's acknowledgment of the performance of our products has further solidified our foundation for competitive product pricing power.

Highly reliable products with efficient upgrades, broad application versatility and large-scale commercialization capabilities

Our motor control ICs deliver robust computational power and control performance with high reliability. Our product portfolio comprehensively covers household, industrial and automotive-grade applications and is widely used in downstream sectors such as smart small household appliances, white goods, electric tools, sports and leisure, industrial and automotive applications. In 2023, we received ISO 26262 functional safety management system certification, marking it a significant milestone in the development of our automotive-grade chips.

Our ability to provide system-level services to end customers allows us to quickly identify and respond to changes in downstream market demand and to address specific issues encountered during the application of our products and swiftly respond to these changes and issues by upgrading our products and innovating our technologies. We have established a comprehensive mechanism for collecting end-customer needs and integrating them into our product development processes. By conducting regular visits to end customers, participating in their product development and organizing technical exchange seminars, we gain deep insight into end customer needs. This feedback is then promptly communicated to our R&D team so that we can continuously optimize and improve our products. Additionally, we have established efficient product development processes, enhancing our responsiveness to end-customer requirements. According to Frost & Sullivan, our product upgrade speed surpasses the average speed of our domestic peers and is among the leading levels in the industry.

With our outstanding product quality, quick responsiveness to end customer needs, innovative motor control algorithms and technical services that address system-level challenges, the application of our IC products has expanded from consumer electronics into industrial and automotive applications, earning wide recognition from end customers, which demonstrates the broad application versatility of our products:

- ***Smart Small Household Appliances and White Goods:*** Our IC products are widely applied in smart small household appliances such as robotic vacuum cleaners, hair dryers, vacuum cleaners and fans, as well as white goods such as air conditioners, washing machines and refrigerators;

- ***Sports and Leisure:*** Our IC products are widely applied in outdoor transportations such as electric scooters and self-balancing scooters, as well as products for exercise, such as treadmills, or products such as unmanned aerial vehicles;

- ***Industrial Applications:*** Our IC products are widely applied in applications such as server cooling, inverters and industrial servo systems; and

- ***Automotive Applications:*** Our IC products are widely applied in various automotive motor control systems, including active grille shutters, seat ventilation, water pumps, oil pumps, water valves, electronic valves and electronic fans.

Our extensive R&D achievements and advanced technical capabilities have translated to high-performance motor control ICs with outstanding annual sales volumes. In 2022, 2023 and the nine months ended September 30, 2024, our motor control ICs (including MCUs and ASICs) achieved sales volumes of 82.5 million units, 123.9 million units, and 133.1 million units, respectively, underscoring our strong capabilities in large-scale commercialization.

Serving a broad base of high-quality end customers and fostering strong, long-term cooperative relationships

As downstream applications increasingly impose higher performance requirements for motor efficiency, vibration, noise, response speed and other indicators, end customers have correspondingly raised their requirements for the performance and quality of motor control ICs. With our outstanding product quality, we have gained recognition and trust from end customers during their product development processes, establishing collaborative and long-term relationships with them.

Leveraging the advantages of our high-quality IC products and system-level services, our motor control ICs are widely used by leading brands in various fields, including smart small household appliances, white goods, electric tools, sports and leisure, industrial and automotive applications. Our IC products are extensively used in products of globally renowned appliance brands, electric tool brands, motor brands, automotive brands and automotive tier-1 suppliers.

Our products have high substitutability barriers. Motor control chips are the core components of a motor control system. According to Frost & Sullivan, end customers typically develop their products around a pre-selected motor control chip model, which is typically developed by a specific motor control IC company. Once the product development by the end customer is successful and has undergone debugging, verification and commercial application, end customers typically do not easily replace the motor control chip. Through deep integration of our products and technologies into end customer's products, we have established cooperative relationships with end customers, which helps us foster long-term, stable relationships with our end customers.

Multidisciplinary team with extensive IC R&D experience

We have a multidisciplinary team with extensive IC R&D experience, covering three core technological fields of IC design, motor control algorithms and motor design, and our team is dedicated to technological innovation and product development.

Mr. Bi Lei, our executive Director, chairman of our Board, general manager and chief executive officer, is primarily responsible for the overall management, strategic planning and decision-making for key business and operational matters of our Group. Mr. Bi Lei has over 20 years of industry experience and has served key positions at various companies and institutes, such as the Asia Pacific R&D Center of Philips Electronics Singapore Pte Ltd (Semiconductors – Asia Product Innovation Centre) and the Data Storage Institute under the Agency for Science, Technology and Research (A*STAR), Singapore. Please see "Directors, Supervisors and Senior Management – Directors" for details.

Dr. Bi Chao, our executive Director and chief technology officer, is primarily responsible for overseeing business and daily operations of our Group and leading the overall technology development of our Group. Dr. Bi Chao has nearly 40 years of R&D and work experience in the motor industry, and has served key positions at various companies and institutes such as the Data Storage Institute under the Agency for Science, Technology and Research (A*STAR), Singapore, Western Digital (Singapore) Pte. Ltd. and Southeast University in China. Please see "Directors, Supervisors and Senior Management - Directors" for details.

Given the scarcity of talents specialized in IC design and high-end motor control design in China, we have, since our inception, formulated a talent cultivation strategy centered around "in-house training, mentorship and project-based learning". We have built a multi-level R&D talent team including our senior R&D personnel, middle-level forces and junior members. As of September 30, 2024, our R&D personnel accounted for 74.0% of our total employees.

OUR STRATEGIES

We strive to become a global leading supplier of motor control ICs and motor control systems. With this goal in mind, we aim to continue our independent innovation and R&D, focusing on the development of motor control ICs and motor control systems, and we are committed to continuing the provision of high-performance motor control ICs and comprehensive system-level services to end customers around the world. We plan to deploy our resources around this strategic goal and achieve it through R&D and technological breakthroughs, extension of the downstream applications of our products, expansion of our overseas markets and talent cultivation.

Continuous investment in R&D to consolidate and enhance our technological advantages

We consider technological R&D a crucial strategy for our development, and we plan to continue our independent R&D innovation. We intend to continue our in-depth exploration in motor control IC design, motor control algorithms and motor design. We aim to focus on the new demands and changes in applications such as smart small household appliances, white goods, automotive, robots and sensors, and conduct independent R&D.

We plan to continuously build our R&D team and invest in R&D activities to consolidate and enhance our technological advantages. We strive to achieve high-performance products through innovative technologies and drive the penetration of our products in downstream applications.

Consolidating our advantages in consumer applications and collaborating with our business partners to seize opportunities in the industry

We intend to continue our business development in consumer markets such as smart small household appliances and white goods, deepening our strategic partnerships with top-tier brand end customers. Together with our peers and amid opportunities and challenges of the motor control IC industry, we aim to consolidate and enhance the competitiveness of our IC products in consumer applications. According to Frost & Sullivan, with the development of artificial intelligence and automation technologies, the application sectors we have deeply cultivated, such as smart small household appliances and white goods, are expected to have broad prospects. The white goods sector, for instance, is characterized by high entry barriers, long verification cycles and high reliability requirements for motor control ICs. We have many years of experience and strategic planning in the white goods sector. We have accumulated a high-quality end customer base consisting of leading brands and have achieved mass production of our products in the white goods sector. As we continue to grow our business in consumer applications, we expect it to continue driving our business and revenue growth.

Strategic deployment in emerging applications such as industrial, automotive and robot sectors

In light of the trend of the fourth industrial revolution, technologies driven by intelligence and automation are rapidly developing and interacting with each other. In emerging applications such as industrial, automotive and robot sectors, downstream industries require motors to achieve more efficient control and silent operation. In the past few years, we have carried out R&D and strategic deployments around these emerging applications:

- ***IC design:*** we have accumulated a rich portfolio of core technologies for industrial and automotive-grade high-power motor control ICs, and have conducted the development of automotive-grade motor control ICs, and high-precision sensors, among others;

- ***Motor control algorithms:*** we have maintained a first-mover advantage in the mainstream sensorless control algorithms, including FOC, servo control, and other control algorithms tailored for industrial applications;

- ***Motor design:*** we have conducted cutting-edge research on motor design in relation to industrial control, robots and other fields, accumulating extensive R&D results.

Our R&D accumulation has laid a solid foundation for us to further expand into applications with higher powers and higher reliability requirements. Based on our advantages in the above fields, we intend to comprehensively deploy in emerging downstream applications such as industrial, automotive and robots on the basis of our existing R&D planning. We aim to stay at the forefront of industry with our technological advantages, seize new market opportunities brought about by the development of emerging industries and continue to explore new revenue growth opportunities.

Expanding overseas markets, promoting products globally and developing our business with an international perspective

Expanding our overseas markets is essential to our strategic goal. After more than a decade of experience and accumulation in technology, products, end customer base and commercialization, we believe that our strengths in technologies and products allow us to compete globally. We intend to continue advancing our overseas market layout, broadening overseas sales channels, developing overseas business partners, building leading overseas R&D teams, responding promptly to overseas market demands, promoting the application of our products and technologies in overseas markets and providing high-quality IC products to global end customers.

The rapid development of the semiconductor industry and artificial intelligence technology has brought opportunities for resource integration, technological interaction and collaborative development in the industry. We aim to fully leverage our technological advantages, foster synergies with industry peers and upstream and downstream partners, to seize opportunities in the global industry. With an international perspective in mind, we strive to strategically expand our products, technologies, markets and end customer base globally, and become an industry leader through technology development and upstream and downstream collaboration in the industry. We intend to closely monitor potential strategic investment and acquisition opportunities in overseas markets and actively and prudently pursue acquisitions of potential targets.

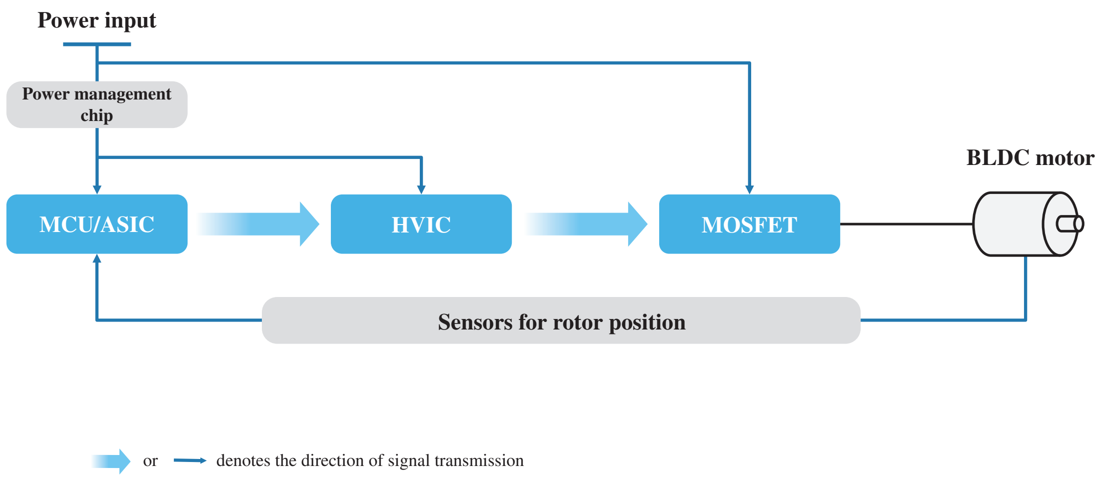
Attracting top global talent and continuously building talent teams

We attach great importance to building our talent team. We adhere to the values of "simplicity, openness, trust and forward-thinking". We are committed to achieving the mutual growth and development of our Company and its employees. We plan to continue attracting global talent through attractive incentive mechanisms, an open corporate culture, and a vigorous working environment. We intend to continuously improve our R&D personnel training system, and enhance our R&D team through social and campus recruitment. We aim to build an open and dynamic talent cultivation framework that supports clear and accessible career progression. We intend to further strengthen our multi-level R&D talent team. By fostering effective communication and collaboration within our team, we strive to create a vibrant, knowledge-driven organization that unlocks team potential and drives innovation.

OUR PRODUCTS

Overview

The following diagram sets forth an overview of a typical BLDC motor control system for illustrative purpose:



In a typical BLDC motor control system, an MCU/ASIC executes motor control algorithms to generate control instructions for motor operation. However, since the MCU/ASIC alone cannot independently generate sufficiently high power to drive the operations of MOSFETs, the HVIC serves as the driver to generate essential voltages so that the control instructions from the MCU/ASIC can be delivered to MOSFETs for their operation. MOSFETs serve like switches in a circuit to convert electrical energy into mechanical energy to drive motors. Sensors are responsible for detecting the position the position of rotors in the motor and send such information to the MCU/ASIC. Some motor control systems may instead use IPMs, which are modules that combine MCU/ASIC, HVIC and/or MOSFETs in a package, and may not use sensors in the system.

Our Strategic Focus on BLDC Motors

We choose to strategically focus on developing products for BLDC motors. According to Frost & Sullivan, BLDC motors have emerged as the preferred choice in the small and medium-sized motor industry due to their outstanding performance characteristics, including high reliability, low vibration, high efficiency, low noise and energy-saving capabilities.

According to Frost & Sullivan, the market for BLDC motors continues to expand, driven by their widespread adoption in various industries and application scenarios such as smart small household appliances, white goods, sports and leisure, electric tools, industrial and automotive sectors. By focusing on the design and R&D of BLDC motor control ICs and providing comprehensive products, we believe that we are in line with, and are well-positioned to capitalize on, the trend of continued growth of BLDC motor market.

Our Product Portfolio

We offer a comprehensive portfolio of critical products for motor control systems, including motor control MCUs/ASICs, HVICs, MOSFETs and IPMs.

The following table sets forth our revenue generated during the Track Record Period in terms of the products we offered:

	For the year ended December 31,				**For the nine months ended September 30,**			
	2022		**2023**		**2023**		**2024**	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000* (unaudited)	*(%)*	*RMB'000* (unaudited)	*(%)*
MCU	232,343	71.9	274,748	66.8	187,482	66.6	276,536	63.9
ASIC	19,697	6.1	48,254	11.7	34,123	12.1	58,526	13.5
HVIC	56,261	17.4	66,395	16.1	46,424	16.5	65,368	15.1
MOSFET	7,828	2.4	3,655	0.9	2,725	1.0	1,518	0.4
IPM	4,751	1.5	16,929	4.1	9,755	3.5	30,061	6.9
Others(1)	2,093	0.6	1,378	0.3	1,059	0.4	818	0.2
Total	**322,973**	**100.0**	**411,359**	**100.0**	**281,568**	**100.0**	**432,827**	**100.0**

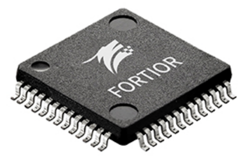
Note:

(1) Others primarily include revenue from sales of other products, including semiconductor demo boards and analog devices, among others.

MCU

Our MCU serves as the motor control system's central processing unit, analogous to the brain of a human being. It learns the position of the rotors in the motors through electronic signals, executes motor control algorithms based on the signals and generates precise control signals to control the motor operation and ensure optimal motor performance.

Below is the picture of our typical MCU product:



Our MCU products feature the unique "dual-core" architecture, which optimizes performance and efficiency in BLDC motor control applications. The ME core, which is independently developed by us, focuses on complex motor control tasks, while the general-purpose core, based on the 8051 or Risc-V architecture, handles auxiliary tasks such as external communication functions. This division of functions ensures that complex motor control operations do not consume excessive computing power, thus maintaining optimal performance for both motor control and other auxiliary tasks that a motor control chip needs to process. Please see "Our Core Technological Strengths – IC Design – Comparison of our MCU's IC Design with Other Common IC Designs" in this section for details about our proprietary ME core and its comparison with the ARM Cortex-M core that is commonly applied by other MCU companies in the industry. Our MCUs support a diverse range of motor drive modes, including sensored and sensorless control, square wave, sine wave and FOC modes.

The versatility and reliability of our MCU products make them suitable for a wide range of products or scenarios, including smart small household appliances, white goods, electric tools, sports and leisure, industrial and automotive sectors.

Integrated functions in our MCU and ASIC Products

According to Frost & Sullivan, to enhance the reliability and control performance of motor control ICs while reducing the motor control system's size to accommodate the miniaturization and customization trends in BLDC motors, the industry is gradually shifting towards products with greater levels of functional integration. For instance, an MCU product, on a single chip level, may integrate key components of a motor control system, such as HVIC and MOSFET, reducing the need for separate and independent components.

In line with such industry trends, we design our MCU products with varying levels of functional integration, offering our end customers the flexibility to choose products tailored to their specific application requirements and scenarios. By integrating functions such as HVIC, MOSFET as well as functions such as LDO and op-amps into our MCU products, these products simplify the design process for motor control systems, reduce the number of external components and connection points, and facilitate more compact and efficient system designs. This integration also allows our end customers to reduce overall system costs while addressing the increasing demand for smaller, more reliable, and high-performance motor control systems. Similar functional integration as described above has also been realized on our ASIC products.

ASIC

Apart from MCUs, we also offer ASIC products as the main controlling units for BLDC motors. According to Frost & Sullivan, compared with MCUs, which typically contain a general purpose processor core, memory, input/output interfaces and other modules, ASICs are designed for specific control scenarios with their internal circuits and logic designed for specific algorithms and tasks. Our ASIC products are tailored to deliver targeted control outcomes, offering distinct advantages such as compact size, low power consumption, low noise, high degree of integration and cost-effectiveness. These characteristics make our ASIC products particularly suited for various applications including electric fans, robotic vacuum cleaners, pumps, massage guns and cooling fans.

Our ASICs support a diverse range of motor drive modes, including sensored and sensorless control, square wave, sine wave and FOC modes.

Below is a picture of our typical ASIC product:

Please see "Our products – Our product portfolio – MCU – Integrated functions in our MCU and ASIC Products" in this section for details of functional integration in our ASIC products.

HVIC

Since the MCU/ASIC alone cannot independently generate sufficiently high power to drive the operations of MOSFETs, our HVIC serves as the driver to generate the essential voltages to amplify the driving capacity, acting as the vital link between the MCU/ASIC and the MOSFETs, allowing the MCU/ASIC to indirectly drive the MOSFETs through the HVIC.

Below is a picture of our typical HVIC product:

Our HVIC products work in conjunction with motor control MCUs/ASICs and MOSFET power devices to form the motor control system. Our HVICs offer advanced protection features, including overvoltage protection, undervoltage protection, shoot-through prevention and dead-time protection. These features enhance motor control system reliability and prevent potential damage to the motor and associated components.

In addition to their protection capabilities, our HVIC products help reduce power consumption and improve overall system efficiency. By reducing power losses and optimizing the drive circuitry, our HVICs contribute to energy savings and extend the operational life of the motor control system.

MOSFET

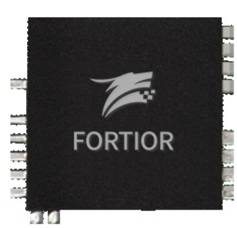
In accordance with the control instructions from the MCU/ASIC, and driven by the HVICs, MOSFETs are power devices that serve like switches in a circuit to create specific types of electromagnetic fields to allow the rotor in the BLDC motor to rotate. Our MOSFET products feature short reverse recovery time, low temperature rise and low switching losses, providing a stable, reliable and consistent motor control experience to customers.

Below is a picture of our typical MOSFET product:

IPM

Additionally, we offer IPMs, which are modules that combine MCU/ASIC, HVIC and/or MOSFET products in a compact package. The IPM reduces the number of external components and the PCB area, streamlines the design of the motor control system and provides customers with simple and efficient solutions to enhance the performance and reliability of the BLDC motor control system for certain specific motor control scenarios such as built-in motors and tight space constraints, as well as use under certain high-voltage environments such as white goods.

Below is a picture of our typical IPM product:



Difference Between our IPM Products and MCU/ASIC Products with Integrated Functions

Our IPM products and our MCU/ASIC products with integrated functions differ primarily in their design and primary application scenarios.

IPMs package multiple discrete components – such as MCU/ASIC, HVIC, and/or MOSFETs – into a single module. While the components are packaged together, they remain distinct within the module. In contrast, our MCU/ASIC products with integrated functions integrate the functions of multiple components into a single chip as the final product. For instance, we offer MCUs in a single chip form that integrate the functions of HVIC and MOSFETs. In addition, MCU/ASIC products with integrated functions are primarily applied in low-voltage scenarios, whereas IPMs are primarily applied in high-voltage scenarios, which helps further expand the scope of application of our product offerings.

Key Operating Data

The table below sets forth our production volume and sales volume in terms of number of units and production-sales ratio by product during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,					
	2022			2023			2023			2024		
	Production volume ('000)	Sales volume ('000)	Production-sales ratio[1]	Production volume ('000)	Sales volume ('000)	Production-sales ratio[1]	Production volume ('000)	Sales volume ('000)	Production-sales ratio[1]	Production volume ('000)	Sales volume ('000)	Production-sales ratio[1]
MCU	98,243	72,145	1.4	91,869	97,135	0.9	57,265	65,836	0.9	115,014	99,491	1.2
ASIC	15,825	10,389	1.5	25,633	26,755	1.0	21,869	19,364	1.1	43,936	33,644	1.3
HVIC	80,415	126,280	0.6	127,383	128,743	1.0	79,099	97,392	0.8	113,734	121,483	0.9
MOSFET	20,582	18,207	1.1	4,833	6,755	0.7	4,668	5,757	0.8	3,086	1,701	1.8
IPM	5,817	2,863	2.0	23,572	22,572	1.0	15,337	13,947	1.1	27,981	28,819	1.0

Note:

(1) Production-sales ratio in a year or period equals to the production volume divided by sales volume in the same year or period.

APPLICATIONS OF OUR PRODUCTS

Our products find widespread applications across a diverse range of scenarios, catering to the needs of multiple industries and end customers. Our product offerings are extensively utilized in smart small household appliances, white goods, electric tools, sports and leisure, industrial and automotive applications, as further illustrated in the table below:

Sector	Key Applications
Smart small household appliances	• Hair dryers • Vacuum cleaners • Fans • Air purifiers • Robotic vacuum cleaners • Dishwashers • Range hood
White goods	• Refrigerators • Washing machines • Air conditioners
Electric tools	• Drill drivers • Electric wrenches • Angle grinders • Lawn mowers
Sports and leisure	• Electric scooters • Treadmills • Self-balancing scooters • Unmanned aerial vehicles
Industrial	• Industrial sewing machines • Industrial fans • Industrial pumps • Industrial servos
Automotive	• Active grille shutters • Seat ventilation • Water pumps • Oil pumps • Water valves • Electronic valves • Automotive electronic fans

The table below illustrates certain key applications of our products and their functions in the motor control system in those applications:

Application	**Features of our Products**
Vacuum cleaners	Our products are mainly equipped with FOC controls and are primarily used in high-speed vacuum cleaners, offering features such as high efficiency, low noise, high rotational speed and strong suction power.
Fans	Our products are mainly equipped with FOC controls and are primarily used in DC inverter fans, providing benefits such as soft air flow, ultra-wide oscillation range, intricate wind speed adjustments, quiet operation and high efficiency.
Kitchen and bathroom appliances	According to Frost & Sullivan, DC inverter technology represents the trend in the kitchen and bathroom appliance industry towards high-end product upgrade. Our chip products are mainly equipped with FOC controls and are primarily used in kitchen and bathroom appliances employing DC inverter technology, offering features such as variable speed control, ultra-quiet operation, energy savings, high system efficiency and intelligent interaction.
Electric scooters	Our products used on electric scooters are mainly equipped with sensored or sensorless FOC controls. The products effectively resolve motor control technical difficulties associated with electric scooters, such as high torque motor startup at zero speed and provides features such as low vibration and high reliability to facilitate comfortable riding experience.
Electric tools	Our products are mainly equipped with sensorless square wave or FOC controls and are primarily used in cordless electric tools, addressing technical challenges such as high torque motor startup at zero speed while also providing features like low vibration, low noise and high efficiency.
White goods	Our products used in white goods are mainly equipped with FOC controls, offering advantages such as low noise, high torque at low speeds and single chip-level integrated functions. These products feature low vibration, low noise and high efficiency, meeting the specific performance demands of the white goods sector.

Application	**Features of our Products**
Automotive	We design our motor control chips to meet automotive-grade standards, incorporating specialized control and communication functionalities. Our products undergo rigorous automotive-grade certification to ensure they meet the stringent reliability and performance requirements of motor control systems in automobiles.

The following table sets forth our revenue generated during the Track Record Period in terms of the application sectors:

	Year ended December 31,				**Nine months ended September 30,**			
	2022		**2023**		**2023**		**2024**	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000* (unaudited)	*(%)*	*RMB'000* (unaudited)	*(%)*
Smart small household appliances	181,759	56.3	228,161	55.5	157,348	55.9	213,165	49.2
White goods	33,200	10.3	59,252	14.4	36,886	13.1	83,643	19.3
Electric tools	22,495	7.0	30,619	7.4	20,971	7.4	23,285	5.4
Sports and leisure	25,816	8.0	32,249	7.8	22,321	7.9	34,089	7.9
Industrial	44,150	13.7	34,810	8.5	26,168	9.3	50,149	11.6
Automotive	8,506	2.6	20,501	5.0	13,568	4.8	25,491	5.9
Others[1]	7,048	2.2	5,766	1.4	4,306	1.5	3,006	0.7
Total	**322,973**	**100.0**	**411,359**	**100.0**	**281,568**	**100.0**	**432,827**	**100.0**

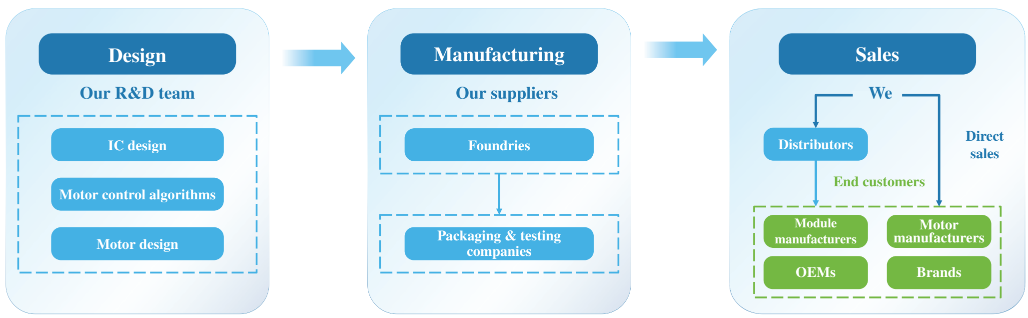
Note:

(1) Others primarily include applications in power drive scenarios.

OUR FABLESS BUSINESS MODEL

We adopt the fabless model, focusing on the design and R&D of our products while outsourcing wafer fabrication, chip packaging and testing to trusted third-party partners. According to Frost & Sullivan, the fabless business model is consistent with the increasing trend of specialized division of labor within the semiconductor industry, allowing fabless companies to focus attention and resources on design and R&D.

The following diagram illustrates our fabless business model:



By concentrating our resources on product design and R&D processes, we can swiftly respond to evolving market demands and continuously innovate our product offerings. The fabless model allows us to remain agile and adaptable in the rapidly changing semiconductor industry, adjusting our strategies to address emerging trends without the burden of managing capital-intensive manufacturing facilities.

Collaborating with established third-party business partners such as wafer foundries and packaging and testing companies grants us access to cutting-edge manufacturing technologies and economies of scale, ensuring our products are fabricated using state-of-the-art processes and materials. This strategic partnership enhances product performance and reliability while maintaining a lean and agile operational structure and allocating our resources efficiently.

OUR CORE TECHNOLOGICAL STRENGTHS

Through years of R&D efforts, we have formed core technological strengths in the fields of (i) IC design; (ii) motor control algorithms; and (iii) motor design, and have independently developed a portfolio of key technologies in each of the three fields above.

IC Design

According to Frost & Sullivan, many of our market peers typically rely on the ARM Cortex-M processor core architecture for their MCU products. In contrast, we have developed our own ME core, a proprietary processor core independently designed by us specifically for motor control applications. This proprietary core allows us to make targeted modifications based on specific end-use requirements and achieve the implementation of hardware-based motor control algorithms, effectively handling complex and diverse motor control tasks.

Our Proprietary ME Core

We have independently developed our proprietary ME core for our MCU products. Within our MCU products' "dual-core" structure, the ME core focuses on handling complex motor control tasks, while the general-purpose core, based on the 8051 or Risc-V architecture, handles auxiliary tasks such as external communication functions. This division of functions ensures that complex motor control operations do not consume excessive computing power, maintaining optimal performance for both motor control and other auxiliary tasks that a motor control chip needs to process.

Our proprietary ME core differentiates us from many of our competitors who adopt ARM's Cortex-M core. The Cortex-M core is a processor core developed and provided by ARM, and MCU designers using this core are required to pay licensing fees and royalties to ARM. In addition, MCU products using the Cortex-M core have relatively limited flexibility in their IC design and making targeted modifications to their design to optimize performance for specific applications. Motor control algorithms are highly complex and require high levels of real-time performance. To execute these algorithms, competing MCU products that rely on ARM cores typically need to employ 32-bit architectures which are more costly, and operate at high frequencies to complete the computations.

In contrast, our ME core is specifically designed to handle the complex and computation-intensive motor control tasks, which typically account for a substantial majority of the workload in a motor control system. Our ME core gives us ample room for customization and performance enhancements. We are able to optimize the implementation of sophisticated motor control algorithms directly into the MCU's logic gate circuitry in an efficient manner. This improves the speed and efficiency of executing complex motor control tasks compared to competing MCU products. Having full control over our ME core's design allows us to strike a balance between performance and cost, providing a compelling solution to our end customers.

Hardware-based Motor Control Algorithms

Our proprietary ME core allows us to implement hardware-based motor control algorithms. According to Frost & Sullivan, many competitors in the industry using processor cores licensed from ARM implement their motor control algorithms through software programming. While they can optimize algorithms by upgrading the software programs, they are unable to make significant modifications to the underlying ARM-licensed core architecture. This limitation makes it challenging to achieve substantial performance improvements for specific complex algorithms that require faster computation.

In contrast, our "hardware-based algorithm" approach breaks down the motor control algorithms into multiple computational steps and implements them directly through a series of hardware logic gate circuits at the physical wafer level. This hardware-based approach makes sure that the algorithms are rendered on a hardware level through optimal circuit configurations and can be fine-tuned or modified to accommodate different application scenarios and meet complex and diverse motor control requirements.

Comparison of our MCU's IC Design with Other IC Designs

The following table sets forth a comparison of certain technical metrics between our IC design (which employs our ME core and hardware-based algorithms) used on our MCU products and the typical IC design of an industry-leading competitor (which uses ARM Cortex-M core and software-based algorithms):

Metric		Our IC design (based on our ME core and hardware-based algorithms)	Typical IC design of an industry-leading competitor (based on ARM Cortex-M core and software-based algorithms)[1]	Explanation
Cost	*Chip Cost*	ME core: approximately 35 thousand logic gates	Arm Cortex-M3 core: approximately 105 thousand logic gates	Fewer logic gates result in smaller chip size, reducing manufacturing costs under the same semiconductor process
	IP Licensing Fee and Royalty	Independently developed ME core. No IP licensing fee or royalty	Subject to ARM licensing fees and royalties	Cost is reduced in the absence of IP licensing fee or royalty
	Cost Associated with Level of Integration	High-voltage LDO, pre-driver and other functions are integrated on a single chip die, lowering the cost for end customers	32-bit MCUs typically do not integrate high-voltage LDO and pre-driver on a single chip die, resulting in higher overall cost for end customers	Higher level of integration leads to lower overall cost for end customers
	Cost Associated with Debugging Complexity	Given the hardware-based algorithms, there is no need to debug motor control algorithms at the software level	Software-based algorithms require complex programming and debugging	Hardware-based algorithms simplify debugging, reducing development time and costs for end customers
Power Consumption	*Chip Operating Frequency*	24MHz	72MHz or above	Lower operating frequency and current reduce power consumption
	Chip Operating Current	Approximately 15mA	Approximately 50mA	

Metric		Our IC design (based on our ME core and hardware-based algorithms)	Typical IC design of an industry-leading competitor (based on ARM Cortex-M core and software-based algorithms)(1)	Explanation
Performance	*Time for executing a sensorless FOC algorithm*	6-7μs	20-30μs	Shorter execution time indicates faster computational speed and better performance
	Maximum supported electric cycle (assuming sensorless FOC control)	270 thousand RPM	Approximately 150 thousand RPM	Higher maximum supported motor speed indicates better performance

Note:

(1) According to Frost & Sullivan.

Motor Control Algorithms

We have conducted strategic R&D on mainstream sensorless control algorithms and FOC algorithms. By developing tailored control algorithms for different applications, we help end customers address critical issues such as sensorless FOC mode and high-torque sensorless motor startup.

- ***Sensorless FOC algorithms:*** Because there are no sensors in sensorless BLDC motor control systems to detect the position of the rotor, it is necessary to calculate the position of the rotor's magnetic field relative to the stator's magnetic field using motor current, voltage and back electromotive force information through specific algorithms. The accuracy of these algorithms depends on the precision of motor parameters, which can vary due to changes in environmental conditions, load or even rotor position. These variations can impact the precision, performance, and noise levels of motor control systems. We have developed a highly robust sensorless FOC algorithm technology designed to mitigate the effects of motor parameter variations on motor control systems. Our sensorless FOC algorithm enhances motor control system reliability and performance, making it particularly suitable for high-performance motor control applications.

- ***Sensorless high-torque motor startup algorithms:*** Certain products, such as electric tools and compressors, require high torque for its motor startup. However, due to considerations for cost, size and reliability, end customers often prefer to operate motors in a sensorless system. In sensorless operation, determining the rotor's position during startup–when the rotor is stationary–presents a technical challenge, particularly when high torque is required. To address this, we have developed proprietary sensorless high-torque motor startup algorithms that allow motors to achieve high torque during startup in a sensorless motor control system. This algorithm helps achieve cost efficiency, compact system design and enhanced reliability.

Motor Design

With a deep understanding of motor electromagnetic knowledge, we can advise specific motor drive methods based on the unique characteristics of the end customers' motors. We support our end customers in optimizing the electromagnetic structure of their motors in a cost-effective way, ensuring that their motor systems achieve optimal performance. Certain of our critical motor design technologies include:

- ***High torque density BLDC motors***: Applications such as robots, unmanned aerial vehicle and servo control systems impose strict size limitations on motors and require high torque density. We have developed high torque density BLDC motor technology by optimizing rotor and winding structures. This innovation enhances motor torque while reducing motor size, simplifying the manufacturing process and meeting the stringent requirements of compact and high-performance applications.

- ***Three-phase low-speed motors***: Products using low-speed motors, such as ceiling fans and electric bicycles, often face challenges in achieving high efficiency and low noise due to cost constraints. Our proprietary three-phase low-speed BLDC motor technology delivers high-performance motors at a lower cost. This technology reduces cogging torque and operational noise, enabling efficient and quiet low-speed operation with reduced energy loss.

- ***Ultra-thin motors***: Certain products, such as unmanned aerial vehicle, cooling systems and environmental monitoring devices, require ultra-thin motors to fit within space-constrained designs. We have developed ultra-thin motor technology with axial magnetic fields to meet the demands for reduced size and minimized torque ripple. This technology supports the development of high-performance single-phase and three-phase ultra-thin BLDC motors, expanding the application of BLDC motors into compact and lightweight devices.

Key Technologies under Our Core Technological Strengths

Through our R&D efforts, we have accumulated a portfolio of technologies in the fields of (i) IC design; (ii) motor control algorithms; and (iii) motor design. Certain of our key technologies are set forth in the table below, all of which are independently developed by us:

No.	Core Technological Strength	Name of Technology	Key Features/Application
1	IC design	Dual-core chip architecture	High computing power and stable computing operation
2		Fully integrated FOC chip architecture	High computing power and high level of integration
3		Automotive-grade motor control IC technology	High reliability and high level of integration
4		High-voltage DMOS-based half-bridge and three-phase half-bridge drive IC	High level of integration and high efficiency
5		Half-bridge IPM/power module based on high-voltage IC, high-voltage power devices and multi-chip module packaging technology	High level of integration and high stability
6	Motor control algorithms	Highly robust control algorithms for FOC	High stability
7		Sensorless motor high-torque startup mode	High reliability, high level of integration and high cost-effectiveness
8		High-performance operation mode for ultra-high-speed motors	High speed and low noise
9		Sensorless dynamic drive method for single-phase BLDC motors	High reliability and high level of integration
10		Drive mode for small electric vehicles	High speed and high stability

No.	Core Technological Strength	Name of Technology	Key Features/Application
11		Load state detection method for BLDC motors	High stability
12		Quick detection of motor malfunction	High stability
13	Motor design	Ultra-thin motor with axial magnetic field	Used on thin and lightweight motors
14		Three-phase low-speed BLDC motors	Low noise and low mechanical wear and tear
15		BLDC motors with high torque density	Used on motors with high torque density

Synergies among Our Core Technological Strengths

We believe that we differentiate ourselves from other market players through our expertise in all the three fields of (i) IC design, (ii) motor control algorithms, and (iii) motor design and integrating them to deliver motor control and driver products. According to Frost & Sullivan, we are the first motor control IC company in China with dedicated teams specializing in all these three technological fields. By fostering close collaboration among the respective R&D teams for these three core technological strengths, we are able to address the diverse needs of our end customers and deliver efficient and cost-effective motor control and driver products. The following illustrates how our R&D teams for IC design, motor control algorithm and motor design collaborate with each other:

- When starting a project to develop a motor control and driver product, our IC design, motor control algorithm and motor design teams work together to conduct an initial assessment of the feasibility of meeting specific requirements. The assessment is typically carried out from the perspectives of chip performance, algorithmic capabilities and motor characteristics. Once the feasibility is confirmed, the project undergoes a formal review process before entering the R&D phase;

- Our IC design team collaborates with upstream wafer foundries to ensure the availability of mature chip fabrication processes that align with our IC design requirements. If a suitable process is not readily available, our team works closely with the foundry to develop, validate and secure a reliable wafer supply chain;

- Concurrently, our motor control algorithm team develops algorithms tailored to the specific application scenarios. They work in tandem with the motor design team to ensure that the algorithms perform effectively in the motors and that the motor designs fully harness the algorithmic capabilities. This collaborative process allows for simultaneous verification and optimization of both the algorithms and motor designs;

- Once the algorithms are validated, our motor control algorithm team collaborates closely with the IC design team to verify if the motor control algorithms can be implemented on the wafer through hardware-based algorithms using hardware logic gate circuits. This verification process ensures that the intended outcomes of the motor control algorithms can be effectively achieved on the chip; and

- Upon successful verification of the algorithms on the chip, we integrate our motor control chips, motor control algorithms and motor designs to provide products for specific application scenarios. These products undergo rigorous testing and reliability validation to confirm that they meet the performance requirements of the intended applications. Once the performance is validated, the chip products will be ready for mass production.

RESEARCH AND DEVELOPMENT

Our R&D Team

Our dedicated and experienced R&D team is led by Mr. Bi Lei and Dr. Bi Chao, who each possess years of profound industry experience. Please see "Directors, Supervisors and Senior Management" for details of their profiles and backgrounds.

Under their leadership, we have assembled dedicated R&D teams focusing on IC design, motor control algorithms and motor design. As of September 30, 2024, our R&D team consisted of 199 employees, 94.5% of whom held a bachelor's degree or above. For the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, our R&D expenses amounted to RMB63.8 million, RMB84.7 million and RMB65.1 million, respectively, accounting for 19.8%, 20.6% and 15.0% of our total revenue for the respective periods.

We have consistently implemented our R&D talent recruitment and training strategy that centers on the principles of internal training, mentorship and project-based learning:

- ***Internal training:*** Our comprehensive training system includes regular technical lectures and workshops conducted by our senior R&D personnel, complemented by hands-on guidance and mentorship provided during actual R&D projects.

- ***Mentorship:*** We actively recruit talented graduates from leading universities who demonstrate a passion for innovation and a strong foundation in their respective areas of expertise. Each recruit is assigned mentors who provide tailored guidance and support based on their specific job position and personal career aspirations.

- ***Project-based learning:*** Our new R&D team members are engaged in R&D projects involving IC design, motor control algorithm, motor design and other critical areas. By working on these projects alongside experienced professionals, our new R&D team members gain valuable hands-on experience and contribute to the development of cutting-edge solutions.

R&D Process

We have established a comprehensive process to ensure strict control and oversight of our R&D activities. This process encompasses three key stages, namely (i) project initiation, (ii) design and (iii) verification, and represents collective efforts from various internal departments and teams.

- In the project initiation stage, our marketing center is responsible for exploring market conditions and gathering information about market needs and requirements. Our application center refines these needs and requirements and determines the necessary technologies to be applied in the project. Our R&D center then conducts a technical feasibility analysis, prepares a project initiation report and develops an R&D plan. Upon approval by our internal evaluation committee, the chip product development plan and specifications are finalized;

- In the design stage, our R&D center proceeds with chip design based on the approved specifications. This involves technical architecture design, algorithm design, analog circuit design and digital circuit design. At the same time, our quality center establishes testing standards based on the technical architecture. Our R&D center completes the chip design, performs simulations and verifications and generates the chip layout. After a final review, the chip layout is sent to the wafer foundry; and

- In the verification stage, our supply chain center coordinates with the wafer foundry and packaging service providers to produce chip samples. Once the samples are produced, our application center, R&D center and quality center conduct system testing, parameter testing and reliability testing to ensure the samples meet design requirements and perform as intended in specific motor solutions. Upon successful validation, the samples progress to engineering batch trial production. Once the engineering samples pass parameter verification, system verification and reliability verification, a committee consisting of representatives from our R&D, marketing, application, supply chain and quality centers conducts a mass production review and approval.

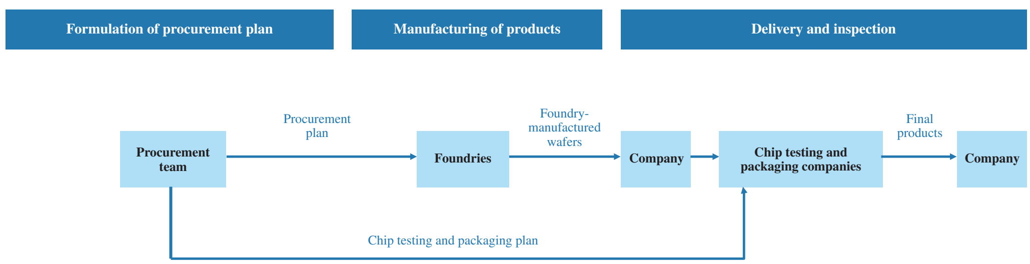
Key R&D Focus

During the Track Record Period and up to the Latest Practicable Date, we had been engaged in a variety of R&D projects for technologies related to motor control IC design, motor control algorithms and motor designs. Our R&D focus covers not only consumer applications such as smart small household appliances and white goods where we have accumulated strong competitive advantages, but also new and emerging sectors, for which we have made strategic R&D planning such as the development of products for automotive and industrial sectors.

PROCUREMENT

We operate with a fabless model in order to optimize our R&D and design capabilities. During the Track Record Period, we primarily procured (i) foundry-manufactured wafers overseas, and (ii) chip packaging and testing services from companies in China. We place great emphasis on sourcing our raw materials and services from suppliers with good reputation and track record, as we believe the best available raw materials and services would significantly affect the quality of our products, and in turn, our brand reputation.

The diagram below illustrates our typical procurement process.



- *Procurement planning*. Our procurement team is primarily responsible for formulating procurement plans based on the anticipated sales amount and project demand. We also take into account various factors including the inventory level, the manufacturing lead time and production schedules.

- *Outsourced manufacturing*. Pursuant the procurement plans, our procurement team places purchase orders to our foundry suppliers. The foundry suppliers then manufacture wafers according to our IC design. Upon completion, we normally arrange the logistics and delivery from suppliers to our warehouse.

- *Packaging and testing*. We arrange subsequent chip packaging and testing with our packaging and testing partners. Upon completion, our packaging and testing partners deliver the finished products to us for sale.

Potential pricing fluctuations in wafer manufacturing and chip packaging and testing services can arise due to factors including global and domestic production capacity, governmental regulations, supply-demand dynamics and geopolitical conditions. While our bargaining power for certain procurements might be restricted to a certain extent due to these factors beyond our control, our ability to procure and supply remains steadfast.

During the Track Record Period and up to the Latest Practicable Date, we did not experience quality issues or shortages with our procurement that materially affected our operations.

OUR SUPPLIERS

Supplier Selection and Management

During the Track Record Period, our suppliers primarily consisted of (i) foundries, and (ii) companies that provide services in chip packaging and testing. We typically engage reputable suppliers to ensure the quality of our products. We consider a comprehensive set of factors when selecting suppliers, which mainly include technological expertise, product quality, responsiveness and delivery and cost. We evaluate their performance in historical cooperation or the initial trial period, through means including on-site inspections and documentation reviews. Approved suppliers are included in the qualified supplier list maintained by our supply chain and quality centers. Qualified suppliers are regularly re-evaluated, with periodical performance reviews. Non-compliance or significant quality issues will trigger immediate reassessment, which may result in warnings, supply restrictions, or removal from the qualified supplier list.

We generally issue purchase orders to our suppliers based on our demand forecast, and the supplier confirms and signs the order upon receipt. For domestic foundries and chip packaging and testing companies, we typically enter into framework agreements which set forth the general terms and conditions of purchase.

Salient terms of the supply agreements with our suppliers typically include:

- *Scope of supply.* Our foundry partners primarily supply wafer products to us and packaging, and testing companies primarily provide processing services to us. The framework agreements generally do not specify quantity and price, which we set out in separate purchase orders.

- *Term and Termination.* We generally enter into framework agreements with an undetermined period or a term no less than one year, which can be automatically extended for another specified term without notification of termination.

- *Principal rights and obligations of parties involved.* Suppliers are responsible for timely delivery and quality assurance of products or services. Our suppliers must meet our specified quality requirements and are responsible for defects resulting from suppliers' conduct. We are responsible for import approvals and taxes as well as timely payments.

Our Major Suppliers

In 2022, 2023 and the nine months ended September 30, 2024, purchases from our five largest suppliers amounted to RMB209.8 million, RMB182.2 million, and RMB160.3 million, respectively, representing 89.3%, 86.9%, and 79.6% of our total purchases, respectively. In addition, purchases from our largest supplier accounted for 52.4%, 62.8%, and 32.9% of our total purchases in 2022, 2023 and the nine months ended September 30, 2024, respectively. All of our five largest suppliers were Independent Third Parties during the Track Record Period.

None of our Directors and their respective associates or our Shareholders who hold more than 5% of our total issued Shares had any interest in our five largest suppliers during the Track Record Period. Additionally, we did not experience any material disputes with our suppliers during the Track Record Period.

The following table sets forth the details of our five largest suppliers in each period during the Track Record Period:

Rank	Supplier	Purchase Amount	Percentage of total purchase	Type of product/services provided	Credit terms	Year of commencement of business relationship
		(RMB'000)	*(%)*			
For year ended December 31, 2022						
1	Supplier A[(1)]	122,974	52.4	Wafer and photomask	30 days upon the invoice	2011
2	Supplier B[(2)]	54,157	23.1	Wafer and photomask	100% prepayment	2013
3	Supplier C[(3)]	11,713	5.0	Packaging and testing	monthly basis with 30 days upon the invoice	2018
4	Supplier D[(4)]	11,685	5.0	Packaging and testing	monthly basis with 30 days upon the invoice	2015
5	Supplier E[(5)]	9,276	3.9	Packaging and testing	monthly basis with 30 days upon the invoice	2013

Note:

(1) Supplier A is a Singaporean subsidiary of a public company headquartered in the United States engaged in semiconductor manufacturing.

(2) Supplier B is a public company headquartered in Taiwan, China engaged in the manufacture of semiconductors.

(3) Supplier C is a private company headquartered in Guangdong, China engaged in the design, manufacture, packaging and testing of IC products.

(4) Supplier D is a public company headquartered in Jiangsu, China engaged in the packaging and testing of semiconductors.

(5) Supplier E is a public company headquartered in Gansu, China engaged in the packaging and testing of semiconductors.

Rank	Supplier	Purchase Amount	Percentage of total purchase	Type of product/services provided	Credit terms	Year of commencement of business relationship
		(RMB'000)	*(%)*			
For year ended December 31, 2023						
1	Supplier A	131,578	62.8	Wafer and photomask	30 days upon the invoice	2011
2	Supplier E	14,958	7.1	Packaging and testing	monthly basis with 30 days upon the invoice	2013
3	Supplier B	13,582	6.5	Wafer and photomask	100% prepayment	2013
4	Supplier C	12,474	6.0	Packaging and testing	monthly basis with 30 days upon the invoice	2018
5	Supplier F(6)	9,605	4.6	Packaging and testing	monthly basis with 30 days upon the invoice	2012

Note:

(6) Supplier F is a public company headquartered in Jiangsu, China engaged in the packaging and testing of semiconductors.

Rank	Supplier	Purchase Amount	Percentage of total purchase	Type of product/services provided	Credit terms	Year of commencement of business relationship
		(RMB'000)	*(%)*			
For nine months ended September 30, 2024						
1	Supplier A	66,334	32.9	Wafer and photomask	30 days upon the invoice	2011
2	Supplier B	46,866	23.3	Wafer and photomask	100% prepayment	2013
3	Supplier E	19,829	9.8	Packaging and testing	monthly basis with 30 days upon the invoice	2013
4	Supplier C	15,834	7.9	Packaging and testing	monthly basis with 30 days upon the invoice	2018
5	Supplier G(7)	11,476	5.7	Packaging and testing	monthly basis with 30 days upon the invoice	2018

Note:

(7) Supplier G is a public company headquartered in Guangdong, China engaged in the packaging and testing of semiconductors.

Reliance on Certain Suppliers

Overview of Relationship with Major Suppliers

During the Track Record Period, we primarily procured foundry-manufactured wafers from Supplier A and Supplier B. Supplier A is a Singaporean subsidiary of a company headquartered in the United States and listed on the Nasdaq Stock Exchange, primarily offering semiconductor manufacturing. We started business collaboration with Supplier A in 2011. Supplier B is a semiconductor manufacturer in Taiwan, China. We started business collaboration with Supplier B in 2013. While we do not enter into long-term agreements with Supplier A or Supplier B, we believe the supply relationship remained strong and stable, given the past long relationship. We generally issue purchase orders to Supplier A and Supplier B based on our demand forecast, and the supplier confirms and signs the order upon receipt.

In 2022, 2023 and for the nine months ended September 30, 2024, our purchases from Supplier A were RMB123.0 million, RMB131.6 million, and RMB66.3 million, respectively, representing 52.4%, 62.8%, and 32.9%, respectively, of our total purchases for the same periods. Our purchases from Supplier B were RMB54.2 million, RMB13.6 million, and RMB46.9 million, respectively, representing 23.1%, 6.5%, and 23.3%, respectively, of our total purchases for the same periods. According to Frost & Sullivan, Supplier A and Supplier B are among the top five in terms of global semiconductor foundry market share during the Track Record Period. In addition, to ensure consistently quality products and centralized management of manufacturing demands, it is in line with industry practice for chip design companies to rely on a limited number of foundry partners, according to Frost & Sullivan. As we source a significant portion of foundry-manufactured wafers from Supplier A and Supplier B, if our relationship with either Supplier A or Supplier B is terminated, interrupted, or modified in any way adverse to us, there may be material interruptions to our operations and business. See "Risk Factors – Risks Relating to Our Business and Industry – We depend on a limited number of third-party wafer foundry partners to manufacture our products."

We have expanded our procurement network to include other wafer manufacturers to ensure the stability and flexibility of our wafer supply capacity. We understand there are alternative manufacturers with the technical knowledge to produce products as currently supplied by Supplier A and Supplier B with certain variations in prices and specifications to achieve similar functions under reasonable commercial terms. Our Directors are of the view that our relationship with Supplier A and Supplier B is unlikely to materially adversely change or terminate, because (i) we have maintained a long-term and stable collaboration relationship with Supplier A and Supplier B for more than ten years, and (ii) during the Track Record Period and up to the Latest Practicable Date, we did not have any disputes with Supplier A or Supplier B.

Key Terms of Agreements with Major Suppliers

We do not enter into framework agreements with Supplier A and Supplier B. We issue purchase orders based on demand forecast. Salient terms of the quote and purchase order with Supplier A and Supplier B typically include:

- *Primary Obligations.* The supplier is primarily responsible for manufacturing wafer products according to our design, and we are primarily responsible for making payment and picking up the products once manufactured.

- *Pricing and Payment.* The prices are generally set out in the supplier's quote based on product category and technical requirement. We are required to make payment before shipment or within certain days from the date of invoice.

- *Product Warranty.* The manufactured products must meet the supplier's specifications accepted by us.

- *Dispute Resolution.* As mutually agreed, any dispute, controversy or claim will be settled by arbitration or by a court of competent personal and subject matter jurisdiction.

SALES, MARKETING AND DISTRIBUTION

Our Sales Network

We primarily rely on professional distributors to promote and sell our products. According to Frost & Sullivan, engagement of distributors for the sales of products is in line with the industry norm in the semiconductor industry. To a lesser extent, we also make direct sales to customers.

During the Track Record Period, substantially all of our revenue was generated from our distributors. The table below sets forth a breakdown of revenue contribution by sales channels for the periods indicated.

	Year ended December 31,				**Nine months ended September 30,**			
	2022		**2023**		**2023**		**2024**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000* (unaudited)	*%*
Distribution	297,459	92.1	386,742	94.0	265,393	94.3	414,524	95.8
Direct sales	25,514	7.9	24,617	6.0	16,175	5.7	18,303	4.2
Total	**322,973**	**100.0**	**411,359**	**100.0**	**281,568**	**100.0**	**432,827**	**100.0**

Our Distribution Channels

Overview

During the Track Record Period, we primarily sold and marketed our products through third-party professional distributors. With experience in logistics, marketing and sales of IC products, our distributor partners help us assemble downstream sales resources, provide useful and timely market demand information and broaden our sales channels. Through our distribution channels, we are able to focus on the R&D and design aspects of BLDC motor control components and optimize our design capabilities. According to Frost and Sullivan, it is an industry norm for motor control IC companies in China to engage distributors for the sales of products.

The relationships between distributors and us are categorized as seller-buyer relationships – they buy our products from us and then resell the products to end customers. Our distributors maintain a "buy-out" model with us. To the best of our knowledge, we do not have any sub-distributor during the Track Record Period. Historical sales generated by distributors were generally recurring in nature except in cases where we discontinued our business relationships with certain distributors as detailed below. As of September 30, 2024, we had 102 distributors. The following table sets forth the movement in the number of our distributors during the periods indicated.

	Year ended 31 December		Nine months ended September 30,
	2022	**2023**	**2024**
Distributors at the beginning of year/period	58	80	94
Addition of new distributors	27	19	16
Termination of existing distributors	5	5	8
Distributors at the end of year/period	**80**	**94**	**102**

We engaged 27, 19 and 16 new distributors in 2022, 2023 and the nine months ended September 30, 2024, respectively. We engaged new distributors to help us expand our professional channels and build up a quality distribution network, and to replace the distributors that were terminated.

We discontinued our partnership with five, five and eight distributors in 2022, 2023 and the nine months ended September 30, 2024, respectively, primarily due to such distributors' sub-optimal performance, and/or alternation of their business plans. During the Track Record Period and up to the Latest Practicable Date, we did not have any material unresolved disputes or lawsuits with these departing distributors.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our distributors were Independent Third Parties.

Principal Contractual Terms with Distributors

During the Track Record Period, we generally (i) enter into distribution agreements with each of our distributors and (ii) issue authorization letters to the distributors on an annual basis. The key terms of our distribution agreements included the following:

- *Term.* The term of the distribution authorization is typically one year.

- *Purchase.* The purchase amount is specified in purchase orders. We do not impose minimum purchase or sales targets on our distributors.

- *Selling Price and Payment.* We generally negotiate selling prices with our distributors based on our internal pricing and market conditions. We generally require the distributors to make full upfront payment to us before we ship our products. We also offer credit terms to certain distributors on a case-by-case basis.

- *Product Return or Exchange.* We typically do not allow distributors to return or exchange products except that our distributors may negotiate with us on return and indemnification of defective products due to our faults.

Robust Management of Distributors

An effective distribution network is essential for enhancing our sales performance and ensuring consumer satisfaction. As such, we maintain rigorous management of our distributors in the following aspects.

- *Selection Process.* We have established a rigorous selection process for distributor candidates. Our qualified distributors are typically those specializing in IC product distribution with well-established end-customer base. We evaluate our distributors based on their business qualifications and distribution capabilities. Key selection criteria include the breadth and quality of their sales network, reputation, creditworthiness and financial conditions, as well as their capabilities in staffing, warehousing and logistics, and sales strategies.

- *Reporting Mechanism.* Our distributors are required to report new end customers and present opportunities to us, provide essential details and ensure their promotion activities aligned with our product and development strategies. Unless otherwise agreed by us, our distributors are not allowed to develop sub-distributors. To the best of our knowledge, our distributors did not have any sub-distributor during the Track Record Period.

- *Performance Review.* We have established measures and policies to manage our distributors and monitor their sales performance. We maintain regular communication with our distributors and conduct online search about distributors to review their sales performance and ensure compliance with our measures, policies, and distribution agreements.

- *Inventory Management.* As part of our distributor management policy, our sales team communicates with our distributors to understand their inventories and sales conditions to minimize inventory risks.

- *Channel Stuffing and Cannibalization Management.* As our distributors maintain a buy-out model with us, products are sold to distributors based on purchase orders placed by them. Considering that we do not impose minimum purchase requirement on distributors, and that our distributors are generally not allowed to return any unsold products to us, our Directors are of the view that we do not have any material channel stuffing issue. We request distributors to report their end customer coverage to us, which allows us to monitor the coverage and ensure that there is no overlap of end customers in their sales coverage. By maintaining clear visibility over the sales activities of our distribution network, we effectively manage and minimize the risk for cannibalization and maintain efficiency of our distribution channels.

- *Empowerment*. Our experienced sales teams work with our distributors to improve their distribution capabilities, enhance sales skills, optimize sales strategies and maximize the effectiveness of our promotion policies and marketing resources. We regularly conduct training sessions where we share technical expertise, product information, and industry knowledge with our distributors.

Our Direct Sales

To a lesser extent, we sell our products directly to customers, which primarily consist of module manufacturers, motor manufacturers, OEMs and brands.

In 2022, 2023 and the nine months ended September 30, 2024, the revenue generated from our direct sales customers amounted to RMB25.5 million, RMB24.6 million and RMB18.3 million, respectively, accounting for approximately 7.9%, 6.0% and 4.2%, respectively, of our total revenue in the same periods.

Customer Service and Technical Support

We are committed to providing high-quality customer service. We work to address and resolve their system challenges and provide expert guidance in optimizing motor design to meet specific requirements, ensuring a seamless and high-performance experience for their applications.

Pricing

We price our products considering a variety of factors, including costs, gross margin and market conditions. In particular, the purchase price of our raw materials, namely the wafers, is one of the most important factors that we consider when developing our pricing strategies. We adjust the final pricing based on the specific client on a case-by-case basis.

Marketing

Our marketing efforts focus on enhancing customer engagement, promoting our new and existing products, and strengthening our brand presence in the BLDC motor control and driver chip industry. Our sales and marketing department, consisting of 31 members as of September 30, 2024, worked closely with our distributors to execute our marketing strategies. Our marketing initiatives center around a combination of daily customer outreach by our sales team and a variety of promotional campaigns, including participation in trade exhibitions, technical presentations, live-streaming events, and other online and offline activities. Through these efforts, we showcase our cutting-edge motor control IC technologies and engage with a broad audience of potential clients.

To further enhance our visibility and customer engagement, we actively share updates through our official communication channels, including our company news page and live-streaming platforms. These platforms serve as key tools to demonstrate the capabilities of our products, share technical insights, and build a strong connection with our end customers and business partners.

OUR CUSTOMERS

During the Track Record Period, our customers primarily consisted of distributors. In 2022, 2023 and the nine months ended September 30, 2024, our five largest customers together generated RMB182.7 million, RMB208.3 million, and RMB205.5 million of revenues, respectively, accounting for 56.6%, 50.6%, and 47.5% of our total revenue, respectively. Revenue from our largest customer in each period of the Track Record Period accounted for 20.9%, 17.5% and 15.0% of our total revenue, respectively. All of our five largest customers were Independent Third Parties during the Track Record Period.

To the best of our knowledge and as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to the termination of our relationships with any of our major customers. None of our Directors and their respective associates, or Shareholders who own 5% or more of the total issued Shares had any interest in any of our five largest customers during the Track Record Period.

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

Rank	Customer	Sales amount	Percentage of total revenue	Type of customer	Type of product purchased	Credit terms	Year of commencement of business relationship
		(RMB'000)	*(%)*				
For year ended December 31, 2022							
1	Customer A[(1)]	67,381	20.9	Distributor	MCU, HVIC, ASIC, MOSFET, IPM	up to 30 days	2015
2	Customer B[(2)]	42,752	13.2	Distributor	MCU, HVIC, ASIC, MOSFET, IPM	up to 15 days	2015
3	Customer C[(3)]	30,846	9.6	Distributor	MCU, HVIC, ASIC, MOSFET, IPM	up to 15 days	2015
4	Customers D[(4)]	23,690	7.3	Distributor	MCU, HVIC, ASIC, MOSFET, IPM	100% prepayment	2015
5	Customer E[(5)]	18,008	5.6	Distributor	MCU, HVIC, ASIC, MOSFET, IPM	up to 5 days	2019

Note:

(1) Customer A is a private company headquartered in Jiangsu, China engaged in the sale of controllers for DC and AC brushless motors.

(2) Customer B is a private company headquartered in Guangdong, China engaged in the design and sale of semiconductors.

(3) Customer C is a private company headquartered in Guangdong, China engaged in the design and sale of IC products and other electronic conductors.

(4) Customer D is a private company headquartered in Guangdong, China engaged in the sale of IC products and other electronic components.

(5) Customer E is a private company headquartered in Guangdong, China engaged in the sale of MCUs, sensors and other electronic components.

Rank	Customer	Sales amount *(RMB'000)*	Percentage of total revenue *(%)*	Type of customer	Type of product purchased	Credit terms	Year of commencement of business relationship
For year ended December 31, 2023							
1	Customer A	71,889	17.5	Distributor	MCU, HVIC, ASIC, MOSFET, IPM	up to 30 days	2015
2	Customer B	40,718	9.9	Distributor	MCU, HVIC, ASIC, MOSFET, IPM	up to 15 days	2015
3	Customer C	32,812	8.0	Distributor	MCU, HVIC, ASIC, MOSFET, IPM	up to 15 days	2015
4	Customer E	31,734	7.7	Distributor	MCU, HVIC, ASIC, MOSFET, IPM	up to 15 days	2019
5	Customers D	31,125	7.6	Distributor	MCU, HVIC, ASIC, MOSFET, IPM	100% prepayment	2015

Rank	Customer	Sales amount *(RMB'000)*	Percentage of total revenue *(%)*	Type of customer	Type of product purchased	Credit terms	Year of commencement of business relationship
For nine months ended September 30, 2024							
1	Customer A	64,847	15.0	Distributor	MCU, HVIC, ASIC, MOSFET, IPM	up to 30 days	2015
2	Customer E	42,766	9.9	Distributor	MCU, HVIC, ASIC, MOSFET, IPM	up to 15 days	2019
3	Customers D	38,639	8.9	Distributor	MCU, HVIC, ASIC, IPM	100% prepayment	2015
4	Customer B	29,944	6.9	Distributor	MCU, HVIC, ASIC, MOSFET, IPM	up to 15 days	2015
5	Customer F(6)	29,259	6.8	Distributor	MCU, HVIC, ASIC, IPM	up to 55 days	2018

Note:

(6) Customer F is a public company in Taiwan, China engaged in the manufacture and sale of computer peripherals, electronic components and household appliances.

During the Track Record Period, we generated a significant share of our revenue from our top five customers, all of which were distributors. We expect to generate a significant portion of revenue from our major customers. We have maintained long-term and stable collaboration relationships with our five largest customers for five to nine years. During the Track Record Period and up to the Latest Practicable Date, we did not have any disputes with any of our five largest customers, and currently there is no indication or sign that they will alter the existing relationship with us in any aspect in the near future.

INTELLECTUAL PROPERTY

Our patents, copyrights, trademarks, domain names, know-how, proprietary technologies, trade secrets and other intellectual property rights are critical to our business operations. As of the Latest Practicable Date, we had 110 granted patents in China and overseas, including 68 invention related patents. As of the same date, we had 96 integrated circuit layout design registrations, various applications for patents, copyrights, registered trademarks, and domain names in China and overseas. For our portfolio of material intellectual property rights for our core technological strengths of which we are the registered owner as of the Latest Practicable Date, please see "Appendix VI – Statutory and General Information – B. Further Information about our Business – 2. Our Intellectual Property Rights."

We acquire patents through self-development. As of the Latest Practicable Date, we owned all of our patents as well as patent applications and had no co-own or co-share arrangements of our patents and patent applications with third parties.

We rely primarily on a combination of patents, copyrights, trademarks, trade secrets and unfair competition laws and contractual rights, such as confidentiality agreement, to protect our intellectual property rights. We clearly state all rights and obligations regarding the ownership and protection of intellectual properties in the agreements we enter into with our employees and business partners. In addition, we also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any threatened or pending disputes relating to infringement of intellectual property rights which would have a material adverse effect on our business. See "Risk Factors – Risks Relating to Our Business and Industry – We may become involved in lawsuits to protect or enforce our intellectual property and our patent rights could be found invalid or unenforceable if being challenged in court or before any related intellectual property agency in any jurisdiction." for further details.

QUALITY CONTROL

We have implemented a comprehensive quality assurance system that ensures rigorous control from R&D and design to production. We are committed to consistently delivering reliable and outstanding products to our end customers.

R&D Activities

In the R&D stage, we implement stringent procedures as part of our quality control framework. Guided by our internal policies, we exercise rigorous oversight throughout the product development lifecycle spanning project initiation, advancement, quality assessment, effectiveness evaluation, and expense management. Throughout this process, we evaluate multiple parameters to craft robust and effective solutions. By leveraging advanced chip design technologies, we create precise layout outputs that serve as blueprints for our foundry partners to manufacture our products.

To ensure collaboration and accountability, we form specialized project teams comprising members from R&D, quality assurance, and application centers. The team begins with leveraging customer requirements collected by the sales and marketing team, which are refined by the application center into specific technologies and solutions. During the chip design process, the R&D center handles tasks such as technical architecture, algorithm, and circuit design, while the quality center develops and enforces rigorous testing standards. The R&D team performs simulations, layout design, and validations. Simultaneously, the quality center oversees comprehensive testing at each stage, including system, parameter, and reliability testing, ensuring that products meet both internal and industry standards. This detailed and structured collaboration enables us to deliver reliable, high-performance products tailored to customer needs.

Supply Chain Quality Control

As a fabless company, we collaborate with leading foundries and packaging and testing service providers for chip production. Together with our quality center and R&D center, our supply chain team rigorously assesses suppliers based on their technical capabilities and adherence to quality standards, among others. Please see "Our Suppliers – Supplier Selection and Management" in this section for further details.

Our foundry partners manufacture chips with precision in accordance with our design. Chips then undergo rigorous circuit probing testing to ensure their functionality and performance before proceeding to packaging and testing. Packaging processes include die cutting, wire bonding, and molding to establish electrical connections and provide robust physical protection for the chips. Final products are subject to thorough functionality and performance tests to ensure alignment with design requirements. These multi-step quality assurance measures are vital for maintaining the high standards that our customers expect.

Certifications

We have established a full suite of functional safety processes meeting the highest level of ISO26262 process. We have also obtained ISO9001:2015 certification for our quality management system, and AEC-Q100 qualification for our automotive-grade products.

Product Returns and Warranty

The warranty for our products vary depending on the characteristics of the products sold. We maintain cordial communication with our customers after sales and proactively work with them to resolve any quality issues.

We typically do not allow customers to return or exchange products except that our customers may negotiate with us on return and indemnification of defective products due to our faults. We have developed a standard product return or exchange procedure according to our customer complaint handling procedure. During the Track Record Period and up to the Latest Practicable Date, (i) we had not received any material complaints relating to product quality; and (ii) we had not experienced any product recalls or accidents due to product defects.

INVENTORY

Our inventories primarily consist of (i) raw materials, consisting of wafers, (ii) outsourced processing materials, and (iii) finished products, namely packaged chips. Please see "Financial Information – Selected Balance Sheet Items – Inventories." To maintain our competitiveness, align our products with evolving market demand, and prevent inventory obsolescence, we have implemented measures to optimize our inventory levels.

- *Material Receipt.* We implement meticulous procedures during material receipt to verify quality and quantity. This ensures that all incoming materials meet specified standards and align with our inventory records.

- *Material Storage.* Our facilities deploy various measures to maintain optimal storage conditions, including environmental controls and safety measures. We conduct periodic inventory checks to monitor inventory status. In addition, aging analysis is performed to identify slow-moving or obsolete items, enabling proactive management.

- *Proactive Inventory Management.* We constantly assess market trends and pre-stock strategic raw materials to address potential supply shortages. By aligning inventory levels with customer demand forecasts, we optimize production schedules and minimize inventory obsolescence risks.

INFORMATION SECURITY AND DATA PRIVACY

In the course of our business, we collect, store and process business data and transaction data. As we only make transactions with enterprises, we do not collect or process personal data. We believe that the confidentiality, integrity, and availability of data are vital to our business operations. To mitigate data security risks, we have implemented a comprehensive approach that includes stringent data encryption, secure data storage protocols, and strict transmission policies to ensure the confidentiality and integrity of sensitive information.

Our internal data protection framework is designed to manage and control access to confidential information effectively. We have established clear and detailed protocols that govern the use, storage, and sharing of corporate data, ensuring that only employees with the appropriate authorization can access sensitive information on a need-to-know basis. Employees are granted access to data strictly according to their roles and are required to use this data solely for the performance of their job duties.

Our employees are required to sign confidentiality agreements as part of their employment, which strictly prohibit the unauthorized disclosure of any company-related confidential information. This policy ensures that our employees understand the critical nature of safeguarding company data and are held accountable for maintaining confidentiality.

To safeguard against data loss, we have implemented a robust backup system that stores data in multiple locations. We ensure that backup copies are stored both locally and remotely, and regularly test our data restoration processes to ensure the reliability of our backup system. In addition, we have established a remote disaster recovery protocol to protect against potential system failures or catastrophic events. Multiple backup copies of data are stored across different locations, ensuring that data can be quickly restored in the event of any technical issues, natural disasters, or unforeseen circumstances.

During the Track Record Period, we did not experience any breach of confidential information of customers or any other customer information related incidents which could cause a material adverse effect on our business, financial condition or results of operations.

COMPETITION

We operate in a highly competitive industry, with increasing demand for innovative and efficient products. We compete with both foreign and domestic companies engaged in the design and production of BLDC motor control and driver chips. Our competition primarily revolves around product performance, technical innovation, cost-efficiency, and market responsiveness. According to Frost & Sullivan, foreign companies maintain a dominant position in the market. However, Chinese companies have achieved rapid growth by leveraging their technological innovation capabilities. These companies have strategically focused on specific market sectors, gradually increasing their market shares and achieving domestic substitution that effectively addresses the needs and requirements of these sectors. We remain focused on leveraging our technological expertise, customer-centric solutions, and operational efficiency to maintain and enhance our position in the market.

INSURANCE

We maintain insurance policies to cover various aspects of our business, including property loss and damage and cargo transportation to secure our business continuity. We review our insurance policies timely to ensure its compliances with the statutory PRC laws and regulations. We believe that our existing insurance coverage is adequate for our business operation and is in line with the general market practice.

During the Track Record Period, we were not subject to any material claim of insurance. Nevertheless, we may be exposed to claims and liabilities which exceed our insurance coverage. Please see "Risk Factors – Risks Relating to Our Business and Industry – Our insurance coverage may not be sufficient to cover all losses or potential claims by our customers, which would affect our business, financial condition and results of operations."

EMPLOYEES

As of September 30, 2024, we had a total of 269 full-time employees. Substantially all of our employees are based in China during the Track Record Period and up to the Latest Practicable Date. The table sets forth a breakdown of our employees by function as of September 30, 2024.

Function	**Number**	**Percentage of Total Number**
		(%)
R&D	199	74.0
Sales and marketing	31	11.5
Supply chain	16	6.0
Administrative	23	8.6
Total	**269**	**100.0**

We enter into standard employment agreements with our employees to cover matters regarding confidentiality, intellectual property, employment, commercial ethics and noncompetition, in particular, the noncompetition provision and confidentiality provision effective during and after their employment with us.

We highly value the potential of our employees and have invested substantial efforts and resources in recruiting and training our employees. In addition to regular recruitment program through specialized recruiting firms and other third parties, we have also implemented internal referrals policy to attract potential talents to join us. In light of the long-term benefits of talent cultivation, we provide internal training programs to our employees periodically to enhance their technical know-how and solidate their knowledge and expertise for the industry.

As required by laws and regulations in China, we participate in various government statutory employee benefit plans, including social insurance plans, namely pension, medical, unemployment, work-related injury and maternity insurance plans, and housing provident funds. As of the Latest Practicable Date, we have complied with all statutory obligations for social insurance and housing provident funds under PRC laws and regulations in all material aspects and were not subject to any fines or administrative penalties imposed by any regulatory authorities due to non-compliance.

None of our employees are currently represented by labor unions. We believe that we maintain good working relationships with our employees, and we have not experienced any material labor disputes, strikes, protests or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

As of the Latest Practicable Date, we owned two properties, and leased nine properties in China.

Owned Properties

Land

As of Latest Practicable Date, we jointly owned and occupied the land use rights of one land parcel in China, with approximately 7.2% land use rights of site area of approximately 8,467.0 sq. m., which shall be used as office space and R&D center according to the relevant land grant contract which we entered into with local government authority in Shenzhen. As of the Latest Practicable Date, we had entered into valid land grant contract with the land owner and fully paid the considerations for the land use right.

Building or Units

As of Latest Practicable Date, we owned one building in China, with an aggregate GFA of approximately 5,724.4 sq. m., which was mainly used as our office space and R&D center. As of Latest Practicable Date, we had obtained real estate right ownership certificate for the building we owned.

Lease Properties

As of Latest Practicable Date, we leased nine properties across China, with an aggregate GFA of approximately 7492.0 sq. m., which were mainly as our office space, R&D center and warehouse. Our leases generally have a term ranging from one to five year(s). We are generally allowed to terminate lease agreements with a prior notice, which provides us with operational flexibility, albeit usually at the cost of forfeiting deposits and/or paying a termination fee.

Pursuant to the applicable PRC laws and regulations, property lease agreements shall be registered with the relevant local branches of the PRC Ministry of Housing and Urban-Rural Development. As of the Latest Practicable Date, we had not received real estate ownership certificates or proof of authorizations from the lessors or the property owners or obtain the registration of lease agreements for eight of our leased properties in China. The failure of obtaining ownership certificates or proof of authorization and lease agreement registration was primarily due to lack of cooperation from our lessors. According to the relevant PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. As advised by our PRC Legal Advisors, the lack of registration of the lease agreements does not affect the validity of such lease agreements. See "Risk Factors – Risks Relating to Our Business and Industry – Our legal right to some leased properties may be challenged."

Property Valuation

As of the Latest Practicable Date, 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 in this document any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are dedicated to fostering long-term positive impacts on the environment, society, and governance ("**ESG**") for our stakeholders, including customers, suppliers and the communities influenced by our operations. Our Board of Directors oversees the ESG strategy, ensuring that we operate ethically, responsibly and in compliance with all applicable laws. Following the **[REDACTED]**, we will comply with the requirements of ESG reporting and publish ESG report on an annual basis in accordance with the requirements of Appendix C2 to the Listing Rules. We will focus on ESG matters, risk management and key performance indicators that have a significant impact on our business operations as set out in Appendix C2 to the Listing Rules.

We do not operate any production facilities, which shields us from significant health, work safety, social or environmental risks. Nevertheless, we remain dedicated to enhancing our environmental accountability and our role in the public sphere. We recognize the importance of being a responsible corporation and are committed to implementing initiatives that promote sustainability and reduce our environmental footprint.

ESG Governance Structure

Our ESG governance structure is designed to integrate sustainability into all levels of our business. The Strategy and ESG Committee reviews ESG risks and opportunities, makes recommendations to our Board on our long-term development strategies, major decisions, and environmental, social and governance matters.

ESG Risk Management and Strategy

We have consistently recognized the significance of environmental, social and governance matters on our business strategy, financial performance and operations. By proactively taking into account the concerns of internal and external stakeholders regarding ESG issues, and considering the specific characteristics of our business, we identify and analyze ESG issues that may have a material impact, and carefully consider these issues when developing our strategic, financial and operational plans.

We have identified the following ESG risks that we consider material and which may impact our business, strategy, or financial performance. To address these risks, we have implemented the following mitigation measures:

- *Supply Chain Management.* Responsible sourcing and effective supply chain management are critical to ensuring reliable product quality and sustainability throughout our operations. The inability to select and monitor high-quality third-party suppliers, including foundries and chip testing and packaging companies, could expose us to risks such as non-compliance with laws and regulations or unethical practices, potentially harming our competitiveness and reputation. To mitigate these risks, we have established a robust supply chain approval process.

- *Labor Practice.* Risks related to labor practices, such as poor working conditions or non-compliance with labor laws or regulations, could harm our reputation and operational stability. To address this, we consistently adhere to applicable labor laws and international labor standards. We strive to promote a healthy and safe working environment within our own operations by implementing health and safety protocols and providing regular employee training.

- *Business Ethics.* Upholding strong business ethics is integral to maintaining the trust of our stakeholders and ensuring long-term sustainability. Risks related to unethical practices, such as corruption, bribery, or non-compliance with industry standards, could damage our reputation and financial performance. To mitigate these risks, we maintain a code of conduct that applies to all employees and conduct training sessions on anti-corruption. We have established a whistleblowing mechanism to allow employees and third parties to report unethical behavior confidentially.

Environmental Protection

We are committed to minimizing the environmental impact of our operations. Responsible environmental management can lead to economic and environmental coexistence. We have been complying with the relevant laws and regulations of the country and carrying out environmental management efficiently to achieve sustainable development.

Energy Conservation Initiatives

We actively engage in energy conservation initiatives as part of our commitment to contributing to societal environmental preservation efforts. Our initiatives include:

- *Product Efficiency*: we aim to design energy-efficient products to reduce overall power consumption during use;

- *Water Conservation*: we enhance water conservation practices by promoting responsible usage; and

- *Facility Optimization*: we regulate air-conditioning temperatures in our office space to minimize energy waste and improve operational efficiency.

Climate Change and Response

We are aware of the adverse impact of global climate change on economic and social development. The major risks posed by climate change to our business include physical risks and transformation risks, among which, physical risks mainly arise from the risks of physical impacts that may be caused by extreme weather, such as heavy rainfall or natural disasters such as floods and drought, which may disrupt or interrupt logistics and transport as well as upstream production. Transformation risks mainly arise from broad changes in the external environment in terms of policy, law, technology and markets during the transition to a low-carbon economy.

Social Responsibility

We are committed to being responsible corporate citizens, continuously fulfilling corporate social responsibility. We recognize the size and influence of our company and seek to utilize our influence in a socially responsible manner. We actively encourage and support socially responsible initiatives and promote the concept of corporate social responsibility throughout our company.

Employee Well-being

Our employees are integral to our success. We are committed to providing a safe, inclusive, and empowering workplace. We comply with laws and regulations in relation to labor employment in all material aspects. We have also formulated internal management systems that stipulate provisions for employee onboarding, attendance, transfer, performance appraisal, promotion, remuneration, incentives, benefits and allowances.

We have a diverse employee composition, and we prohibit any discrimination against employees based on factors such as gender, age or educational background during the recruitment, employment, and management processes. The table below sets forth our employee composition as of September 30, 2024, in terms of gender, age and education level.

	Number of employees
By gender	
Male	208
Female	61
By age group	
50 and above	6
40 to 49	28
30 to 39	79
Below 30	156
By education level	
Doctors and professors	4
Masters	83
Undergraduates and below	182
Total	**269**

During the Track Record Period, there were no significant incidents related to occupational safety or employee disputes, reflecting our commitment to maintaining a harmonious and compliant workplace.

Professional Development

We encourage everyone within our organization to pursue professional development opportunities. In furtherance of this goal, we have been offering training and career development programs to our employees to support their growth and upward mobility. We provide a large variety of professional development training with a wide coverage including business skills and self-improvement. We conduct employee assessments to provide feedback and guidance, and, depending on their performance and responsibilities, provide promotion and training opportunities.

Product Responsibility

As a leader in BLDC motor control IC technology, we are dedicated to innovation and quality. Our R&D efforts focus on developing environmentally friendly, highly efficient products that address the needs of downstream industries.

We have established a comprehensive quality management system to maintain rigorous testing of products before market release, and we also enforce a strict quality control policy, detailed in procedures for incoming inspection management, in-process inspection management and finished product inspection management. We maintain stringent quality control standards, certified under ISO 9001:2015 and automotive-grade AEC-Q100 qualifications. These certifications underscore our commitment to delivering reliable, high-performance products that meet the expectations of our customers and regulatory standards.

Supplier Integrity and Ethics

To uphold our principles of integrity and transparency in business ethics, we typically include integrity clauses in our agreements with suppliers to ensure fair and transparent business dealings. Suppliers are required to adhere to honest, trustworthy and upright business ethics, and are strictly prohibited from soliciting or accepting any form of personal benefit, such as valuable gifts, cash, securities, commissions, kickbacks or expense reimbursements.

AWARDS AND RECOGNITIONS

The following table sets forth major awards and recognitions we received as of the Latest Practicable Date.

Award/Recognition	Award Year	Awarding Institution/Authority
Technology Breakthrough IC Design Company of the Year	2023	ASPENCORE
Semiconductor Leading Enterprise Award and CEO Outstanding Contribution Award	2023	Shenzhen Semiconductor Industry Association
High-Performance Automotive-Grade Chip Listed in Top 50 Automotive Chips	2023	Beijing Economic-Technological Development Area Management Committee
Automotive-Grade Chip Winner of the Global Electronics Achievement Award	2023	ASPENCORE
BLDC Controller Solution Provider of the Year	2022	ELECFANS
China Patent Excellence Award	2022	CNIPA

LEGAL PROCEEDINGS AND COMPLIANCE

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 bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance.

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

See "– Properties" in this section for a description of certain legal matters relating to our compliance with PRC real property related laws and regulations which we consider would not have a material adverse effect on our business, financial condition, or results of operations. According to our PRC Legal Advisor, the business operations we engaged in had been carried out in compliance with applicable PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

INTERNAL CONTROL AND RISK MANAGEMENT

We have established and continually maintain a robust risk management and internal control system, consisting of policies and procedures tailored to our business operations. Our risk management policies cover various critical aspects of our operations, including financial reporting, compliance, information security, and human resources management. Our Board of Directors and senior management are responsible for the establishment and periodic update of our internal control systems and the effective implementation of internal control procedures, ensuring that they remain effective and aligned with our strategic goals.

Financial Reporting Risk Management

To manage financial reporting risks effectively, we have adopted comprehensive accounting policies covering financial management, budget management, and financial statement preparation. These policies are supported by established procedures, with our finance department regularly reviewing management accounts in accordance with these procedures. We also provide ongoing training to our finance staff to ensure that these policies are adhered to and effectively implemented throughout our Group.

Information System Risk Management

The maintenance, storage, and protection of our data and related information are vital to our success. To safeguard against data leakage and loss, we have implemented a set of rigorous internal procedures and controls. Our data protection policies are designed to prevent unauthorized access and ensure the security of our sensitive information.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material data breaches, loss of information, or security threats such as cyberattacks, viruses, or ransomware. See "Information Security and Data Privacy" in this section for more details.

Compliance and Intellectual Property Risk Management

We have implemented strict internal procedures to ensure that our operations comply with relevant laws and regulations and that our intellectual property rights are well-protected. We timely obtain necessary governmental pre-approvals and consents, submitting required documents to relevant authorities, and ensuring that all trademark, copyright, and patent registrations are timely maintained. There have been no material compliance issues or violations during the Track Record Period and as of the Latest Practicable Date.

Human Resources Risk Management

We have developed comprehensive internal control and risk management policies for human resources management, covering recruitment, training, work ethics, and legal compliance. Our recruitment process is thorough, ensuring the quality of new hires. We also provide specialized training tailored to the needs of employees across different departments. Regular performance reviews are conducted, with compensation tied to performance outcomes. We closely monitor the implementation of internal risk management policies to address potential noncompliance with our code of conduct, work ethics, or internal policies.

LICENSES, APPROVALS AND PERMITS

As of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant government authorities that are material to our business operations in China and overseas. We are required to renew such certificates, permits and licenses from time-to-time, and we are continuingly overseeing the compliance with the relevant laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in renewing the licenses, approvals and permits, and currently we do not expect any material difficulties in such renewal.

You should read the following discussion and analysis in conjunction with our consolidated financial statements included in the Accountants' Report in Appendix I to this document, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully all of the information provided in this document.

OVERVIEW

We are a pioneering IC design company dedicated to the design and R&D of BLDC motor control ICs and have established a strong market position within the industry. According to Frost & Sullivan, our product portfolio covers all key components of a typical motor control system, including (i) motor control chips such as MCUs and ASICs, (ii) motor driver chips such as HVICs, (iii) IPMs, and (iv) power devices such as MOSFETs.

We have achieved favorable financial performance in revenue and profit during the Track Record Period. Our revenue increased by 27.4% from RMB323.0 million in 2022 to RMB411.4 million in 2023, and increased by 53.7% from RMB281.6 million for the nine months ended September 30, 2023 to RMB432.8 million for the nine months ended September 30, 2024. Our gross profit increased by 18.1% from RMB185.2 million in 2022 to RMB218.7 million in 2023, and increased by 51.4% from RMB149.2 million for the nine months ended September 30, 2023 to RMB226.0 million for the nine months ended September 30, 2024. For the nine months ended September 30, 2024, we achieved gross profit margin of 52.2%, higher than the average gross profit margin level of our Chinese market peers, according to Frost & Sullivan. For the same period, we achieved a net profit margin of 42.5%.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations are affected by a number of general factors that impact our ability to capitalize on the growth of our total addressable market, including:

- overall economic growth and conditions in China and globally;
- technological advancement in the sectors in which we operate; and
- regulatory oversight and government policies.

In addition, our business and results of operations have been and will continue to be affected by company-specific factors, which primarily include the following:

Our product portfolio

Our ability to offer a comprehensive portfolio of products for motor control system is one of the primary factors influencing our financial conditions and results of operations. We choose to strategically focus on developing products for BLDC motors, which have emerged as the preferred choice in the small and medium-sized motor industry, according to Frost & Sullivan. Our products are well recognized by end customers for their performance and quality. In 2022, 2023, the nine months ended September 30, 2023 and 2024, we achieved sales volume of 229.9 million, 282.0 million, 202.3 million and 285.1 million, respectively. Our future success depends on our ability to anticipate industry trends and develop products with high-performance and differentiated IC design that meet the evolving demand of downstream customers in various application fields.

During the Track Record Period, we primarily derived our revenue from the sale of MCU, ASIC, HVIC, MOSFET and IPM. We price each products based on a variety of factors, including costs, gross margin and market conditions. During the Track Record Period, we achieved a strong gross profit margin supported by the contribution of our core products. In 2022 and 2023 and nine months ended September 30, 2023 and 2024, our gross profit margins were 57.3%, 53.2%, 53.0% and 52.2%, respectively. Specifically, sales of MCU and ASIC, which maintained robust gross profit margins contributed significantly to our revenue. However, our product mix may fluctuate in response to the technological changes in the industries and markets to which our products are sold. If there are any significant changes in our product mix, our gross profit margin will be affected by the changes in gross profit margin attributable to each type of product.

We aim to further enrich our product portfolio, and maintain a strong focus on high-margin product categories. By continuously refining our product mix and leveraging technological innovation, we are committed to sustaining robust financial performance and driving long-term growth. However, fluctuations in product demand, shifts in market dynamics, and evolving competitive pressures may impact our financial performance.

Demand from downstream market and end customers

Our business performance is affected by the downstream market size and customer demand for more efficient motor control and driver products. The overall growth of global and China's BLDC motor control and driver chip market is mainly driven by increasing penetration rate of BLDC motor, growing downstream industries, technological advancement and innovation of BLDC motor control and driver chips and supportive policies. According to Frost & Sullivan, the global BLDC motor control and driver chip market grew promptly from RMB12.9 billion in 2019 to RMB26.3 billion in 2023, with a CAGR of 19.4%, and the market is expected to grow from RMB30.7 billion in 2024 to RMB58.5 billion in 2028, with a CAGR of 17.5%. Downstream market demand could be affected by number of factors including macroeconomic conditions, technological advancements, and the evolving needs of end customers across various sectors. Furthermore, the BLDC motor control and driver chip industry is experiencing trends such as increasing domestic substitution, higher integration level and development towards more intelligent products.

Our financial performance relies on our ability to innovate and develop products that align with the latest technological trends and customer preferences. We believe that our diverse products, proven track record of strong business growth, and our ability to constantly innovate and adapt to evolving technological advancements, combined with our strong R&D capabilities in BLDC motor control and driver chip design well-position us to capture the market opportunities in global and China's growing BLDC motor control and driver chip industry.

Continued investment in R&D, technology and product development

Our ability to continue R&D activities, develop new technologies, design new products and enhance existing products is critical to our success. We have historically dedicated significant resources towards R&D. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, we recorded R&D expenses of RMB63.8 million, RMB84.7 million, RMB52.0 million and RMB65.1 million. Specifically, the progress of our technology and product development depends largely on our R&D talents. As of September 30, 2024, our R&D team consisted of 199 members, representing 74.0% of total employees as of the same date. Employee compensation for our research and development staff amounted to 75.3%, 77.1%, 68.7% and 71.8% of our research and development expenses in 2022, 2023 and the nine months ended September 30, 2023 and 2024. As we believe our market success and financial performance will significantly depend on our ability to maintain our technological leadership, we will continue to invest in proprietary technology development and innovation to grow our competitive strengths against our peers.

Upstream supply and production capacity

We operate with a fabless model and outsource IC manufacturing to foundries. As a result of the concentration on the upstream supply chain, we rely on a number of major suppliers for wafer fabrication, packaging and testing. During the Track Record Period, we established strong and long-term cooperation with our major suppliers. See "Business – Our Suppliers – Reliance on Certain Suppliers." Therefore, our ability to maintain stable business relationship with our wafer channel partners to obtain quality and price-competitive wafers on a timely basis is crucial for our business and results of operations. We believe our efficient supply chain management enable us to quickly launch and upgrade products in response to customer demand. We also seek to enhance our bargaining power in supply purchases by leveraging our growing procurement scale.

However, supply chain disruptions, shortage of raw materials and manufacturing capacity limitations may result in delayed delivery, which in turn would lead to reduced or canceled orders. See "Risk Factors – Risks Relating to Our Business and Industry – We depend on a limited number of third-party wafer foundry partners to manufacture our products." During the Track Record Period, we were not subject to shortages in the supply of raw materials or services from our suppliers. We do not anticipate any supply chain constraints that would materially and adversely affect our business and results of operations.

Our ability to maintain and improve operating efficiency

Our profitability depends in part on our ability to manage costs and optimize our operating efficiency. We incurred selling and distribution expenses and administrative expenses of RMB37.1 million, RMB45.6 million, RMB 30.5 million and RMB33.3 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, representing 11.5%, 11.1%, 10.8%, and 7.7% of our total revenue during the same periods, respectively. We managed to improve operational efficiency by maintaining a streamlined operational workforce and implementing rigorous cost management practices. Simultaneously, we have sought to enhance the management of our operating expenses through detailed budget management and performance monitoring, enabling us to manage overhead costs effectively.

While we expect the absolute amounts of our research and development expenses, selling and distribution expenses, and administrative expenses will continue to increase along with our business growth in the future, we are committed to further enhancing our operational efficiency through economies of scale, optimized resource allocation, and continuous investment in employee training and development.

Competitive landscape within our industry

Our financial performance may be affected by the competitive landscape in the global and Chinese BLDC motor control and driver chip market. According to Frost & Sullivan, foreign companies dominate the market. However, Chinese companies, including us, have demonstrated rapid growth through continued R&D and development of new products to meet market demand. In 2023, we ranked the sixth in terms of market share in BLDC motor control and driver chip market in China, being the largest domestic player in the industry, according to Frost & Sullivan. Maintaining and enhancing our leadership position requires continuous innovation, superior product quality, and operational efficiency.

Competitive pressures may influence our revenue growth, gross margins, and overall financial performance. To address these challenges, we will continue to focus on leveraging our technological strengths, understanding market needs, and strengthening our market position to support steady growth and profitability.

BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretation approved by the International Accounting Standards Board (the "**IASB**"). All IFRSs effective for the accounting period commencing on or before 1 January 2024, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period.

The Historical Financial Information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income, debt investments at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value at the end of each year/period of the Track Record Period.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. There has not been any material deviation from our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future. When reviewing our financial information, you should consider: (i) our selection of accounting policies; and (ii) the results to changes in conditions and assumptions.

We believe that the (i) material accounting information in relation to the recognition of revenue from contracts with customers, inventories, cash and cash equivalents, property, plant and equipment and depreciation, as detailed in Note 2.3 of the Accountants' Report in Appendix I to this document and (ii) accounting judgments and estimates including Provision against obsolete and slow-moving inventories, and deferred tax assets, among others, as set forth in details in Notes 3 to the Accountants' Report in Appendix I to this document are critical and/or involve the most important estimates and judgments we used in preparing our financial statements.

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, our revenue was primarily derived from sales of products, including sales of MCU, ASIC, HVIC, MOSFET and IPM. We generally recognize revenue when we transfer the control over our products to our customers recognize revenue on a gross basis.

Cost of sales

Our cost of sales primarily includes (i) cost of wafers, (ii) cost of packaging and testing, (iii) other cost of sales, mainly including costs in relation to the sales of other products such as semiconductor demo boards and analog devices, and (iv) inventory write-down losses.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage.

Other Income and Gains

Our other income and gains primarily consist of (i) bank interest income, (ii) other interest income from debt investments at fair value through other comprehensive income, (iii) investment income from financial assets at fair value through profit or loss, (iv) government grants and (v) other non-operating gains, primarily including gains from fair value changes on financial assets at fair value through profit or loss and foreign exchange gain.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) employee compensation, which primarily include salaries, bonuses and welfare paid to our sales staff, (ii) promotion and advertising expenses, (iii) share-based payments, (iv) leased property expenses, (v) travelling and office expenses, (vi) exhibition expenses and (vii) others, mainly including hospitality expenses, consulting fees, sampling fees and depreciation and amortization allocated to sales activities.

Administrative Expenses

Our administrative expenses mainly consist of (i) employee compensation, which primarily include the salaries, bonus and welfare paid to our administrative staff, (ii) professional service fees, which include our auditing fees and consultation fee, (iii) tax and surcharges, (iv) depreciation and amortization related to our operational infrastructure, (v) share-based payments, (vi) leased property expenses, (vii) office expenses and (viii) others, mainly including hospitality expenses, travelling expenses, patent fees and insurance fees.

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee compensation, which primarily include the salaries, bonus and welfare paid to our R&D staff, (ii) cost of R&D materials, (iii) lease property expenses related to our R&D activities, (iv) share-based payments, (v) technical service fees related to our R&D activities, (vi) depreciation and amortization related to our R&D infrastructure and (vii) others, mainly including travelling expenses and cost of low-value consumables.

Impairment Losses on Financial Assets

Our impairment losses on financial assets or reversal of impairment loss on financial assets mainly resulted from trade receivables and other receivables.

Other Expenses

Our other expenses mainly consist of (i) foreign exchange losses, and (ii) transfer of cumulative fair value gains of financial assets at fair value through profit or loss to other income and gains due to the disposal of financial assets.

Finance Costs

Our finance costs mainly consist of interest expenses on lease liabilities, and other finance costs.

Income Tax Expense/(Credit)

Our income tax expense primarily consists of income tax payable by us at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction in which we operate or are domiciled.

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our members are domiciled and operate. We are subject to various rates of income tax under different jurisdictions. During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with the relevant tax authorities. The following set forth our principal applicable taxes and tax rates in China:

Our income tax provision in respect of our operations in the PRC was subject to a statutory tax rate of 25% on our assessable profits during the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof. Enterprises that qualify as "High and New Technology Enterprises" are entitled to a preferential rate of 15% for three years. Our Company and Fortior Technology (Shanghai) Co. Ltd. were entitled to such rate as High and New Technology Enterprises under the relevant PRC laws and regulations during the Track Record Period, respectively, and such qualification may be renewed every three years.

Pursuant to Guofa[2020] No.8 "Several Policies to Promote the High-Quality Development of Integrated Circuit Industry and Software Industry in the New Period" (新時期促進集成電路產業和軟件產業高質量發展的若干政策), key integrated circuit design enterprises encouraged by the government shall, from the profit-making year, be exempted from enterprise income tax from the first to the fifth year, and a reduction of enterprise income tax at a rate of 10% in the succeeding years. Our Company, as a qualified key integrated circuit design enterprise encouraged by the government, was exempted from income tax during the Track Record Period. This qualification is subject to review by the relevant tax authority in the PRC every year.

Fortior Technology (Qingdao) Co., Ltd. was qualified for Small-Meagre-profit Enterprises and entitled to preferential income tax rates pursuant to various preferential tax treatment policies. Please see Note 11 of the Accountants' Report in Appendix I to this document for details.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

The table below sets forth a summary of our results of operations in absolute amount and as percentages of our total revenue for the periods indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)		(unaudited)	
REVENUE	**322,973**	**100.0**	**411,359**	**100.0**	**281,568**	**100.0**	**432,827**	**100.0**
Cost of sales	(137,774)	(42.7)	(192,678)	(46.8)	(132,325)	(47.0)	(206,838)	(47.8)
Gross profit	**185,199**	**57.3**	**218,681**	**53.2**	**149,243**	**53.0**	**225,989**	**52.2**
Other income and gains	58,967	18.3	84,376	20.5	56,277	20.0	62,043	14.3
Selling and distribution expenses	(12,605)	(3.9)	(18,396)	(4.5)	(11,989)	(4.3)	(13,020)	(3.0)
Administrative expenses	(24,543)	(7.6)	(27,193)	(6.6)	(18,487)	(6.6)	(20,353)	(4.7)
Research and development expenses	(63,845)	(19.8)	(84,674)	(20.6)	(52,007)	(18.5)	(65,079)	(15.0)
Impairment losses on financial assets, net	35	0.0	(143)	(0.0)	(112)	(0.0)	91	0.0
Other expenses	(2)	(0.0)	(1,780)	(0.4)	(4)	(0.0)	(3,963)	(0.9)
Finance costs	(62)	(0.0)	(490)	(0.1)	(395)	(0.1)	(396)	(0.1)
PROFIT BEFORE TAX	143,144	44.3	170,381	41.4	122,526	43.5	185,312	42.8
Income tax (expense)/credit	(1,143)	(0.4)	4,466	1.1	1,481	0.5	(1,500)	(0.3)
PROFIT FOR THE YEAR/PERIOD	142,001	44.0	174,847	42.5	124,007	44.0	183,812	42.5
OTHER COMPREHENSIVE INCOME/(LOSS)	320	0.1	(1,087)	(0.3)	(54)	(0.0)	(298)	(0.1)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX	**142,321**	**44.1**	**173,760**	**42.2**	**123,953**	**44.0**	**183,514**	**42.4**

Revenue

Revenue by Products

The following table sets forth a breakdown of our revenue by products, in absolute amounts and as percentages of our total revenue, for the periods indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)		(unaudited)	
MCU	232,343	71.9	274,748	66.8	187,482	66.6	276,536	63.9
ASIC	19,697	6.1	48,254	11.7	34,123	12.1	58,526	13.5
HVIC	56,261	17.4	66,395	16.1	46,424	16.5	65,368	15.1
MOSFET	7,828	2.4	3,655	0.9	2,725	1.0	1,518	0.4
IPM	4,751	1.5	16,929	4.1	9,755	3.5	30,061	6.9
Others[1]	2,093	0.6	1,378	0.3	1,059	0.4	818	0.2
Total	**322,973**	**100.0**	**411,359**	**100.0**	**281,568**	**100.0**	**432,827**	**100.0**

Note:

(1) Others primarily include revenue from sales of other products, including semiconductor demo boards and analog devices, among others.

The table below sets forth our sales volume of our major products in terms of number of units during the Track Record Period:

	For the year ended December 31,		For the nine months ended September 30,	
	2022	2023	2023	2024
	'000	*'000*	*'000*	*'000*
MCU	72,145	97,135	65,836	99,491
ASIC	10,389	26,755	19,364	33,644
HVIC	126,280	128,743	97,392	121,483
MOSFET	18,207	6,755	5,757	1,701
IPM	2,863	22,572	13,947	28,819

During the Track Record Period, we primarily generated revenue from the sales of products, mainly including MCU, ASIC, HVIC, MOSFET, IPM, amounting to a total of RMB323.0 million, RMB411.4 million, RMB281.6 million and RMB432.8 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively.

Comparison between nine months ended September 30,2024 and nine months ended September 30, 2023: Our revenue increased by 53.7% from RMB281.6 million in the nine months ended September 30, 2023 to RMB432.8 million in the nine months ended September 30, 2024, primarily driven by the increase in revenue from MCU, ASIC, HVIC and IPM.

- *MCU*: Our revenue from sales of MCU increased by 47.5% from RMB187.5 million in the nine months ended September 30, 2023 to RMB276.5 million in the nine months ended September 30, 2024, primarily due to an increase in our sales volume of MCU from 65.8 million units in the nine months ended September 30, 2023 to 99.5 million units in the nine months ended September 30, 2024 as a result of increased market demand from smart small household appliances, white goods and industrial sectors. In particular, our MCU products were increasingly adopted in industrial fans, where their ability to enable low noise and low vibration performance aligns with the market demands, thus contributing to sales growth.

- *ASIC*: Our revenue from sales of ASIC increased by 71.5% from RMB34.1 million in the nine months ended September 30, 2023 to RMB58.5 million in the nine months ended September 30, 2024, primarily due to an increase in our sales volume of ASIC from 19.4 million units in the nine months ended September 30, 2023 to 33.6 million units in the nine months ended September 30, 2024, as a result of the robust growth in downstream market demands for specific control effects of our ASIC products in applications such as smart small household appliances (including smart fans, hair dryers and robotic vacuum cleaners) and white goods.

- *HVIC*: Our revenue from sales of HVIC increased by 40.8% from RMB46.4 million in the nine months ended September 30, 2023 to RMB65.4 million in the nine months ended September 30, 2024, primarily due to (i) an increase in our sales volume of HVIC from 97.4 million units in in the nine months ended September 30, 2023 to 121.5 million units in the nine months ended September 30, 2024 as a result of increased market demand of our HVIC products in applications such as electric scooters, white goods and UAVs, which drove our HVIC sales volumes, and (ii) increase in the average selling price of our HVICs.

- *MOSFET*: Our revenue from sales of MOSFET decreased by 44.3% from RMB2.7 million in the nine months ended September 30, 2023 to RMB1.5 million in the nine months ended September 30, 2024, primarily due to a decrease in sales volume of MOSFET as we offered more chip products with integrated functions and IPMs that incorporated MOSFET functionality.

- *IPM*: Our revenue from sales of IPM increased by 208.2% from RMB9.8 million in the nine months ended September 30, 2023 to RMB30.1 million in the nine months ended September 30, 2024, primarily due to an increase in our sales volume of IPM from 13.9 million units in the nine months ended September 30, 2023 to 28.8 million units in the nine months ended September 30, 2024, as the design of our IPMs reduces the number of external components and PCB area, offering high performance at competitive cost, which meets the increasing downstream demand for compact modules in applications such as white goods.

Comparison between 2023 and 2022: Our revenue increased by 27.4% from RMB323.0 million in 2022 to RMB411.4 million in 2023, mainly by the increase in revenue from MCU, ASIC, HVIC and IPM.

- *MCU*: Our revenue from sales of MCU increased by 18.3% from RMB232.3 million in 2022 to RMB274.7 million in 2023, primarily due to an increase in our sales volume of MCU from 72.1 million units in 2022 to 97.1 million units in 2023 as a result of increased demand from smart small household appliances, white goods and automotive sectors. In particular, in the automotive sector, our MCU products obtained AEC-Q100 qualification and entered mass production, allowing us to expand our end customer base to include leading automotive brands and tier-1 suppliers.

- *ASIC*: Our revenue from sales of ASIC increased by 145.0% from RMB19.7 million in 2022 to RMB48.3 million in 2023, primarily due to an increase in our sales volume of ASIC from 10.4 million units in 2022 to 26.8 million units in 2023, driven by the robust growth in downstream market demands for specific control effects of our ASIC products in applications such as smart small household appliances (including smart fans and hair dryers) and white goods.

- *HVIC*: Our revenue from sales of HVIC increased by 18.0% from RMB56.3 million in 2022 to RMB66.4 million in 2023, primarily due to (i) an increase in our sales volume of HVIC from 126.3 million units in 2022 to 128.7 million units in 2023 as a result of increased downstream demand of our HVIC products in applications such as industrial sectors, sports and leisure, smart small household appliances and white goods and (ii) increase in the average selling price of our HVICs.

- *MOSFET*: Our revenue from sales of MOSFET decreased by 53.3% from RMB7.8 million in 2022 to RMB3.7 million in 2023, primarily due to a decrease in sales volume of MOSFET as we offered more chip products with integrated functions and IPMs that incorporated MOSFET functionality.

- *IPM*: Our revenue from sales of IPM increased by 256.3% from RMB4.8 million in 2022 to RMB16.9 million in 2023, primarily due to a significant increase in our sales volume of IPM from 2.9 million units in 2022 to 22.6 million units in 2023, as the design of our IPMs reduces the number of external components and PCB area, offering high performance at competitive cost, which meets the increasing downstream demand for compact modules in applications such as white goods.

Cost of Sales

The following table sets forth a breakdown of our cost of sales by nature, in absolute and as a percentage of our total cost of sales, for the years/periods indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)		(unaudited)	
Cost of sales								
Cost of wafers	95,683	69.4	135,760	70.5	92,556	69.9	148,261	71.7
Cost of packaging and testing	41,613	30.2	55,330	28.7	38,590	29.2	55,226	26.7
Other cost of sales[1]	226	0.2	302	0.2	219	0.2	216	0.1
Sub-total	**137,522**	**99.8**	**191,392**	**99.4**	**131,365**	**99.3**	**203,703**	**98.5**
Write-down of inventories	252	0.2	1,286	0.6	960	0.7	3,135	1.5
Total	**137,774**	**100.0**	**192,678**	**100.0**	**132,325**	**100.0**	**206,838**	**100.0**

Note:

(1) Other cost of sales primarily includes cost of sales of other products, including semiconductor demo boards and analog devices, among others.

As a fabless company, our cost of sales mainly consists of (i) cost of wafers, which are manufactured by third-party wafer foundries using our designs; and (ii) cost of packaging and testing, which are provided by third-party providers. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our cost of sales amounted to RMB137.8 million, RMB192.7 million, RMB132.3 million, and RMB206.8 million, respectively. Cost of wafers is the largest component of our cost of sales, accounting for 69.4%, 70.5%, 69.9% and 71.7% of our cost of sales for the same periods.

Comparison between nine months ended September 30, 2024 and nine months ended September 30, 2023: Our cost of sales increased by 56.3% from RMB132.3 million in the nine months ended September 30, 2023 to RMB206.8 million in the nine months ended September 30, 2024, which was generally in line with our sales expansion and business growth.

Comparison between 2023 and 2022: Our cost of sales increased by 39.9% from RMB137.8 million in 2022 to RMB192.7 million in 2023, which was generally in line with our sales expansion and business growth.

Gross Profit and Gross Profit Margin

The table below sets forth a breakdown of our gross profit and gross profit margin by products for the periods indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)		(unaudited)	
Sales of products								
MCU	142,002	61.1	155,703	56.7	107,159	57.2	153,171	55.4
ASIC	11,931	60.6	25,303	52.4	17,371	50.9	34,491	58.9
HVIC	26,326	46.8	29,110	43.8	19,807	42.7	26,831	41.0
MOSFET	1,549	19.8	998	27.3	658	24.1	584	38.5
IPM	1,775	37.4	7,777	45.9	4,368	44.8	13,445	44.7
Others[1]	1,868	89.2	1,076	78.1	840	79.3	602	73.6
Sub-total	**185,451**	**57.4**	**219,967**	**53.5**	**150,203**	**53.3**	**229,124**	**52.9**
Write-down of inventories	(252)		(1,286)		(960)		(3,135)	
Total	**185,199**	**57.3**	**218,681**	**53.2**	**149,243**	**53.0**	**225,989**	**52.2**

Note:

(1) Others primarily include gross profit from sales of other products, including semiconductor demo boards and analog devices, among others.

As a result of the foregoing, our gross profit increased by 51.4% from RMB149.2 million in the nine months ended September 30, 2023 to RMB226.0 million in the nine months ended September 30, 2024, and increased by 18.1% from RMB185.2 million in 2022 to RMB218.7 million in 2023.

Comparison between nine months ended September 30,2024 and nine months ended September 30, 2023: Our gross profit margin generally remained stable at 53.0% in the nine months ended September 30, 2023 and 52.2% in the nine months ended September 30, 2024.

- *MCU*: Our gross profit margin from sales of MCU decreased from 57.2% in the nine months ended September 30, 2023 to 55.4% in the nine months ended September 30, 2024, primarily due to increased market competition. In response to these market dynamics, we strategically adjusted and reduced the selling prices of these products to remain competitive.

- *ASIC*: Our gross profit margin from sales of ASIC increased from 50.9% in the nine months ended September 30, 2023 to 58.9% in the nine months ended September 30, 2024, primarily due to the decrease in cost of wafers for ASIC.

- *HVIC*: Our gross profit margin from sales of HVIC remained stable at 42.7% in the nine months ended September 30, 2023 and 41.0% in the nine months ended September 30, 2024.

- *MOSFET*: Our gross profit margin from sales of MOSFET increased from 24.1% in the nine months ended September 30, 2023 to 38.5% in the nine months ended September 30, 2024, primarily due to the increase in the proportion of sales of MOSFET products that typically have relatively higher gross profit margin.

- *IPM*: Our gross profit margin from sales of IPM remained stable at 44.8% and 44.7% in the nine months ended September 30, 2023 and in the nine months ended September 30, 2024, respectively.

Comparison between 2023 and 2022: Our gross profit margin decreased from 57.3% in 2022 to 53.2% in 2023, primarily because we lowered the selling price of certain products as result of market competition.

- *MCU*: Our gross profit margin from sales of MCU decreased from 61.1% in 2022 to 56.7% in 2023, primarily due to increased market competition. In response to these market dynamics, we strategically adjusted and reduced the selling prices of these products to remain competitive.

- *ASIC*: Our gross profit margin from sales of ASIC decreased from 60.6% in 2022 to 52.4% in 2023, primarily due to increased market competition. In response to these market dynamics, we strategically adjusted and reduced the selling prices of these products to remain competitive.

- *HVIC*: Our gross profit margin from sales of HVIC decreased from 46.8% in 2022 to 43.8% in 2023, primarily due to the increase in sales of HVIC products that had lower gross profit margin.

- *MOSFET*: Our gross profit margin from sales of MOSFET increased from 19.8% in 2022 to 27.3% in 2023, primarily due to the increase in the proportion sales of MOSFET products that typically have relatively higher gross profit margin.

- *IPM*: Our gross profit margin from sales of IPM increased from 37.4% in 2022 to 45.9% in 2023, primarily due to the increase in sales of IPM products with motor control function for white goods, which typically have higher pross margin.

Selling and Distribution Expenses

In 2022 and 2023, and the nine months ended September 30, 2023 and 2024, our selling and distribution expenses amounted to RMB12.6 million, RMB18.4 million, RMB12.0 million and RMB13.0 million, representing 3.9%, 4.5%, 4.3% and 3.0%, respectively, of our total revenue.

The table below sets forth a breakdown of our selling and distribution expenses, both in absolute amounts and as percentages of our total selling and distribution expenses, for the periods indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)		(unaudited)	
Selling and Distribution Expenses								
Employee compensation	9,821	77.9	14,115	76.7	7,837	65.4	8,911	68.4
Promotion and advertising expenses	295	2.3	550	3.0	478	4.0	300	2.3
Share-based payments	516	4.1	978	5.3	1,860	15.5	1,480	11.4
Leased property expenses	355	2.8	474	2.6	353	2.9	346	2.7
Travelling and office expenses	709	5.6	1,206	6.6	766	6.4	1,139	8.7
Exhibition expenses	329	2.6	90	0.5	83	0.7	125	1.0
Others[1]	580	4.7	983	5.3	612	5.1	719	5.5
Total	**12,605**	**100.0**	**18,396**	**100.0**	**11,989**	**100.0**	**13,020**	**100.0**

Note:

(1) Others primarily include hospitality expenses, consulting fees, sampling fees and depreciation and amortization allocated to sales activities.

Comparison between nine months ended September 30,2024 and nine months ended September 30, 2023: Our selling and distribution expenses increased by 8.6% from RMB12.0 million in the nine months ended September 30, 2023 to RMB13.0 million in the nine months ended September 30, 2024, primarily due to the increase in employee compensation by 13.7% from RMB7.8 million in the nine months ended September 30, 2023 to RMB8.9 million in the nine months ended September 30, 2024 attributable primarily to the increasing sales and marketing personnel salaries and headcounts.

Comparison between 2023 and 2022: Our selling and distribution expenses increased by 45.9% from RMB12.6 million in 2022 to RMB18.4 million in 2023, primarily due to (i) the increase in employee compensation by 43.7% from RMB9.8 million in 2022 to RMB14.1 million in 2023, attributable primarily to the increasing sales and marketing personnel salaries and headcounts, and (ii) the increase in travelling and office expenses by 70.1% from RMB0.7 million in 2022 to RMB1.2 million in 2023, primarily in relation to our enhanced sales and marketing efforts.

Administrative Expenses

In 2022 and 2023, and the nine months ended September 30, 2023 and 2024, our administrative expenses amounted to RMB24.5 million, RMB27.2 million, RMB18.5 million and RMB20.4 million, representing 7.6%, 6.6%, 6.6% and 4.7%, respectively, of our total revenue.

The table below sets forth a breakdown of our administrative expenses, both in absolute amounts and as percentages of our total administrative expenses, for the periods indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)		(unaudited)	
Administrative Expenses								
Employee compensation	12,031	49.0	14,525	53.4	8,504	46.0	10,922	53.7
Professional service fees	4,526	18.5	3,749	13.8	2,870	15.5	2,104	10.3
Tax and surcharges	2,856	11.6	2,759	10.1	2,111	11.4	2,836	13.9
Depreciation and amortization	801	3.3	1,140	4.2	827	4.5	773	3.8
Share-based payments	397	1.6	304	1.1	865	4.7	144	0.7
Leased property expenses	1,128	4.6	1,356	5.0	1,027	5.6	1,287	6.3
Office expenses	1,271	5.2	1,802	6.6	1,318	7.1	1,499	7.4
Others(1)	1,533	6.2	1,558	5.8	965	5.2	788	3.9
Total	**24,543**	**100.0**	**27,193**	**100.0**	**18,487**	**100.0**	**20,353**	**100.0**

Note:

(1) Others primarily include hospitality expenses, travelling expenses, patent fees and insurance fees.

Comparison between nine months ended September 30, 2024 and nine months ended September 30, 2023: Our administrative expenses increased by 10.1% from RMB18.5 million in the nine months ended September 30, 2023 to RMB20.4 million in the nine months ended September 30, 2024, primarily due to increases in employee compensation by 28.4% from RMB8.5 million in the nine months ended September 30, 2023 to RMB10.9 million in the nine months ended September 30, 2024, attributable primarily to the rising administrative staff headcount and salaries.

Comparison between 2023 and 2022: Our administrative expenses increased by 10.8% from RMB24.5 million in 2022 to RMB27.2 million in 2023, primarily due to increases in (i) employee compensation by 20.7% from RMB12.0 million in 2022 to RMB14.5 million in 2023, attributable primarily to the rising administrative staff headcount and salaries, and (ii) leased property expenses by 20.2% from RMB1.1 million in 2022 to RMB1.4 million in 2023 as a result of increased leased property to cater to expanded administrative team.

Research and Development Expenses

In 2022 and 2023, and the nine months ended September 30, 2023 and 2024, our research and development expenses amounted to RMB63.8 million, RMB84.7 million, RMB52.0 million and RMB65.1 million, representing 19.8%, 20.6%, 18.5% and 15.0%, respectively, of our total revenue.

The following table sets out a breakdown of our research and development expenses, both in absolute amounts and as percentages of our total research and development expenses, for the periods indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)		(unaudited)	
Research and development expenses								
Employee compensation	48,055	75.3	65,258	77.1	35,751	68.7	46,698	71.8
R&D materials expenses	5,102	8.0	3,852	4.5	2,183	4.2	5,348	8.2
Leased property expenses	2,725	4.3	3,479	4.1	2,580	5.0	2,654	4.1
Share-based payments	2,540	4.0	1,959	2.3	5,502	10.6	2,397	3.7
Technical service fees	2,178	3.4	4,234	5.0	2,135	4.1	1,875	2.9
Depreciation and amortization	1,937	3.0	3,628	4.3	2,492	4.8	3,897	6.0
Others[(1)]	1,308	2.0	2,264	2.7	1,364	2.6	2,210	3.3
Total	**63,845**	**100.0**	**84,674**	**100.0**	**52,007**	**100.0**	**65,079**	**100.0**

Note:

(1) Others primarily including travelling expenses and cost of low-value consumables.

Comparison between nine months ended September 30,2024 and nine months ended September 30, 2023: Our research and development expenses increased by 25.1% from RMB52.0 million in the nine months ended September 30, 2023 to RMB65.1 million in the nine months ended September 30, 2024, primarily due to the increase in employee compensation paid to our R&D personnel, attributable to primarily to the rising R&D staff headcount and salaries. As our revenue continues to grow and we increasingly focus on research and development efficiency, our research and development expenses as a percentage of revenue decreased from 18.5% in the nine months ended September 30, 2023 to 15.0% in the nine months ended September 30, 2024.

Comparison between 2023 and 2022: Our research and development expenses increased by 32.6% from RMB63.8 million in 2022 to RMB84.7 million in 2023, primarily due to increases in (i) employee compensation paid to our R&D personnel, attributable primarily to the rising R&D staff headcount and salaries, and (ii) technical service fees, attributable primarily to increased R&D activities related to emerging downstream applications such as the automotive sector.

Other Income and Gains

In 2022 and 2023, and the nine months ended September 2023 and 2024, our other income and gains amounted to RMB59.0 million, RMB84.4 million, RMB56.3 million and RMB62.0 million, representing 18.3%, 20.5%, 20.0% and 14.3%, respectively, of our total revenue.

The following table sets forth a breakdown of our other income and gains, both in absolute amounts and as percentages of our total other income and gains for the periods indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)		(unaudited)	
Other income								
Bank interest income	4,935	8.4	8,094	9.6	5,719	10.2	7,555	12.2
Other interest income from debt investments at fair value through other comprehensive income	2,977	5.0	9,110	10.8	5,545	9.9	14,380	23.2
Investment income from financial assets at fair value through profit or loss	25,014	42.4	42,231	50.1	27,413	48.7	22,110	35.6
Government grants	16,920	28.7	24,325	28.8	11,174	19.8	17,297	27.9
Total other income	**49,846**	**84.5**	**83,760**	**99.3**	**49,851**	**88.6**	**61,342**	**98.9**
Other Gains								
Fair value gains on financial assets at fair value through profit or loss	6,424	10.9	–	–	5,128	9.1	–	–
Foreign exchange gain	2,373	4.0	–	–	761	1.3	–	–
Others	324	0.6	616	0.7	537	1.0	701	1.1
Total other gains	**9,121**	**15.5**	**616**	**0.7**	**6,426**	**11.4**	**701**	**1.1**
Total	**58,967**	**100.0**	**84,376**	**100.0**	**56,277**	**100.0**	**62,043**	**100.0**

Comparison between nine months ended September 30,2024 and nine months ended September 30, 2023: Our other income and gains increased by 10.2% from RMB56.3 million in the nine months ended September 30, 2023 to RMB62.0 million in the nine months ended September 30, 2024, primarily due to (i) the increase in other interest income from debt investments at fair value through other comprehensive income, primarily due to increased negotiable certificates of deposit and (ii) the increase in government grants related to our business operation and research and development activities.

Comparison between 2023 and 2022: Our other income and gains increased by 43.1% from RMB59.0 million in 2022 to RMB84.4 million in 2023, primarily due to increases in (i) bank interest as a result of increased bank deposit, (ii) other interest income from debt investments at fair value through other comprehensive income, primarily due to increased purchase of negotiable certificates of deposit, (iii) government grants related to our business operation and research and development activities and (iv) investment income from financial assets at fair value through profit or loss, mainly related to the disposal of wealth management products and structured deposits.

Impairment Losses on Financial Assets

We recognized impairment loss on financial assets of RMB112.0 thousand in the nine months ended September 30, 2023 and a reversal of impairment loss on financial assets of RMB91.0 thousand in the nine months ended September 30, 2024, primarily due to the fluctuation of trade receivables during the year. We recognized impairment loss on financial assets of RMB143.0 thousand in 2023 as compared with a reversal of impairment loss on financial assets of RMB35.0 thousand in 2022, primarily due to the increase in trade receivables.

Other Expenses

Our other expenses were RMB2.0 thousand, RMB1,780.0 thousand, RMB4.0 thousand and RMB3,963.0 thousand in 2022, 2023, the nine months ended September 30, 2023 and 2024, respectively. We recorded RMB1,780.0 thousand and RMB3,963.0 thousand other expenses in 2023 and the nine months ended September 30, 2024 primarily due to foreign exchanges losses and transfer of cumulative fair value gains of financial assets at fair value through profit or loss to other income and gains due to the disposal of financial assets.

Finance Costs

The table below sets forth details of our finance costs, both in absolute amounts and as percentages of our total finance costs, for the periods indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)		(unaudited)	
Finance Costs								
Interest expenses on:								
Lease liabilities	275	443.5	443	90.4	347	87.8	219	55.3
Other finance cost	(213)	(343.5)	47	9.6	48	12.2	177	44.7
Total	**62**	**100.0**	**490**	**100.0**	**395**	**100.0**	**396**	**100.0**

Comparison between nine months ended September 30,2024 and nine months ended September 30, 2023: Our finance costs remained relatively stable at RMB395.0 thousand and RMB396.0 thousand in the nine months ended September 30, 2023 and the nine months ended September 30, 2024.

Comparison between 2023 and 2022: Our finance costs increased by 690.3% from RMB62.0 thousand in 2022 to RMB490.0 thousand in 2023, primarily due to the increase in interest expenses on lease liabilities due to our business expansion.

Income Tax Expense/(Credit)

The table below sets forth a breakdown of our income tax expense for the periods indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)		(unaudited)	
Income Tax Expense/(Credit)								
Current	1,061	92.8	671	(15.0)	–	–	1,227	81.8
Deferred	82	7.2	(5,137)	115.0	(1,481)	100.0	273	18.2
Total	**1,143**	**100.0**	**(4,466)**	**100.0**	**(1,481)**	**100.0**	**1,500**	**100.0**

In 2022, 2023, the nine months ended September 30, 2023 and 2024, our effective tax rates, calculated as our income tax expense/(credit) divided by our profit before tax, were 0.8%, a credit of 2.6%, a credit of 1.2% and 0.8%, respectively, which were lower than the 25% statutory rate primarily because we and certain subsidiaries enjoyed preferential tax treatments. See "Principal Components of Consolidated Statements of Profit or Loss – Income Tax Expense/(Credit)" in this section and Note 11 to "Appendix I – Accountants' Report."

We recognized income tax expense of RMB1.5 million in the nine months ended September 30, 2024 and income tax credit of RMB1.5 million in the nine months ended September 30, 2023. We recognized income tax expense of RMB1.1 million in 2022 and income tax credit of RMB4.5 million in 2023, primarily attributable to the temporary difference arising from super deduction for research and development expenses.

Profit for the Year or the Period

As a result of the foregoing, our profit for the period increased by 48.2% from RMB124.0 million in the nine months ended September 30, 2023 to RMB183.8 million in the nine months ended September 30, 2024. Our profit for the year increased by 23.1% from RMB142.0 million in 2022 to RMB174.8 million in 2023.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our use of cash was primarily related to operating activities and capital expenditure. We have historically financed our operations through cash generated from our operating activities and financing activities. As of September 30, 2024, we had RMB207.3 million of available cash and cash equivalents. Our available cash and cash equivalents comprise cash and bank balances. See Note 25 to "Appendix I – Accountants' Report" for more details.

Going forward, we believe that our liquidity requirements will be satisfied with a combination of our internal resources, cash flows generated from our operating activities and net **[REDACTED]** from the **[REDACTED]**.

For discussions of our working capitals, see "Selected Balance Sheet Items" in this section.

Working Capital Sufficiency

The Directors are of the opinion that, taking into account the financial resources available to us, including our cash and cash equivalents on hand, cash generated from operations and the estimated net **[REDACTED]** from the **[REDACTED]**, we have sufficient working capital to meet our present requirements, that is, for the next 12 months from the date of the **[REDACTED]**.

Cash Flows Analysis

The following table sets forth selected cash flow statement information for the periods indicated:

	For the year ended December 31,		For the nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	(unaudited)
Net cash flows from operating activities	34,833	111,343	65,967	120,095
Net cash flows (used in)/from investing activities	(1,586,008)	28,061	(328,789)	(439,258)
Net cash flows from/(used in) financing activities	1,677,946	(49,244)	(48,109)	(82,147)
Net increase/(decrease) in cash and cash equivalents	**126,771**	**90,160**	**(310,931)**	**(401,310)**
Cash and cash equivalents at the beginning of the year	391,773	519,585	519,585	608,696
Effect of foreign exchange rate changes, net	1,041	(1,049)	130	(54)
Cash and cash equivalents at the end of the year	**519,585**	**608,696**	**208,784**	**207,332**

Operating Activities

Our cash flows from operating activities reflect: our profit before tax adjusted for (i) non-cash and non-operating items such as interest income from time deposits and negotiable certificates of deposit, gains or losses from fair value changes of financial assets at fair value through profit or loss, gain on disposal of financial assets at fair value through profit or loss, depreciation of right-of-use assets, and depreciation of property, plant and equipment among others, (ii) the effects of movement in working capital such as inventories, prepayments, deposits and other receivables and other payables and accruals, among others, and (iii) income tax paid. Cash flows from operating activities can be significantly affected by factors such as (a) fluctuations of profits before tax for the years and periods, and (b) the amount of trade receivables from customers and the amount of payment of trade payables to suppliers or other counterparties during the ordinary course of our business, which also primarily accounted for the difference in the net cash flows generated from operating activities among the years during the Track Record Period.

Our net cash flow from operating activities in the nine months ended September 30, 2024 was RMB120.1 million, primarily attributable to our profit before tax of RMB185.3 million, as adjusted for (i) non-cash and non-operating items such as other interest income from debt investments at fair value through other comprehensive income of RMB14.4 million, interest income from time deposits of RMB2.8 million, and gain on disposal of financial assets at fair value through profit or loss of RMB22.1 million, (ii) the effects of movement in working capital such as the decrease in other payables and accruals of RMB38.5 million, partially offset by the decrease inventories of RMB2.9 million, and (iii) income tax paid of RMB1.2 million.

Our net cash flow from operating activities in the nine months ended September 30, 2023 was RMB66.0 million, primarily attributable to our profit before tax of RMB122.5 million, as adjusted for (i) non-cash and non-operating items such as interest income from time deposits of RMB1.0 million, fair value gains on financial assets at fair value through profit or loss of RMB5.1 million, and gain on disposal of financial assets at fair value through profit or loss of RMB27.4 million, (ii) the effects of movement in working capital such as the increase in inventories of RMB26.7 million and the decrease in other payables and accruals of RMB31.5 million, partially offset by the decrease in prepayments, deposits and other receivables of RMB18.7 million, and (iii) income tax paid of RMB0.4 million.

Our net cash flow from operating activities in 2023 was RMB111.3 million, primarily attributable to our profit before tax of RMB170.4 million, as adjusted for (i) non-cash and non-operating items such as interest income from time deposits of RMB1.8 million, other interest income from debt investments at fair value through other comprehensive income of RMB9.1 million, gain on disposal of financial assets at fair value through profit or loss of RMB42.2 million and depreciation of right-of-use assets of RMB4.1 million, (ii) the effects of movement in working capital such as the increase in inventories of RMB18.1 million and the decrease in other payables and accruals of RMB18.9 million, partially offset by the decrease in prepayments, deposits and other receivables of RMB17.1 million, and (iii) income tax paid of RMB1.1 million.

Our net cash flow from operating activities in 2022 was RMB34.8 million, primarily attributable to our profit before tax of RMB143.1 million, as adjusted for (i) non-cash and non-operating items such as interest income from time deposits of RMB0.4 million, fair value gains on financial assets at fair value through profit or loss of RMB6.4 million, gain on disposal of financial assets at fair value through profit or loss of RMB25.0 million and depreciation of right-of-use assets of RMB3.2 million, (ii) the effects of movement in working capital such as the increase in inventories of RMB95.8 million, the increase in prepayments, deposits and other receivables of RMB6.3 million, partially offset by the increase in other payables and accruals of RMB14.9 million, and (iii) income tax paid of RMB2.5 million.

Investing Activities

In the nine months ended September 30, 2024, our net cash used in investing activities amounted to RMB439.3 million, which primarily resulted from purchases of wealth management products and structured deposits of RMB3,031.8 million, purchases of time deposits of RMB239.1 million and purchases of debt investments at fair value through other comprehensive income of RMB494.1 million, partially offset by proceeds from sale of wealth management products and structured deposits of RMB3,269.9 million.

In the nine months ended September 30, 2023, our net cash used in investing activities amounted to RMB328.8 million, which primarily resulted from purchases of wealth management products and structured deposits of RMB4,015.5 million and purchases of debt investments at fair value through other comprehensive income of RMB341.3 million, partially offset by proceeds from sale of wealth management products and structured deposits of RMB4,021.7 million and gains on disposal of financial assets at fair value through profit or loss of RMB27.4 million.

In 2023, our net cash flow from in investing activities amounted to RMB28.1 million, which primarily resulted from proceeds from sale of wealth management products and structured deposits of RMB5,546.6 million, partially offset by purchases of wealth management products and structured deposits of RMB5,150.5 million, purchases of time deposits of RMB74.0 million and purchases of debt investments at fair value through other comprehensive income of RMB351.7 million.

In 2022, our net cash used in investing activities amounted to RMB1,586.0 million, which primarily resulted from purchases of wealth management products and structured deposits of RMB6,120.2 million and purchases of debt investments at fair value through other comprehensive income of RMB219.2 million, partially offset by proceeds from sale of wealth management products and structured deposits of RMB4,659.8 million and decrease in debt investments at fair value through other comprehensive income of RMB108.9 million.

Financing Activities

In the nine months ended September 30, 2024, our net cash used in financing activities amounted to RMB82.1 million, which primarily resulted from dividends paid of RMB56.3 million, lease payments of RMB3.3 million and repurchase of shares of RMB20.0 million.

In the nine months ended September 30, 2023, our net cash used in financing activities amounted to RMB48.1 million, which primarily resulted from dividends paid of RMB44.3 million and lease payments of RMB3.2 million.

In 2023, our net cash used in financing activities amounted to RMB49.2 million, which primarily resulted from dividends paid of RMB44.3 million and lease payments of RMB4.3 million.

In 2022, our net cash flows from financing activities amounted to RMB1,677.9 million, which primarily resulted from proceeds from issues of shares of RMB1,722.0 million relating to our A Share offering, partially offset by dividends paid of RMB40.6 million lease payments of RMB3.4 million.

SELECTED BALANCE SHEET ITEMS

Net Current Assets/Liabilities

The following table sets out our current assets and liabilities as of the dates indicated:

	As of December 31,		As of September 30,	As of November 30,
	2022	**2023**	**2024**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	(unaudited)
Current assets				
Inventories	156,227	172,999	166,990	171,662
Trade receivables	1,428	5,771	2,698	9,778
Prepayments, deposits and other receivables	55,602	38,889	45,101	45,290
Financial assets at fair value through profit or loss	1,467,624	1,070,565	831,104	931,167
Debt investments at fair value through other comprehensive income	–	10,724	43,063	191,454
Time deposits	27,417	62,802	121,115	128,619
Cash and cash equivalents	519,585	608,696	207,332	121,804
Total current assets	**2,227,883**	**1,970,446**	**1,417,403**	**1,599,774**
Current liabilities				
Trade payables	8,324	12,270	9,280	11,422
Contract liabilities	508	1,030	5,826	3,257
Other payables and accruals	78,589	75,784	27,100	23,575
Lease liabilities	3,219	3,895	3,224	2,812
Tax payable	–	–	164	–
Total current liabilities	**90,640**	**92,979**	**45,594**	**41,066**
NET CURRENT ASSETS	**2,137,243**	**1,877,467**	**1,371,809**	**1,558,708**

Our net current assets decreased from RMB2,137.2 million as of December 31, 2022 to RMB1,877.5 million as of December 31, 2023, primarily due to the decrease in financial assets at fair value through profit or loss of RMB397.1 million, partially offset by increase in cash and cash equivalents of RMB89.1 million.

Our net current assets decreased from RMB1,877.5 million as of December 31, 2023 to RMB1,371.8 million as of September 30, 2024, primarily due to the decrease in financial assets at fair value through profit or loss of RMB239.5 million, the decrease in cash and cash equivalents of RMB401.4 million, partially offset by the increase in time deposits of RMB58.3 million.

Our net current assets increased from RMB1,371.8 million as of September 30, 2024 to RMB1,558.7 million as of November 30, 2024, primarily due to increase in debt investments at fair value through other comprehensive income of RMB148.4 million and increase in financial assets at fair value through profit or loss of RMB100.1 million, partially offset by decrease in cash and cash equivalents of RMB85.5 million.

Inventories

Our inventories comprise (i) raw materials, primarily consisting of foundry-manufactured wafers, (ii) finished goods, (iii) outsourced processing materials, primarily consisting of manufactured wafers outsourced for packaging, testing and additional processing and (iv) goods shipped in transit. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		**As of September 30,**
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(unaudited)
Raw materials	90,966	88,194	48,496
Finished goods	43,790	34,857	51,279
Outsourced processing materials	21,471	49,948	64,507
Goods shipped in transit	–	–	2,708
Total	**156,227**	**172,999**	**166,990**

Our inventories increased by 10.7% from RMB156.2 million as of December 31, 2022 to RMB173.0 million as of December 31, 2023, primarily due to increases in outsourced processing materials in anticipation of an increase in customers' demand. Our inventories decreased by 3.5% from RMB173.0 million as of December 31, 2023 to RMB167.0 million as of September 30, 2024, primarily due to the decrease in inventory attributable to our increase in sales volume.

The following table sets forth the turnover days of our inventories for the periods indicated:

	For the year ended December 31, 2022	2023	For the nine months ended September 30, 2024
Inventory turnover days [(1)]	287.3	311.8	224.4

Note:

(1) Average inventory turnover days were calculated based on the average of the beginning and ending balances of inventories of a given year/period divided by the cost of sales for that corresponding year/period and multiplied by 365 days for a year or 273 days for the nine-month period.

Our inventory turnover days increased from 287.3 days in 2022 to 311.8 days in 2023, primarily due to an increase in inventory in anticipation of an increase in customers' demand. Our inventory turnover days decreased from 311.8 days in 2023 to 224.4 days in the nine months ended September 30, 2024, primarily due to our increased sales in the nine months ended September 30, 2024, which accelerated our inventory turnover speed.

As of November 30, 2024, RMB92.3 million, or 55.3% of our inventory as of September 30, 2024 had been utilized or sold.

Trade Receivables

The balance of our trade receivables mainly represented receivables from customers for sales of our products. We generally require our customers to make upfront payment before the date of shipping. We grant credit terms to certain customers on a case-by-case basis. We generally grant a limited number of customers credit term of less than 30 days. The table below sets forth our trade receivables as of the dates indicated:

	As of December 31,		As of September 30,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(unaudited)
Trade Receivables	1,472	5,949	2,781
Allowance for expected credit losses	(44)	(178)	(83)
Total	**1,428**	**5,771**	**2,698**

Our balance of trade receivables increased from RMB1.4 million as of December 31, 2022 to RMB5.8 million as of December 31, 2023, primarily due to our business expansion. Our balance of trade receivables decreased from RMB5.8 million as of December 31, 2023 to RMB2.7 million as of September 30, 2024, primarily due to our active collection of trade receivables.

The following table sets forth an ageing analysis of the trade receivables, based on the billing date and net of loss allowance for impairment, as of the dates indicated:

	As of December 31,		**As of September 30,**
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(unaudited)
Within One Year	1,428	5,771	2,698

The following table sets forth our trade receivables turnover days during the periods indicated:

	For the year ended December 31,		**For the nine months ended September 30,**
	2022	**2023**	**2024**
Trade receivable turnover days(1)	2.4	3.2	2.7

Note:

(1) Trade receivables turnover days were calculated based on the average of opening and closing balance of trade receivables (less allowance for impairment) for the relevant year/period, divided by the revenue for the same year/period and multiplied by 365 days for the year or 273 days for the nine-month period.

Our trade receivable turnover days remained stable at 2.4 days, 3.2 days and 2.7 days in 2022, 2023 and in the nine months ended September 30, 2024.

During the Track Record Period, we did not experience any significant losses associated with our trade receivables and the increase in our trade receivables did not have any material adverse impact on our liquidity or cash flows.

As of November 30, 2024, RMB2.6 million, or 96.6% of our total trade receivables as of September 30, 2024, had been settled.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily include (i) prepayments paid to our suppliers for raw materials, (ii) deposits and other receivables, (iii) VAT recoverable and (iv) prepaid tax. The following table sets forth the breakdown of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,		As of September 30,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(unaudited)
Prepayments	24,196	5,705	15,165
Deposits and other receivables	1,434	1,797	1,795
VAT recoverable	28,594	31,199	28,218
Prepaid tax	1,442	261	–
	55,666	38,962	45,178
Less: Impairment of other receivables	(64)	(73)	(77)
Total	**55,602**	**38,889**	**45,101**

Our prepayments, deposits and other receivables decreased from RMB55.6 million as of December 31, 2022 to RMB38.9 million as of December 31, 2023, mainly due to the decrease in prepayments attributable to the settlement of prepayments with our suppliers. Our prepayments, deposits and other receivables increased from RMB38.9 million as of December 31, 2023 to RMB45.1 million as of September 30, 2024, mainly due to primarily due to the increase in prepayments attributable to our increasing procurement volume of foundry-manufactured wafers, which was in line with our business growth.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss primarily consists of wealth management products and principal-guranteed structured deposits. Our financial assets at fair value through profit or loss decreased from RMB1,467.6 million as of December 31, 2022 to RMB1,070.6 million as of December 31, 2023, and further decreased to RMB831.1 million as of September 30, 2024, mainly due to redemption of wealth management products and structured deposits which were mainly used for purchase of negotiable certificates of deposit. See "Selected Balance Sheet Items – Debt Investments at Fair Value Through Other Comprehensive Income" in this section.

Trade Payables

Our trade payables primarily consisting of payments due to our suppliers for wafer manufacturing and chip packaging and testing. Our trade payables are non-interest-bearing and are normally settled in no more than 30 days upon invoice. The fair values of trade payables as at the end of each year of the Track Record Period approximated to their corresponding carrying amounts due to their relatively short maturity terms.

The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,		As of September 30,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(unaudited)
Within 1 Year	8,324	12,270	9,280

Our trade payables increased by 47.4% from RMB8.3 million as of December 31, 2022 to RMB12.3 million as of December 31, 2023, primarily due to the increased wafer procurements by us in anticipation of increased sales. Our trade payables decreased from RMB12.3 million as of December 31, 2023 to RMB9.3 million as of September 30, 2024, mainly due to decreased payables to our foundry partner as a result of relatively decreased procurement.

The following table sets forth our trade payables turnover days during the dates indicated:

	For the year ended December 31,		For the nine months ended September 30,
	2022	**2023**	**2024**
Trade payable turnover days[(1)]	16.2	19.5	14.2

Note:

(1) The trade payable turnover days is the average of the opening and closing trade payable divided by our total cost of sales for that year/period and multiplied by 365 days for the year or 273 days for the nine-month period.

Our trade payables turnover days remained generally stable at 16.2 days, 19.5 days and 14.2 days in 2022, 2023 and the nine months ended September 30, 2024, respectively, as we maintained stable business relationship with our suppliers.

As of November 30, 2024, all of our total trade payables as of September 30, 2024, had been settled.

Contract Liabilities

Our contract liabilities include payments from our customers based on sales order in advance of our delivery of products under the contracts.

Our contract liabilities increased from RMB0.5 million as of December 31, 2022 to RMB1.0 million as of December 31, 2023, and further increased to RMB5.8 million as of September 30, 2024, primarily attributable to an increase in customers' advance payments for purchase of our products as a result of rising customer demand.

Other Payables and Accruals

Our other payables and accruals primarily consist of (i) deposits payable, (ii) payroll payables, (iii) accruals and other payables, (iv) instalments payable due within one year and (v) other tax payables.

The table below sets forth our other payables and accruals as of the dates indicated:

	As of December 31,		**As of September 30,**
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Deposits payable	49,302	38,430	10,572
Payroll payables	21,085	27,652	6,900
Accruals and other payables	4,871	3,934	3,977
Instalments payable due within one year	544	2,151	1,649
Other tax payables	2,787	3,617	4,002
Total	**78,589**	**75,784**	**27,100**

Our other payables and accruals decreased from RMB78.6 million as of December 31, 2022 to RMB75.8 million as of December 31, 2023, primarily due to the decrease in deposits payable attributable to the return of customer deposits upon meeting settlement conditions. Our other payables and accruals decreased from RMB75.8 million as of December 31, 2023 to RMB27.1 million as of September 30, 2024, primarily due to (i) decreases in deposits payable attributable to the return of customer deposits upon meeting settlement conditions, and (ii) payroll payables incurred attributable to annual bonus payable to our employees as of December 31, 2023.

Lease Liabilities

Our lease liabilities increased from RMB3.2 million as of December 31, 2022 to RMB3.9 million as of December 31, 2023, primarily due to the expansion of office and warehouses. Our lease liabilities decreased from RMB3.9 million as of December 31, 2023 to RMB3.2 million as of September 30, 2024, primarily due to our payment of rent.

Non-current Assets/Liabilities

The following table sets out our non-current assets and liabilities as of the dates indicated:

	As of December 31,		As of September 30,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
NON-CURRENT ASSETS			
Property, plant and equipment	5,069	10,903	145,475
Right-of-use assets	8,581	7,259	4,537
Intangible assets	3,016	8,295	5,845
Equity investments designated at fair value through other comprehensive income	–	–	796
Debt investments at fair value through other comprehensive income	110,938	461,012	937,186
Deferred tax assets	1,755	10,099	12,289
Other non-current assets	15,689	25,674	31,984
Total non-current assets	**145,048**	**523,242**	**1,138,112**
NON-CURRENT LIABILITIES			
Other payables and accruals	18,410	1,649	–
Lease liabilities	5,454	3,717	1,558
Deferred Income	2,395	3,452	2,757
Deferred tax liabilities	973	773	607
Total non-current liabilities	**27,232**	**9,591**	**4,922**
Net assets	**2,255,059**	**2,391,118**	**2,504,999**

Property, Plant and Equipment

Our property, plant and equipment primarily consist of buildings, machine equipment, electronic equipment, furniture and fixture, and leasehold improvements. The following table sets forth the breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		**As of September 30,**
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(unaudited)
Buildings	–	–	134,082
Machine equipment	2,268	6,297	7,362
Electronic equipment	2,435	3,889	3,512
Furniture and fixtures	14	14	14
Leasehold improvements	352	703	505
Total	**5,069**	**10,903**	**145,475**

Our property, plant and equipment increased from RMB5.1 million as of December 31, 2022 to RMB10.9 million as of December 31, 2023, primarily due to increases in machine equipment, electronic equipment attributable to outsourced packaging and testing and our R&D activities. Our property, plant and equipment increased from RMB10.9 million as of December 31, 2023 to RMB145.5 million as of September 30, 2024, primarily due to the increase in buildings attributable to our purchase of a building in Shanghai for R&D and office use.

Right-of-Use Assets

Our right-of-use assets primarily consist of plant and properties. Our right-of-use assets decreased from RMB8.6 million as of December 31, 2022 to RMB7.3 million as of December 31, 2023, and further decreased to RMB4.5 million as of September 30, 2024, mainly due to depreciation of our right-of-use assets.

Intangible assets

Our intangible assets primarily consist of software and IP license.

	As of December 31,		As of September 30,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(unaudited)
Software	2,630	8,058	5,658
IP license	386	237	187
Total	**3,016**	**8,295**	**5,845**

Our intangible assets increased from RMB3.0 million as of December 31, 2022 to RMB8.3 million as of December 31, 2023, mainly due to the increase in software attributable to our purchase of EDA software. Our intangible assets decreased from RMB8.3 million as of December 31, 2023 to RMB5.8 million as of September 30, 2024, mainly due to the amortization of our intangible assets.

Debt Investments at Fair Value Through Other Comprehensive Income

Our debt investments at fair value through other comprehensive income consists of negotiable certificate of deposit. Our debt investments at fair value through other comprehensive income increased from RMB110.9 million as of December 31, 2022 to RMB461.0 million as of December 31, 2023, and further increased to RMB937.2 million as of September 30, 2024, mainly due to our increased purchase of negotiable certificates of deposit.

Other Payables and Accruals

Our other payables and accruals primarily consist of long-term deposits payable and instalments payable for purchase of intangible assets. We recognized other payables and accruals of RMB18.4 million, RMB1.6 million and nil as of December 31, 2022, December 31, 2023, and September 30, 2024. Other payables and accruals as of December 31, 2022 was mainly due to certain customer deposits that we needed to return to them upon meeting settlement conditions. Other payables and accruals as of December 31, 2023 was mainly due to instalments payable for purchase of intangible assets.

Lease Liabilities

Our non-current lease liabilities decreased from RMB5.5 million as of December 31, 2022 to RMB3.7 million as of December 31, 2023 and subsequently decreased to RMB1.6 million as of September 30, 2024, mainly due to our payment of rent.

INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,		As of September 30,	As of November 30,
	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	(unaudited)
Current				
Lease liabilities	3,219	3,895	3,224	2,812
Non-current				
Lease liabilities	5,454	3,717	1,558	7,506
Total	**8,673**	**7,612**	**4,782**	**10,318**

As of the Latest Practicable Date, we did not have any bank borrowings.

Lease Liabilities

As of December 31, 2022 and 2023 and September 30, 2024, we have outstanding aggregate unpaid contractual lease payments (present value of lease payments for the remainder of relevant lease terms) of RMB8.7 million, RMB7.6 million and RMB4.8 million, respectively, in relation to the corresponding lease liabilities. See "Selected Balance Sheet Items – Net Current Assets/Liabilities – Lease Liabilities" and "Selected Balance Sheet Items – Non-current Assets/Liabilities– Lease Liabilities" in this section.

Except as discussed above, we did not have material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of November 30, 2024. Our Directors confirm that there have been no material adverse change in our indebtedness since November 30, 2024 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of December 31, 2022 and 2023 and September 30, 2024, we did not have any material contingent liabilities. As of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

CAPITAL EXPENDITURE

During the Track Record Period, we incurred capital expenditures of RMB16.1 million, RMB25.3 million and RMB148.1 million in 2022 and 2023, and the nine months ended September 30, 2024, respectively, mainly consisted of payment for cooperative building construction and expenditures on property, plant and equipment.

The following table sets forth a breakdown of our capital expenditures for the periods indicated:

	For the year ended December 31,		For the nine months ended September 30,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(unaudited)
Purchases of property, plant and equipment	3,601	7,305	143,373
Additions of other intangible assets	1,530	5,081	2,868
Payment for cooperative building construction	10,949	12,950	1,881
Total	**16,080**	**25,336**	**148,122**

We expect to fund our future capital expenditures with our operating cash flows. We may adjust our capital expenditures for any given period according to our ongoing business needs and in light of market conditions or other factors we believe appropriate.

CAPITAL COMMITMENTS

The following table sets forth a breakdown of our capital commitments for the periods indicated:

	As of December 31,		As of September 30,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(unaudited)
Contracted, but not provided for:			
Property, plant and equipment	1,645	1,099	4,812
Cooperative building construction	10,949	99,919	98,038
Total	**12,594**	**101,018**	**102,850**

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other relevant commitments. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging with us.

RELATED PARTY TRANSACTIONS AND BALANCES

During the Track Record Period, we entered into certain related party transactions from time to time, primarily related to the compensation of our key management personnel. See Note 36 to the Accountants' Report in Appendix I to this document for more details. Our Directors believe that our transactions with related parties during the Track Record Period were conducted in the ordinary and usual course of business and on an arm's length basis, and they did not distinct our results of operations or make our historical results not reflective of our future performance.

DIVIDENDS AND DIVIDEND POLICY

Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, as appropriate. During the Track Record Period, we declared dividends of RMB40.6 million and RMB44.3 million in 2022 and 2023, respectively.

According to including the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies – Cash Dividend Distribution of Listed Companies (2023 Revision) (《上市公司監管指引第3號 －上市公司現金分紅(2023年修訂)》), and the Articles of Association, we are required to pay cumulative cash dividends of any three fiscal years that account for not less than 30% of our average net profits for those three fiscal years which are available for distribution, calculated in accordance with PRC GAAP, provided that the sustainable operation and long term development of the Company will not be impacted and there is no plan for significant capital expenditure. Future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders' meetings. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that our Board may deem relevant.

[REDACTED]

[REDACTED] represent professional fees, **[REDACTED]** and other fees (such as the discretionary incentive fee) incurred in connection with the **[REDACTED]**. We estimate that our **[REDACTED]** will be approximately RMB**[REDACTED]** (or HK$**[REDACTED]**, representing **[REDACTED]**% of the gross **[REDACTED]** from the **[REDACTED]**) (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the indicative **[REDACTED]** range) and no exercise of the **[REDACTED]**), of which (i) approximately RMB**[REDACTED]**, directly attributable to the issue of our **[REDACTED]**, will be subsequently charged to equity upon completion of the proposed **[REDACTED]**, (ii) approximately RMB**[REDACTED]** is expected to be expensed in our consolidated statements of profit or loss. By nature, our **[REDACTED]** are composed of (i) **[REDACTED]** of approximately RMB**[REDACTED]** and (ii) non-**[REDACTED]**-related expenses of approximately RMB**[REDACTED]**, which consist of (a) fees and expenses of legal advisors and Reporting Accountants of approximately RMB**[REDACTED]**, and (b) other fees and expenses of approximately RMB**[REDACTED]**. We did not recognize any **[REDACTED]** in 2022, 2023 and nine months ended September 30, 2024.

DISTRIBUTABLE RESERVES

As of September 30, 2024, our consolidated retained profits amounted to RMB501.3 million, available for distribution to our shareholders.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	As of or for the year ended December 31,		**As of or for the nine months ended September 30,**
	2022	**2023**	**2024**
			(unaudited)
Gross profit margin	57.3%	53.2%	52.2%
Net profit margin	44.0%	42.5%	42.5%
Return on equity[(1)]	10.6%	7.5%	10.0%
Return on total assets[(2)]	9.8%	7.2%	9.7%
Current ratio[(3)]	24.6	21.2	31.1

Notes:

(1) Return on equity was calculated based on net profit of the respective year or annualized net profit for the period, divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.

(2) Return on total assets was calculated based on net profit of the respective year or annualized net profit for the period, divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

(3) Current ratio was calculated based on current assets of the respective year/period, divided by current liabilities.

Return on Equity

Our return on equity decreased from 10.6% in 2022 to 7.5% in 2023, primarily due to increase in total equity due to our A Share offering in 2022. Our return on equity increased from 7.5% in 2023 to 10.0% in the nine months ended September 30, 2024 primarily due to the increase in net profits in the nine months ended September 30, 2024.

Return on Total Assets

Our return on total assets decreased from 9.8% in 2022 to 7.2% in 2023, primarily due to increase in our total assets due to our A Share offering in 2022. Our return on total assets increased from 7.3% in 2023 to 9.7% in the nine months ended September 30, 2024 primarily due to the increase in net profits in the nine months ended September 30, 2024.

Current Ratio

Our current ratio decreased from 24.6 in 2022 to 21.2 in 2023, primarily due to decrease in our current assets attributable to decrease in financial assets at fair value through profit or loss of RMB397.1 million.

Our current ratio increased from 21.2 in 2023 to 31.1 in the nine months ended September 30, 2024, primarily due to decrease in other payables and accruals in the nine months ended September 30, 2024.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. There are no significant concentrations of credit risk for trade receivables from third parties as our customer bases are dispersed. In addition, receivable balances are monitored on an ongoing basis. For transactions that are not denominated in the functional currency of the relevant operating unit, we do not offer credit terms without the specific approval of our credit control department. See Note 39 to the Accountants' Report set out in Appendix I to this document for more details.

Liquidity Risk

We monitor the risk in relation to shortage of funds through using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets, such as trade receivables and projected cash flows from operations. Our objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations.

For the maturity profile of our financial liabilities as of December 31, 2022 and 2023, and September 30, 2024, see Note 39 to the Accountants' Report set forth in Appendix I to this document.

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than our functional currencies. For a sensitivity analysis of a reasonably possible change in the USD exchange rates, with all other variables held constant, of our profit before tax for each period of the Track Record Period, see Note 39 to the Accountants' Report set forth in Appendix I to this document.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

[REDACTED]

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this document there had been no material adverse change in our financial, operational or prospects since September 30, 2024, being the latest balance sheet date of our consolidated financial statements as set out in the Accountants' Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER LISTING RULES

Except as otherwise disclosed in this document, our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

OVERVIEW

As of the Latest Practicable Date, our Company was held as to (i) 38.06% by Fortior HK, which was majority-controlled by Mr. Bi Lei and his brother, Dr. Bi Chao, and (ii) 1.46% by Xinyun Technology, which was wholly owned by Ms. Gao Shuai, the spouse of Mr. Bi Lei, representing 38.14% and 1.47% of the voting power at general meetings of our Company, respectively (excluding the 193,000 A Shares held by our Company as treasury Shares). For details, see "History and Corporate Structure – Corporate Structure" in this document. Mr. Bi Lei, Dr. Bi Chao and Ms. Gao Shuai have entered into the Acting-in-Concert Agreement, pursuant to which they agreed, among other things, to act in concert when voting at general meetings of our Company and meetings of our Board until April 19, 2028.

Accordingly, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no additional Shares are issued pursuant to our Restricted Share Incentive Plans), Mr. Bi Lei, Dr. Bi Chao and Ms. Gao Shuai, through Fortior HK and Xinyun Technology, will collectively be entitled to exercise **[REDACTED]**% of the voting power at general meetings of our Company (excluding the 193,000 A Shares held by our Company as treasury Shares). Upon **[REDACTED]**, each of Mr. Bi Lei, Dr. Bi Chao, Ms. Gao Shuai, Fortior HK and Xinyun Technology will together constitute a group of our Controlling Shareholders under the Listing Rules.

INTEREST IN COMPETING BUSINESS

Each of our Controlling Shareholders confirms that he/she/it had no interest in any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group, which would require disclosure under Rule 8.10 of the Listing Rules as of the Latest Practicable Date.

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has provided non-competition undertakings to our Company, pursuant to which each of our Controlling Shareholders has undertaken that, among others:

(i) each of our Controlling Shareholders and other enterprises controlled by our Controlling Shareholders (collectively, the "**Relevant Parties**") would avoid competing with our Company within the same industry in the future. If there are any business opportunities within the scope of our Company's principal business in the future, our Controlling Shareholders would give priority in referring those opportunities to our Company;

(ii) if any of our Controlling Shareholders fails to fulfill the above undertakings, he/she/it would indemnify our Company for any loss suffered as a result thereof; and

(iii) the above undertakings shall be legally binding on each of our Controlling Shareholders and expire on the date when he/she/it ceases to be a controlling shareholder, actual controller or person acting in concert with the actual controller of our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates upon **[REDACTED]**.

Management Independence

Upon **[REDACTED]**, our Board will comprise five Directors, including two executive Directors and three independent non-executive Directors. Our management and operational decisions are made collectively by our Board and senior management, most of whom have served our Group for a significant period and have substantial and extensive relevant industry experience and expertise as set out in "Directors, Supervisors and Senior Management." Save for Mr. Bi Lei and Dr. Bi Chao, who are our Controlling Shareholders and executive Directors, none of our Directors or members of the senior management is a Controlling Shareholder or holds any directorship or executive position in our Controlling Shareholders or their close associates.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders for the following reasons:

(i) each Director is aware of his or her fiduciary duties as a Director which require, among other things, that such Director acts for the best interests of our Company and our Shareholders as a whole and does not allow any conflict between his or her duties as a Director and his or her personal interests;

(ii) our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions pursuant to the relevant requirements under our Articles of Association and/or the Listing Rules;

(iii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions;

(iv) all of the other Directors are independent from our Controlling Shareholders, and decisions of the Board require the approval of a majority vote from the Board; and

(v) we have appointed three independent non-executive Directors, comprising more than one third of the total members of our Board, who have sufficient knowledge, experience and competence to provide a balance of the potentially interested Directors and independent Directors with a view to safeguard the interests of our Company and the Shareholders as a whole.

Based on the above, our Directors are of the view that our Board and senior management as a whole are capable to perform their roles in our Company independently and manage our business independently of our Controlling Shareholders and their respective close associates after **[REDACTED]**.

Operational Independence

We are not operationally dependent on our Controlling Shareholders. We have established our own organizational structure, with each department assigned to specific areas of responsibilities which have been in operation and are expected to continue to operate independently of our Controlling Shareholders and their respective close associates. We have independent access to suppliers and customers. We are also in possession of relevant assets, licenses, trademarks and other intellectual property and research and development facilities necessary to carry on and operate our business, and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors are satisfied that we will be able to operate independently of our Controlling Shareholders and their respective close associates after **[REDACTED]**.

Financial Independence

We have the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective. We have an independent financial system and make financial decisions according to our own business needs. We have our independent financial department with a team of independent financial staff responsible for discharging the treasury function, and an audit committee comprising solely of independent non-executive Directors to oversee our accounting and financial reporting processes. We make tax registration and pays tax independently with our own funds. As such, our financial functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their respective close associates.

We do not rely on our Controlling Shareholders or their close associates to provide financial assistance to our Group. We have independent access to third party financing and our Directors believe that, if necessary, we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders or their respective close associates. As of the Latest Practicable Date, none of our Controlling Shareholders or their respective close associates had provided any loans, borrowings or guarantees to our Group.

Based on the above, our Directors are satisfied that we will be able to maintain financial independence from our Controlling Shareholders and their respective close associates after **[REDACTED]**.

CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of our Shareholders, we will adopt the following corporate governance measures to manage any potential conflicts of interest with our Controlling Shareholders and their respective close associates:

(i) As part of our preparation for the **[REDACTED]**, we have amended our Articles of Association to comply with the Listing Rules which will become effective upon **[REDACTED]**. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest, nor shall such Director be counted in the quorum present at the Board meeting.

(ii) Where a transaction or arrangement of our Company is subject to Shareholders' approval under the provisions of the Listing Rules, any Controlling Shareholder that has a material interest in the transaction or arrangement shall abstain from voting on the resolution(s) approving the transaction or arrangement at the general meeting.

(iii) Our Company has established internal control mechanisms to identify connected transactions. Upon **[REDACTED]**, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable requirements under the Listing Rules.

(iv) We are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors possess sufficient experiences and are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our Shareholders as a whole. For details of our independent non-executive Directors, see "Directors, Supervisors and Senior Management – Directors – Independent Non-Executive Directors" in this document.

We have appointed Altus Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

SHARE CAPITAL

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the issued share capital of our Company consisted of 92,363,380 A Shares (including 193,000 A Shares as treasury Shares) with a nominal value of RMB1.00 each, all of which are listed on the STAR Market.

UPON COMPLETION OF THE [REDACTED]

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no additional Shares are issued pursuant to our Restricted Share Incentive Plans), the issued share capital of our Company will be as follows:

	Number of Shares	Approximately % of issued share capital
A Shares in issue	92,363,380[1]	**[REDACTED]**%
H Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	**100.00%**

Note:

(1) Including 193,000 A Shares which are held by our Company as treasury Shares.

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is exercised in full and no additional Shares are issued pursuant to our Restricted Share Incentive Plans), the issued share capital of our Company will be as follows:

	Number of Shares	Approximately % of issued share capital
A Shares in issue	92,363,380[1]	**[REDACTED]**%
H Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	**100.00%**

Note:

(1) Including 193,000 A Shares which are held by our Company as treasury Shares.

OUR SHARES

Upon the completion of the **[REDACTED]**, our Shares will consist of A Shares and H Shares. The A Shares and H Shares are all ordinary Shares in the share capital of our Company. Apart from certain qualified domestic institutional investors in mainland China, the qualified investors in mainland China under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (if our H Shares are eligible securities for that purpose) and other persons who are entitled to hold our H Shares pursuant to relevant PRC law or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons in mainland China.

Shanghai-Hong Kong Stock Connect has established a stock connect mechanism between mainland China and Hong Kong. Our A Shares can be traded by investors in mainland China, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As our A Shares are eligible securities under the Northbound Trading Link, they can also be traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shanghai-Hong Kong Stock Connect. If our H Shares are eligible securities under the Southbound Trading Link, they can also be traded by investors in mainland China in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and our H Shares may be different after the **[REDACTED]**. The Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (H股公司境內未上市股份申請「全流通」業務指引) announced by the CSRC are not applicable to companies dual listed in the PRC and on the Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may convert A Shares held by them into H Shares for **[REDACTED]** and trading on the Stock Exchange.

As of the Latest Practicable Date, 193,000 A Shares were held by our Company as treasury Shares, which shall only be used by our Company in connection with employee stock ownership plan(s) or employee share incentives of our Company. These A Shares were repurchased by our Company during the period from January 31, 2024 to September 12, 2024. If such 193,000 A Shares are not utilized within three years from the announcement of the results of repurchase and changes in our Shares, all such unutilized A Shares shall be cancelled. Upon adoption of any share scheme(s) of our Company which will be funded by such 193,000 A Shares after **[REDACTED]**, such 193,000 A Shares may be transferred out of treasury for the purpose of and pursuant to such share scheme(s) of our Company and our Company will comply with applicable requirements under Rule 19A.39E of the Listing Rules as and when appropriate and required.

RANKING

Our A Shares and our H Shares are regarded as one class of Shares under our Articles of Association and shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made after the date of this document. All dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of our A Shares are to be paid by us in Renminbi. In addition to cash, dividends could also be distributed in the form of Shares. Holders of our H Shares will receive scrip dividends in the form of H Shares, and holders of our A Shares will receive scrip dividends in the form of A Shares.

APPROVAL FROM A SHAREHOLDERS REGARDING THE [REDACTED]

We obtained our A Shareholders' approval to **[REDACTED]** H Shares and seek the **[REDACTED]** of H Shares on the Stock Exchange at the general meeting of our Company held on January 10, 2025. Such approval is subject to the following conditions:

(i) **Size of the [REDACTED].** The proposed number of H Shares to be **[REDACTED]** shall not exceed **[REDACTED]**% of the total issued share capital enlarged by the H Shares to be issued pursuant to the **[REDACTED]** (before the exercise of the **[REDACTED]**). The number of H Shares to be **[REDACTED]** pursuant to the exercise of the **[REDACTED]** shall not exceed **[REDACTED]**% of the total number of H Shares to be **[REDACTED]** initially under the **[REDACTED]**.

(ii) **Method of [REDACTED].** The method of **[REDACTED]** shall be by way of an **[REDACTED]** to institutional **[REDACTED]** and a **[REDACTED]** for subscription in Hong Kong.

(iii) **Target [REDACTED].** The H Shares shall be **[REDACTED]** to public **[REDACTED]** in Hong Kong under the **[REDACTED]** and international **[REDACTED]**, qualified domestic institutional **[REDACTED]** in mainland China and other **[REDACTED]** who are in compliance with the relevant regulatory requirements to **[REDACTED]** abroad in **[REDACTED]**.

(iv) **[REDACTED] basis.** The **[REDACTED]** of the H Shares will be determined, among others, after due consideration of the interests of existing Shareholders as a whole, acceptance of **[REDACTED]** and the risks related to the **[REDACTED]**, according to international practice, through the demands for orders and book building process, subject to the domestic and overseas capital market conditions.

(v) **Validity period.** The **[REDACTED]** of H Shares and **[REDACTED]** of H Shares on the Stock Exchange shall be completed within 18 months after the date of the shareholders' meeting.

There is no other approved **[REDACTED]** plan for the Shares except the **[REDACTED]**.

GENERAL MEETINGS

For details of circumstance under which our general meetings are required, see "Summary of the Articles of Association – Shareholders and Shareholders' General Meetings" in Appendix V to this document.

SHARE SCHEMES

For details of our Restricted Share Incentive Plans, see "Statutory and General Information – D. Restricted Share Incentive Plans" in Appendix VI to this document.

So far as our Directors are aware, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no additional Shares are issued pursuant to our Restricted Share Incentive Plans), the following persons will have an interest or short position in Shares and/or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company.

Name of Shareholder	Nature of interest[1]	Number and class of Shares or underlying Shares held	Shareholding as of the Latest Practicable Date		Shareholding upon completion of the [REDACTED][2]	
			in relevant class of Shares	in total issued share capital	in relevant class of Shares	in total issued share capital
Mr. Bi Lei[3][4][7][8][10]	Beneficial owner Interest in controlled corporation Interest of spouse Interest held jointly with other persons	36,585,147 A Shares	39.61%	39.61%	**[REDACTED]**%	**[REDACTED]**%
Dr. Bi Chao[5][8][10]	Beneficial owner Interest held jointly with other persons	36,585,147 A Shares	39.61%	39.61%	**[REDACTED]**%	**[REDACTED]**%
Ms. Gao Shuai[6][7][8][10]	Interest in controlled corporation Interest of spouse Interest held jointly with other persons	36,585,147 A Shares	39.61%	39.61%	**[REDACTED]**%	**[REDACTED]**%
Fortior HK[3][10]	Beneficial owner	35,154,431 A Shares	38.06%	38.06%	**[REDACTED]**%	**[REDACTED]**%
Shanghai Huaxin[9]	Beneficial owner	11,283,497 A Shares	12.22%	12.22%	**[REDACTED]**%	**[REDACTED]**%
Moselle Limited[9]	Interest in controlled corporation	11,283,497 A Shares	12.22%	12.22%	**[REDACTED]**%	**[REDACTED]**%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no additional Shares are issued pursuant to our Restricted Share Incentive Plans).

(3) As of the Latest Practicable Date, Fortior HK was held as to 35.25% by Mr. Bi Lei. By virtue of the SFO, Mr. Bi Lei is deemed to be interested in the Shares held by Fortior HK.

(4) As of the Latest Practicable Date, Mr. Bi Lei was interested in 60,000 restricted Shares granted to him under the 2024 Restricted Share Incentive Plan entitling him to receive 60,000 A Shares subject to vesting.

(5) As of the Latest Practicable Date, Dr. Bi Chao was interested in 20,000 restricted Shares granted to him under the 2024 Restricted Share Incentive Plan entitling him to receive 20,000 A Shares subject to vesting.

(6) As of the Latest Practicable Date, Xinyun Technology was wholly owned by Ms. Gao Shuai. By virtue of the SFO, Ms. Gao Shuai is deemed to be interested in the Shares held by Xinyun Technology. For details of interests of Xinyun Technology in our Company, see "History and Corporate Structure – Corporate Structure" in this document.

(7) Mr. Bi Lei and Ms. Gao Shuai are spouses. By virtue of the SFO, they are deemed to be interested in the Shares and underlying Shares held by each other.

(8) Mr. Bi Lei, Dr. Bi Chao and Ms. Gao Shuai have entered into the Acting-in-Concert Agreement. By virtue of the SFO, they are deemed to be interested in the Shares and underlying Shares held by each other.

(9) As of the Latest Practicable Date, the general partner of Shanghai Huaxin was Moselle Limited. By virtue of the SFO, Moselle Limited is deemed to be interested in the Shares held by Shanghai Huaxin.

(10) By virtue of the SFO, since Mr. Bi Lei, Dr. Bi Chao, Ms. Gao Shuai and Fortior HK controlled one third or more of the voting power at general meetings of our Company as of the Latest Practicable Date, they might be taken to have an interest in the 193,000 treasury Shares held by our Company as of the Latest Practicable Date.

For details of Shareholders who will be, directly or indirectly, interested in 10% or more of the issued voting shares of other members of our Group, see "Statutory and General Information – C. Further Information about Our Directors, Supervisors and Substantial Shareholders – 1. Disclosure of Interests" in Appendix VI to this document.

OVERVIEW

Our Board will comprise five Directors, including two executive Directors, and three independent non-executive Directors, namely:

Name	Age	Position	Date of joining our Group	Date of appointment as Director[1]	Roles and responsibilities	Relationship with other Directors, Supervisors and members of senior management
Mr. Bi Lei (畢磊)	53	Executive Director, chairman of the Board, general manager and chief executive officer	May 21, 2010	June 16, 2020	Overall management, strategic planning and decision-making for key business and operational matters of our Group	Brother of Dr. Bi Chao
Dr. Bi Chao (畢超)	66	Executive Director and chief technology officer	June 23, 2014	June 16, 2020	Overseeing business and daily operations of our Group and leading the overall technology development of our Group	Brother of Mr. Bi Lei
Mr. Wang Jianxin (王建新)	54	Independent non-executive Director	June 16, 2020	June 16, 2020	Providing independent advice on the operations and management of our Group	N/A
Dr. Niu Shuangxia (牛雙霞)	43	Independent non-executive Director	August 8, 2024	August 8, 2024	Providing independent advice on the operations and management of our Group	N/A
Mr. Chen Jingyang (陳井陽)	42	Independent non-executive Director	January 10, 2025	January 10, 2025	Providing independent advice on the operations and management of our Group	N/A

Note:

(1) For the avoidance of doubt, the date of appointment as Director refers to the appointment as Director after our conversion into a joint stock company with limited liability in June 2020. For details of our conversion, see "History and Corporate Structure – Major Shareholding Changes of Our Company – Early Development and Conversion into a Joint Stock Company" in this document.

Our Board of Supervisors comprises three members, namely:

Name	Age	Position	Date of joining our Group	Date of appointment as Supervisor	Roles and responsibilities	Relationship with other Directors, Supervisors and members of senior management
Ms. Wang Yuhong (汪鈺紅)	44	Chairperson of the Board of Supervisors	May 7, 2012	June 1, 2022	Overseeing the performance of Directors and senior management of our Company	N/A
Ms. Liu Haimei (劉海梅)	46	Employee representative Supervisor	September 5, 2016	July 20, 2021	Overseeing the performance of Directors and senior management of our Company	N/A
Mr. Bai Yuhong (柏玉宏)	41	Supervisor	April 10, 2017	June 15, 2023	Overseeing the performance of Directors and senior management of our Company	N/A

Our senior management team comprises the following:

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors, Supervisors and members of senior management
Mr. Bi Lei (畢磊)	53	Executive Director, chairman of the Board, general manager and chief executive officer	May 21, 2010	June 16, 2020	Overall management, strategic planning and decision-making for key business and operational matters of our Group	Brother of Dr. Bi Chao
Ms. Zhang Hongmei (張紅梅)	43	Finance director	February 2, 2024	February 23, 2024	Financial operations and capital management of our Group	N/A
Ms. Jiao Qianqian (焦倩倩)	30	Secretary of the Board and joint company secretary	December 13, 2021	January 26, 2024	Board affairs, corporate governance, capital management, investor relations and securities affairs of our Group	N/A

DIRECTORS

Executive Directors

Mr. Bi Lei (畢磊), aged 53, is our executive Director, chairman of our Board, general manager and chief executive officer. As the founder of our Group, Mr. Bi has been our Director, general manager and chief executive officer since the inception of our Company, and the chairman of our Board since September 2013. He was redesignated as our executive Director on January 10, 2025 with effect from the **[REDACTED]**. He is primarily responsible for the overall management, strategic planning and decision-making for key business and operational matters of our Group.

Prior to founding our Group, Mr. Bi served as a research and development vice president at Shenzhen Chipsbank Technologies Co., Ltd. (深圳芯邦科技股份有限公司) from October 2004 to February 2010. Before that, he was an IC design engineer at the Asia Pacific R&D Center of Philips Electronics Singapore Pte Ltd (Semiconductors – Asia Product Innovation Centre) and an R&D engineer at the Data Storage Institute under the Agency for Science, Technology and Research (A*STAR), Singapore. Mr. Bi was recognized as an Overseas High-Caliber Personnel (Level A) under Shenzhen's "Peacock Plan" in 2012 and a "High-Level Talent" in Nanshan District, Shenzhen, in 2016.

Mr. Bi Lei obtained a master's degree of science in applied physics and electrical engineering from Linköping University in Sweden.

Dr. Bi Chao (畢超), aged 66, is our executive Director and chief technology officer. Dr. Bi joined our Group in June 2014 as chief technology officer, and was appointed as our Director on June 16, 2020 and was redesignated as an executive Director on January 10, 2025 with effect from the **[REDACTED]**. He is primarily responsible for overseeing business and daily operations of our Group and leading the overall technology development of our Group.

Prior to joining our Group, Dr. Bi worked at the Data Storage Institute under the Agency for Science, Technology and Research (A*STAR), Singapore, with his last position as the senior scientist. Previously, he served as a senior engineer at Western Digital (Singapore) Pte. Ltd. and a lecturer in electrical engineering at Southeast University, the PRC. Dr. Bi received the National Technology Award of Singapore for his achievements in the field of motor technology in 2006, and was recognized as an Overseas High-Caliber Personnel (Level A) under Shenzhen's "Peacock Plan" in 2015, and a "High-Level Talent" in Nanshan District, Shenzhen, in 2016.

Dr. Bi Chao obtained a bachelor's degree of engineering in motor technology from Hefei University of Technology (合肥工業大學) in the PRC in January 1982, a master's degree of engineering in motor technology from Xi'an Jiaotong University (西安交通大學) in the PRC in October 1984, and a doctor of philosophy degree with a focus on motor technology from the National University of Singapore in Singapore in July 1995.

Independent Non-Executive Directors

Mr. Wang Jianxin (王建新), aged 54, has been our independent Director since June 16, 2020, and was redesignated as an independent non-executive Director on January 10, 2025 with effect from the **[REDACTED]**. He is primarily responsible for providing independent advice on the operations and management of our Group.

Mr. Wang has been a partner at ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥), "**ShineWing**") since December 2006. Prior to that, he worked at Ping An Securities Co., Ltd. (平安證券有限責任公司) from 2001 to 2003.

Mr. Wang holds or held independent directorship in several listed companies, including:

- Shenzhen Goodix Technology Co., Ltd. (深圳市匯頂科技股份有限公司, 603160.SS) since September 2024;
- MeHow Innovative Ltd. (深圳市美好創億醫療科技股份有限公司, 301363.SZ) since February 2023;
- Shenzhen JPT Opto-Electronics Co., Ltd. (深圳市傑普特光電股份有限公司, 688025.SS) from April 2022 to January 2024;
- Guangdong Misun Technology Co., Ltd. (廣東美信科技股份有限公司, 301577.SZ) from November 2021 to February 2024; and
- FIYTA Precision Technology Co., Ltd. (飛亞達精密科技股份有限公司, 000026.SZ) from September 2018 to September 2024.

Mr. Wang obtained a bachelor's degree of economics in auditing from Zhongnan University of Finance and Economics (中南財經大學, now known as Zhongnan University of Economics and Law (中南財經政法大學)) in the PRC in July 1994. He has been a member of the Chinese Institute of Certified Public Accountants since October 1996, and obtained an intermediate qualification in economics and taxation in October 1999.

Dr. Niu Shuangxia (牛雙霞), aged 43, has been our independent Director since August 8, 2024, and was redesignated as an independent non-executive Director on January 10, 2025 with effect from the **[REDACTED]**. She is primarily responsible for providing independent advice on the operations and management of our Group.

Dr. Niu has been working at the Faculty of Engineering of the Hong Kong Polytechnic University, serving successively as a research assistant professor, assistant professor, associate professor and professor since 2012.

Dr. Niu obtained a bachelor's degree of engineering in automation and a master's degree of engineering in control theory and control engineering from Tianjin University (天津大學) in the PRC in June 2002, and March 2005, respectively. Dr. Niu also obtained a doctor of philosophy degree with a focus on electrical engineering from The University of Hong Kong in December 2009.

Mr. Chen Jingyang (陳井陽), aged 42, was appointed as our independent non-executive Director on January 10, 2025. He is primarily responsible for providing independent advice on the operations and management of our Group.

Mr. Chen has been the chairman of the board and general manager at Shenzhen Baocheng Investment Management Co., Ltd. (深圳市寶誠私募股權基金管理有限公司) since September 2016, and the general manager and director at Shenzhen Huiju Gongchuang Enterprise Management Consulting Co., Ltd. (深圳匯炬共創企業管理諮詢有限公司) since November 2024. Prior to joining our Group, Mr. Chen worked at Dasheng Times Cultural Investment Co., Ltd. (大晟時代文化投資股份有限公司, 600892.SS, "**Dasheng Cultural**") from March 2016 to November 2024, with his last position as the vice chairman of the board. Previously, he worked at Shenke Slide Bearing Corporation (申科滑動軸承股份有限公司, 002633.SZ) from July 2008 to June 2015, with his last position as its director.

Mr. Chen obtained a bachelor's degree of finance from Zhejiang Gongshang University (浙江工商大學) in the PRC in July 2004. He has been a member of the Chinese Institute of Certified Public Accountant since July 2012. Mr. Chen also obtained the Legal Professional Qualification Certificate of the PRC in June 2023.

SUPERVISORS

Ms. Wang Yuhong (汪鈺紅), aged 44, is the chairperson of our Board of Supervisors. Ms. Wang joined our Group in May 2012 as a director of human resources and administration. She was appointed as a Supervisor and was elected as the chairperson of our Board of Supervisors on June 1, 2022. She is primarily responsible for overseeing the performance of Directors and senior management of our Company.

Prior to joining our Group, Ms. Wang worked at Shenzhen Kirisun Electronics Co., Ltd. (深圳科立訊電子有限公司, now known as Kirisun Communications Co., Ltd. (科立訊通信股份有限公司)) and Shenzhen Shinning Electronic Ltd. (深圳盛凌電子有限公司, now known as Shenzhen Shinning Electronic Co., Ltd. (深圳盛凌電子股份有限公司)).

Ms. Wang graduated from Shenzhen University (深圳大學) in the PRC in January 2012, majoring in human resource management.

Ms. Liu Haimei (劉海梅), aged 46, is our employee representative Supervisor. Ms. Liu joined our Group in September 2016 and is a director of supply chain of our Company. She was appointed as a Supervisor of the Company on July 20, 2021. She is primarily responsible for overseeing the performance of Directors and senior management of our Company.

Prior to joining our Group, Ms. Liu worked at Shenzhen SINE Electric Co., Ltd. (深圳市正弦電氣股份有限公司, 688395.SS) from April 2011 to August 2016, with her last position as the assistant marketing director. Previously, she worked at Emerson Network Energy Co., Ltd. (艾默生網絡能源有限公司).

Ms. Liu obtained a bachelor's degree of management from Shenzhen University (深圳大學) in the PRC in March 2012.

Mr. Bai Yuhong (柏玉宏), aged 41, is a Supervisor. Mr. Bai joined our Group in April 2017 and is a warehouse supervisor of our Company. He was appointed as a Supervisor of the Company on June 15, 2023. He is primarily responsible for overseeing the performance of Directors and senior management of our Company.

Prior to joining our Group, Mr. Bai worked at Shenzhen Vital Enterprises Co., Ltd. (深圳市偉圖實業有限公司) from December 2016 to April 2017, and was a sole proprietor from May 2013 to November 2016. Previously, he also worked at the group of FirstPower Tech. Co., Ltd. (深圳市一電電池技術有限公司) from December 2004 to April 2013.

Mr. Bai obtained a bachelor's degree of management in accounting from Shenzhen University (深圳大學) in the PRC in June 2023.

SENIOR MANAGEMENT

Our senior management team is responsible for the day-to-day management and operation of our business. Mr. Bi Lei, our executive Director, chairman of our Board, general manager and chief executive officer, is also a member of our senior management. For his biography, see "– Directors – Executive Directors" in this section.

Ms. Zhang Hongmei (張紅梅), aged 43, has been our finance director since February 23, 2024. She is primarily responsible for financial operations and capital management of our Group.

Prior to joining our Group, Ms. Zhang served as the chief financial officer at Shenzhen MTN Electronics Co., Ltd. (深圳市邁騰電子有限公司) from October 2021 to July 2023 and the vice president at Guangdong Liwang High-tech Co., Ltd. (廣東力王高新科技股份有限公司, NEEQ: 835692) from May 2020 to July 2021. Prior to that, she served as the chief financial officer at Guangdong Redwall New Materials Co., Ltd. (廣東紅牆新材料股份有限公司, 002809.SZ).

Ms. Zhang obtained a bachelor's degree of management in accounting from Jinan University (暨南大學) in the PRC in December 2013. She obtained the Accounting Professional Qualification (Mid-level) in May 2004, and has been a member of The Institute of Certified Management Accountants since June 2021.

Ms. Jiao Qianqian (焦倩倩), aged 30, is the secretary of our Board and our joint company secretary. Ms. Jiao joined our Group in December 2021 as the head of securities affairs and has been the secretary of our Board since January 26, 2024. She is primarily responsible for the Board affairs, corporate governance, capital management, investor relations and securities affairs of our Group.

Prior to joining our Group, Ms. Jiao worked at Shenzhen ATEC Clean Energy Co., Ltd. (深圳市安泰科清潔能源股份有限公司) from December 2020 to March 2021, Shenzhen Megmeet Electrical Co., Ltd. (深圳麥格米特電氣股份有限公司, 002851.SZ) from March 2019 to November 2020, and Haimo Technologies Group Corp. (海默科技(集團)股份有限公司, 300084.SZ) from March 2017 to January 2019.

Ms. Jiao obtained a bachelor's degree of management from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in July 2016.

JOINT COMPANY SECRETARIES

Ms. Jiao Qianqian (焦倩倩), the secretary of our Board, was appointed as one of our joint company secretaries on December 24, 2024 with effect from the **[REDACTED]**. For the biographical details of Ms. Jiao, see "– Senior Management" in this section.

Ms. Yan Hoi Ling Jovian (甄凱寧), was appointed as one of our joint company secretaries on December 24, 2024 with effect from the **[REDACTED]**. She is a senior manager at SWCS Corporate Services Group (Hong Kong) Limited, with extensive experience in corporate governance and company secretarial services for listed companies.

Ms. Yan serves as the company secretary for several companies listed on the Stock Exchange, including Hunlicar Group Limited (亨利加集團有限公司, 03638.HK) since August 2024, Leading Holdings Group Limited (領地控股集團有限公司, 06999.HK) since July 2024, and Ling Yue Services Group Limited (領悅服務集團有限公司, 02165.HK) since July 2024.

Ms. Yan obtained a bachelor's degree of business in banking and finance from Monash University in Australia and a master's degree in professional accounting and corporate governance from the City University of Hong Kong. She is a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

OTHER INFORMATION

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on December 24, 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Each of the independent non-executive Directors confirms (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) that he or she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of our Company, and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointments.

Each of our Directors confirms that he or she does not have any interest in a business apart from the business of our Group which competes or is likely to compete, whether directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Except as disclosed above, none of our Directors, Supervisors and members of senior management held any other directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the Latest Practicable Date.

In August 2017, Mr. Wang Jianxin, one of our independent non-executive Directors, received a caution letter from Guangdong Regulatory Bureau of the CSRC. Our PRC Legal Advisor has advised that the caution letter is a non-punitive regulatory measure implemented by the relevant authority, and does not constitute an administrative penalty under PRC laws. Given (i) our PRC Legal Advisor's view above, (ii) the incident took place before commencement of the Track Record Period, (iii) as of the Latest Practicable Date, no further regulatory actions had been taken against Mr. Wang by the CSRC in relation to the caution letter and (iv) Mr. Wang has not experienced any similar incident since then, our Directors are of the view that the incident does not impugn the suitability of Mr. Wang to serve as a Director of our Company.

In August 2017, Mr. Chen Jingyang, one of our independent non-executive Directors, received a caution letter from Shenzhen Regulatory Bureau of the CSRC regarding certain non-compliance incidents of Dasheng Cultural during his tenure as it director and board secretary. The events of Dasheng Cultural cited in the caution letter include (i) inadequate preparation of results estimate, leading to significant correction in its 2015 results estimate published in April 2016; (ii) misclassification of certain accounting items in its accounts; (iii) weak control over its subsidiaries; and (iv) replacement of proceeds from its non-public issuance prior to obtaining required board approval. According to the caution letter, Mr. Chen, as Dasheng Culture's then director and board secretary, was responsible for, among others, the disclosure of results estimate. In addition, in January 2018, the Shanghai Stock Exchange issued a regulatory concern, noting that Mr. Chen, as Dasheng Cultural's then board secretary responsible for disclosure affairs, was responsible for events (ii) and (iii) above. Subsequently, Dasheng Culture has implemented the rectification measures required by the Shenzhen Regulatory Bureau of the CSRC, including among others strengthening its internal controls, training on accounting staff and supervision of subsidiaries. As of the Latest Practicable Date, no further regulatory actions had been taken against Mr. Chen by the relevant authorities in relation to the caution letter and regulatory concern. Mr. Chen left Dasheng Culture in November 2024 voluntarily. Our PRC Legal Advisor has advised that the caution letter and the regulatory concern are non-punitive regulatory measures implemented by the relevant authorities and do not constitute an administrative penalty under PRC laws. Given (i) our PRC Legal Advisor's view above, (ii) the incident took place before commencement of the Track Record Period (particularly, Mr. Chen only became Dasheng Culture's board secretary in March 2016, one month before the publication of the 2015 results estimate) and (iii) Mr. Chen has not experienced any similar incident since then, our Directors are of the view that the incident does not impugn the suitability of Mr. Chen to serve as a Director of our Company.

Except as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, and there were no other matters with respect to the appointment of the Directors and Supervisors that need to be brought to the attention of the Shareholders.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

Audit Committee

Our Board has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"). The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group and provide advice and comments to the Board. The Audit Committee comprises Mr. Wang Jianxin, Dr. Niu Shuangxia and Mr. Chen Jingyang, with Mr. Wang Jianxin (being our independent non-executive Director with appropriate professional qualifications) as the chairperson.

Remuneration and Appraisal Committee

Our Board has established the Remuneration and Appraisal Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration and Appraisal Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The Remuneration and Appraisal Committee comprises Mr. Wang Jianxin, Mr. Bi Lei and Dr. Niu Shuangxia, with Mr. Wang Jianxin as the chairperson.

Nomination Committee

Our Board has established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The Nomination Committee comprises Dr. Niu Shuangxia, Mr. Bi Lei and Mr. Wang Jianxin, with Dr. Niu Shuangxia as the chairperson.

Strategy and ESG Committee

Our Board has established a strategy and ESG committee (the "**Strategy and ESG Committee**") with written terms of reference. The primary duties of the Strategy and ESG Committee are to research on making recommendations to our Board on our long-term development strategies, major decisions, and environmental, social and governance matters. The Strategy and ESG Committee comprises Mr. Bi Lei, Dr. Bi Chao and Dr. Niu Shuangxia, with Mr. Bi Lei as the chairperson.

Corporate Governance

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with all applicable code provisions of the Corporate Governance Code upon **[REDACTED]** save for the below.

Pursuant to code provision C.2.1 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Our Company deviates from this provision because Mr. Bi Lei, performs both the roles of the chairman of our Board and chief executive officer of our Company. Our Board believes that, in view of his experience, personal profile and understanding of our business operations as mentioned above, Mr. Bi Lei is the Director best suited to identify strategic opportunities and focus of the Board. Vesting the roles of both chairman and chief executive officer to Mr. Bi Lei can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board.

Our Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and independent non-executive Directors. Our Board will reassess the division of the roles of chairman and the chief executive officer from time to time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of our Group as a whole.

Board Diversity

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. We recognize and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our competitive advantage and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talent. In reviewing and assessing suitable candidates to serve as a Director, the Nomination Committee will consider a number of aspects, including, but not limited to, gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience.

Our Board currently consists of one female and four male Directors ranging from 42 to 66 years old with a balanced mix of knowledge and skills, including, but not limited to, overall management and strategic development, accounting and corporate governance in addition to industry experience in BLDC motor control ICs. They obtained degrees in various majors including electrical engineering, motor technology, economics and accounting. Taking into account our existing business model and specific needs, as well as the diverse background of our Directors, the composition of our Board satisfies the board diversity policy.

Our Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors and Supervisors receive remuneration in the form of fees, basic salaries, allowances and benefits in kind, contributions to pension schemes and discretionary bonuses. We determine the remuneration of our Directors and Supervisors based on their responsibilities, qualification, position and seniority.

The aggregate amount of remuneration of our Directors and Supervisors for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024 were RMB5.5 million, RMB6.6 million and RMB3.6 million, respectively. None of our Directors or Supervisors waived or agreed to waive any emolument during the same periods.

Under the arrangements in force as of the date of this document, we estimate the aggregate remuneration payable to, and benefits in kind receivable by, our Directors and Supervisors by our Group in respect of the year ending December 31, 2025 to be approximately RMB9.8 million.

The five highest paid individuals of our Group for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024 included two, one and one Director(s), respectively. During the same periods, the aggregate amount of remuneration of the five highest paid individuals were RMB8.3 million, RMB11.1 million and RMB6.5 million, respectively.

During the Track Record Period, no remuneration was paid to, or received by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining us. No compensation was paid to, or received by, our Directors, former directors, Supervisors, former supervisors or the five highest paid individuals for the loss of office as a director or supervisor of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

Save as disclosed above, no other payments have been made or are payable by our Group to our Directors or Supervisors in respect of the Track Record Period.

COMPLIANCE ADVISOR

We have appointed Altus Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. The compliance advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will, amongst other things, advise our Company in the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where our business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry of our Company concerning unusual movements in the price or trading volume of our **[REDACTED]** securities or any other matters under Rule 13.10 of the Listing Rules.

The term of appointment of our compliance advisor shall commence on the **[REDACTED]** and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]**.

FUTURE PLANS

See "Business – Our Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the **[REDACTED]** range stated in this document), we estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**) from the **[REDACTED]** after deducting the **[REDACTED]** and other estimated expenses paid and payable by us in connection with the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised. In line with our strategies, we intend to use our **[REDACTED]** from the **[REDACTED]** for the purposes and in the amounts set forth below:

- approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), is expected to be used for enhancing our R&D and innovation capabilities, including:

  (i) approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used over the next five to ten years to retain, expand and strengthen our R&D team. The semiconductor industry is a talent-intensive industry, and we have, since our inception, formulated a talent cultivation strategy centered around "in-house training, mentorship and project-based learning". We have built a multi-level R&D talent team consisting of 199 members, accounting for 74.0% of our total employees as of September 30, 2024. In next five to ten years, we plan to attract and retain around 180 additional R&D talents with professional knowledge in digital IC design, analog IC design, layout design, motor control algorithms, hardware and testing, as well as talents from prestigious universities with relevant degrees, thereby continuously enhancing our R&D capabilities;

  (ii) approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used to invest in R&D infrastructure. Specifically, we plan to purchase (i) IC reliability testing devices, such as emission microscope, parameter and curve tracers and ultrasonic scanning microscope, (ii) laboratory equipment, such as semiconductor parametric test equipment, thermal interface material testers and IC testing host system, (iii) computers; and (iv) software; and

  (iii) approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used to purchase R&D materials, such as photomasks, printed circuit boards, and electronic components.

- approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), is expected to be used to further enrich our product portfolio and expand downstream application, including:

  (i) approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used to enhance our competitiveness in consumer markets such as smart small household appliances and white goods. Specifically, we plan to diversify and upgrade our product line in consumer applications to attract more leading brands to become our end customers, which require us to incur additional cost in (a) supporting capacity enhancement at our packaging and testing suppliers through investment in critical equipment, in order to meet end customer demands, and (b) recruiting and retaining around 20 product sales and marketing personnel with extensive experience in the consumer markets to expand the downstream application of our products; and

  (ii) approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used to further expand our business into emerging applications such as automotive and robotics sectors. We plan to invest in the development and upgrade our technological advantages in these industries to seize new market opportunities. We expect to incur additional cost in (a) the qualification of automotive-grade products, (b) supporting capacity enhancement at our packaging and testing suppliers through investment in critical equipment to satisfy the demand of our end customers, and (c) recruiting and retaining 20 sales and marketing personnel with extensive experience in these emerging markets to expand the downstream application of our products, so as to gain a first-mover advantage among competitors.

- approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), is expected to be used for expanding our overseas sales network and promoting our products in overseas markets. Specifically, we plan to invest in (a) establishing sales and technical support teams in overseas markets such as Singapore, South Korea, Japan and Europe; and (b) targeted marketing initiatives for overseas customer engagement, such as, among others, launching promotion campaigns, collaborating with local distributors and participating in exhibitions and forums to further enhance our brand awareness;

- approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), is expected to be used for strategic investments and/or acquisition to achieve our long-term growth strategies. We seek potential investment and acquisition opportunities within the global semiconductor industry and select potential targets based on the following general selection criteria:

  (i) the business of the target should exhibit synergies with or complement to our business. We plan to invest in and/or acquire companies across the semiconductor value chain, including but not limited to wafer manufacturers, power device companies, IP suppliers, and other chip design or sensor companies to further enhance our technological capabilities, secure manufacturing capacity, and improve our processing technologies. Specifically, the target should: (a) possess strong technical capabilities that complement our own; or (b) be able to help us expand our product portfolio and accelerate market penetration into additional downstream applications; and

  (ii) the management team of the target should have knowledge and extensive relevant experience in the semiconductor industry.

- approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), is expected to be used for working capital and general corporate uses.

To the extent that the net **[REDACTED]** from the **[REDACTED]** are either more or less than expected (including as a result of (i) the **[REDACTED]** being set at a price higher or lower than the mid-point of the **[REDACTED]** range; or (ii) additional net **[REDACTED]** from the exercise of the **[REDACTED]**, we will adjust our allocation of the net **[REDACTED]** for the above purposes on a pro rata basis.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the net **[REDACTED]** from the **[REDACTED]**.

To the extent that the net **[REDACTED]** of the **[REDACTED]** are not immediately used for the above purposes or if we are unable to put into effect any part of our plan as intended, and to the extent permitted by the relevant laws and regulations, we may deposit such net **[REDACTED]** into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdictions) so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

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The following is the text of a report, prepared for the purpose of incorporation in this document, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FORTIOR TECHNOLOGY (SHENZHEN) CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

INTRODUCTION

We report on the historical financial information of Fortior Technology (Shenzhen) Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages [•] to [•], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2022 and 2023 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group as at 31 December 2022 and 2023, and the statements of financial position of the Company as at 31 December 2022 and 2023, and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages [•] to [•] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "**Document**") in connection with the **[REDACTED]** of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2022 and 2023 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REVIEW OF INTERIM FINANCIAL INFORMATION

We have reviewed the interim financial information of the Group which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 30 September 2024, and the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the nine months ended 30 September 2023 and 2024 and other explanatory information (the "**Interim Financial Information**").

The directors of the Company are responsible for the preparation of the Interim Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December		Nine months ended 30 September	
	Notes	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	(Unaudited)
REVENUE	*5*	322,973	411,359	281,568	432,827
Cost of sales		(137,774)	(192,678)	(132,325)	(206,838)
Gross profit		185,199	218,681	149,243	225,989
Other income and gains	*6*	58,967	84,376	56,277	62,043
Selling and distribution expenses		(12,605)	(18,396)	(11,989)	(13,020)
Administrative expenses		(24,543)	(27,193)	(18,487)	(20,353)
Research and development costs		(63,845)	(84,674)	(52,007)	(65,079)
Impairment losses on financial assets, net		35	(143)	(112)	91
Other expenses		(2)	(1,780)	(4)	(3,963)
Finance costs	*8*	(62)	(490)	(395)	(396)
PROFIT BEFORE TAX	*7*	143,144	170,381	122,526	185,312
Income tax (expense)/credit	*11*	(1,143)	4,466	1,481	(1,500)
PROFIT FOR THE YEAR/PERIOD		142,001	174,847	124,007	183,812
Attributable to:					
Owners of the parent		142,001	174,847	124,007	183,812
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*13*				
Basic					
– for profit for the year/period		RMB1.68	RMB1.89	RMB1.34	RMB1.99
Diluted					
– for profit for the year/period		RMB1.68	RMB1.89	RMB1.34	RMB1.99

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	(Unaudited)
PROFIT FOR THE YEAR/PERIOD	142,001	174,847	124,007	183,812
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods (net of tax):				
Exchange differences on translation of foreign operations	320	(1,087)	(54)	(209)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	320	(1,087)	(54)	(209)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:				
Equity investments designated at fair value through other comprehensive income:				
Changes in fair value	–	–	–	(89)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	–	–	–	(89)
Other comprehensive income/(loss) for the year/period, net of tax	320	(1,087)	(54)	(298)
Total comprehensive income for the year/period, net of tax	142,321	173,760	123,953	183,514
Attributable to:				
Owners of the parent	142,321	173,760	123,953	183,514

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 30 September 2024 RMB'000 (Unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	14	5,069	10,903	145,475
Right-of-use assets	15	8,581	7,259	4,537
Intangible assets	16	3,016	8,295	5,845
Equity investments designated at fair value through other comprehensive income	18	–	–	796
Debt investments at fair value through other comprehensive income	19	110,938	461,012	937,186
Deferred tax assets	30	1,755	10,099	12,289
Other non-current assets	20	15,689	25,674	31,984
Total non-current assets		145,048	523,242	1,138,112
CURRENT ASSETS				
Inventories	21	156,227	172,999	166,990
Trade receivables	22	1,428	5,771	2,698
Prepayments, deposits and other receivables	23	55,602	38,889	45,101
Financial assets at fair value through profit or loss	24	1,467,624	1,070,565	831,104
Debt investments at fair value through other comprehensive income	19	–	10,724	43,063
Time deposits	25	27,417	62,802	121,115
Cash and cash equivalents	25	519,585	608,696	207,332
Total current assets		2,227,883	1,970,446	1,417,403
CURRENT LIABILITIES				
Trade payables	26	8,324	12,270	9,280
Contract liabilities	27	508	1,030	5,826
Other payables and accruals	28	78,589	75,784	27,100
Lease liabilities	15	3,219	3,895	3,224
Tax payable		–	–	164
Total current liabilities		90,640	92,979	45,594
NET CURRENT ASSETS		2,137,243	1,877,467	1,371,809
TOTAL ASSETS LESS CURRENT LIABILITIES		2,282,291	2,400,709	2,509,921

	Notes	As at 31 December 2022	As at 31 December 2023	As at 30 September 2024
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)
NON-CURRENT LIABILITIES				
Other payables and accruals	*28*	18,410	1,649	–
Lease liabilities	*15*	5,454	3,717	1,558
Deferred income	*29*	2,395	3,452	2,757
Deferred tax liabilities	*30*	973	773	607
Total non-current liabilities		27,232	9,591	4,922
Net assets		2,255,059	2,391,118	2,504,999
EQUITY				
Equity attributable to owners of the parent				
Share capital	*31*	92,363	92,363	92,363
Treasury shares	*31*	–	–	(193)
Reserves	*33*	2,162,696	2,298,755	2,412,829
Total equity attributable to owners of the parent		2,255,059	2,391,118	2,504,999
Non-controlling interests		–	–	–
Total equity		2,255,059	2,391,118	2,504,999

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2022

	Share capital *RMB'000* *(Note 31)*	**Capital reserve** *RMB'000* *(Note 33)*	**Share option reserve** *RMB'000* *(Note 33)*	**Fair value reserve of financial assets at fair value through other comprehensive income** *RMB'000* *(Note 33)*	**Exchange fluctuation reserve** *RMB'000* *(Note 33)*	**Statutory surplus reserve** *RMB'000* *(Note 33)*	**Retained profits** *RMB'000*	**Total equity** *RMB'000*
At 31 December 2021 and 1 January 2022	69,272	156,651	–	–	(63)	19,803	175,788	421,451
Profit for the year	–	–	–	–	–	–	142,001	142,001
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	–	–	–	–	320	–	–	320
Total comprehensive income for the year	–	–	–	–	320	–	142,001	142,321
Dividends declared	–	–	–	–	–	–	(40,640)	(40,640)
Share-based payments	–	–	3,465	–	–	–	–	3,465
Issue of shares	23,091	1,705,371	–	–	–	–	–	1,728,462
Transferred from retained profits	–	–	–	–	–	14,692	(14,692)	–
At 31 December 2022	92,363	1,862,022	3,465	–	257	34,495	262,457	2,255,059

Year ended 31 December 2023

	Share capital *RMB'000* *(Note 31)*	**Capital reserve** *RMB'000* *(Note 33)*	**Share option reserve** *RMB'000* *(Note 33)*	**Fair value reserve of financial assets at fair value through other comprehensive income** *RMB'000* *(Note 33)*	**Exchange fluctuation reserve** *RMB'000* *(Note 33)*	**Statutory surplus reserve** *RMB'000* *(Note 33)*	**Retained profits** *RMB'000*	**Total equity** *RMB'000*
At 31 December 2022 and 1 January 2023	92,363	1,862,022	3,465	–	257	34,495	262,457	2,255,059
Profit for the year	–	–	–	–	–	–	174,847	174,847
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	–	–	–	–	(1,087)	–	–	(1,087)
Total comprehensive income/(loss) for the year	–	–	–	–	(1,087)	–	174,847	173,760
Dividends declared	–	–	–	–	–	–	(44,334)	(44,334)
Share-based payments	–	–	6,633	–	–	–	–	6,633
Transferred from retained profits	–	–	–	–	–	19,204	(19,204)	–
At 31 December 2023	92,363	1,862,022	10,098	–	(830)	53,699	373,766	2,391,118

Nine months ended 30 September 2024

	Share capital *RMB'000* *(Note 31)*	Treasury shares *RMB'000* *(Note 31)*	Capital reserve *RMB'000* *(Note 33)*	Share option reserve *RMB'000* *(Note 33)*	Fair value reserve of financial assets at fair value through other comprehensive income *RMB'000* *(Note 33)*	Exchange fluctuation reserve *RMB'000* *(Note 33)*	Statutory surplus reserve *RMB'000* *(Note 33)*	Retained profits *RMB'000*	Total equity *RMB'000*
At 31 December 2023 and 1 January 2024 (audited)	92,363	–	1,862,022	10,098	–	(830)	53,699	373,766	2,391,118
Profit for the period (unaudited)	–	–	–	–	–	–	–	183,812	183,812
Other comprehensive income for the period: (unaudited)									
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax (unaudited)	–	–	–	–	(89)	–	–	–	(89)
Exchange differences on translation of foreign operations (unaudited)	–	–	–	–	–	(209)	–	–	(209)
Total comprehensive income/(loss) for the period (unaudited)	–	–	–	–	(89)	(209)	–	183,812	183,514
Dividends declared (unaudited)	–	–	–	–	–	–	–	(56,272)	(56,272)
Share-based payments (unaudited)	–	–	–	6,660	–	–	–	–	6,660
Shares repurchased (unaudited)	–	(193)	(19,828)	–	–	–	–	–	(20,021)
At 30 September 2024 (unaudited)	92,363	(193)	1,842,194*	16,758*	(89)*	(1,039)*	53,699*	501,306*	2,504,999

* The reserve accounts comprise the consolidated reserves of RMB2,162,696,000, RMB2,298,755,000 and RMB2,412,829,000 in the consolidated statements of financial position as at 31 December 2022, 2023 and 30 September 2024, respectively.

Nine months ended 30 September 2023

	Share capital *RMB'000* *(Note 31)*	Capital reserve *RMB'000* *(Note 33)*	Share option reserve *RMB'000* *(Note 33)*	Fair value reserve of financial assets at fair value through other comprehensive income *RMB'000* *(Note 33)*	Exchange fluctuation reserve *RMB'000* *(Note 33)*	Statutory surplus reserve *RMB'000* *(Note 33)*	Retained profits *RMB'000*	Total equity *RMB'000*
At 31 December 2022 and 1 January 2023 (audited)	92,363	1,862,022	3,465	–	257	34,495	262,457	2,255,059
Profit for the period (unaudited)	–	–	–	–	–	–	124,007	124,007
Other comprehensive income for the period: (unaudited)								
Exchange differences on translation of foreign operations (unaudited)	–	–	–	–	(54)	–	–	(54)
Total comprehensive income/(loss) for the period (unaudited)	–	–	–	–	(54)	–	124,007	123,953
Dividends declared (unaudited)	–	–	–	–	–	–	(44,334)	(44,334)
Share-based payments (unaudited)	–	–	8,227	–	–	–	–	8,227
At 30 September 2023 (unaudited)	92,363	1,862,022	11,692	–	203	34,495	342,130	2,342,905

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		Nine months ended 30 September	
	Notes	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax:		143,144	170,381	122,526	185,312
Adjustments for:					
Bank interest income	7	(4,935)	(8,094)	(5,719)	(7,555)
Other interest income from debt investments at fair value through other comprehensive income	7	(2,977)	(9,110)	(5,545)	(14,380)
Finance costs	8	62	490	395	396
Fair value (gains)/losses on financial assets at fair value through profit or loss	7	(6,424)	1,359	(5,128)	1,062
Investment income from financial assets at fair value through profit or loss	7	(25,014)	(42,231)	(27,413)	(22,110)
Foreign exchange (gains)/losses		(1,697)	(722)	(1,199)	916
Loss on disposal of items of property, plant and equipment	7	2	3	3	1
Gain on disposal of items of right-of-use assets	7	(62)	(7)	(7)	–
Depreciation of property and equipment	7	1,787	2,127	1,471	2,578
Depreciation of right-of-use assets	7	3,232	4,071	3,082	2,965
Amortisation of intangible assets	7	1,119	2,472	1,687	2,522
(Impairment losses)/ reversal of impairment losses on financial assets, net	7	(35)	143	112	(91)
Write-down of inventories to net realisable value	7	252	1,286	960	3,135
Equity-settled share-based payments	7	3,453	3,242	8,228	4,021
		111,907	125,410	93,453	158,772
(Increase)/decrease in inventories		(95,803)	(18,060)	(26,694)	2,874
(Increase)/decrease in trade receivables		1,376	(4,477)	(3,480)	3,169
(Increase)/decrease in prepayments, deposits and other receivables		(6,297)	17,147	18,680	(6,052)
Increase/(decrease) in trade payables		4,409	3,947	9,315	(2,990)
Increase/(decrease) in other payables and accruals		14,886	(18,884)	(31,450)	(38,461)
Increase/(decrease) in deferred income		2,342	1,056	1,898	(695)
Cash generated from operations		32,820	106,139	61,722	116,617
Interest received		4,555	6,319	4,688	4,706
Income tax paid		(2,542)	(1,115)	(443)	(1,228)
Net cash flows from operating activities		34,833	111,343	65,967	120,095

	Notes	Year ended 31 December		Nine months ended 30 September	
		2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of wealth management products and structured deposits		4,659,832	5,546,616	4,021,700	3,269,947
Investment income from financial assets at fair value through profit or loss		25,014	42,231	27,413	22,110
Proceeds from time deposits		21,369	39,232	–	180,612
Proceeds from debt investments at fair value through other comprehensive income		108,875	–	–	–
Purchases of property, plant and equipment		(3,601)	(7,305)	(6,161)	(143,373)
Additions of intangible assets		(1,530)	(5,081)	(2,005)	(2,868)
Payment for cooperative building construction		(10,949)	(12,950)	(12,950)	(1,881)
Purchases of wealth management products and structured deposits		(6,120,242)	(5,150,473)	(4,015,473)	(3,031,820)
Purchases of equity investments at fair value through other comprehensive income		–	–	–	(900)
Purchases of time deposits		(48,066)	(74,008)	–	(239,064)
Purchases of debt investments at fair value through other comprehensive income		(219,212)	(351,687)	(341,313)	(494,133)
Interest received from time deposits and debt investments at fair value through other comprehensive income		2,502	1,486	–	2,112
Net cash flows (used in)/from investing activities		(1,586,008)	28,061	(328,789)	(439,258)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		1,721,955	–	–	–
Dividends paid		(40,640)	(44,334)	(44,334)	(56,272)
Lease payments		(3,369)	(4,333)	(3,198)	(3,299)
Settlements under instalment payables		–	(577)	(577)	(2,555)
Repurchase of shares		–	–	–	(20,021)
Net cash flows from/(used in) financing activities		1,677,946	(49,244)	(48,109)	(82,147)

	Notes	Year ended 31 December 2022	Year ended 31 December 2023	Nine months ended 30 September 2023	Nine months ended 30 September 2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	(Unaudited)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		126,771	90,160	(310,931)	(401,310)
Cash and cash equivalents at beginning of year/period		391,773	519,585	519,585	608,696
Effect of foreign exchange rate changes, net		1,041	(1,049)	130	(54)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		519,585	608,696	208,784	207,332
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents as stated in the consolidated statements of financial position and the consolidated statements of cash flows	*25*	519,585	608,696	208,784	207,332

STATEMENTS OF FINANCIAL POSITION THE COMPANY

	Notes	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 30 September 2024 RMB'000 (Unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	14	4,674	10,586	11,092
Right-of-use assets	15	7,849	6,731	4,253
Intangible assets	16	3,016	4,510	3,370
Investments in subsidiaries	17	52,583	84,080	234,987
Equity investments designated at fair value through other comprehensive income	18	–	–	796
Debt investments at fair value through other comprehensive income	19	110,938	461,012	937,186
Deferred tax assets	29	822	4,001	6,814
Other non-current assets	20	15,677	25,674	31,984
Total non-current assets		195,559	596,594	1,230,482
CURRENT ASSETS				
Inventories	21	155,295	126,988	143,679
Trade receivables	22	1,428	11,255	2,772
Prepayments, deposits and other receivables	23	56,703	40,036	47,701
Financial assets at fair value through profit or loss	24	1,423,394	1,060,885	777,497
Debt investments at fair value through other comprehensive income	19	–	10,724	43,063
Time deposits	25	27,417	47,813	102,617
Cash and cash equivalents	25	487,669	580,058	175,904
Total current assets		2,151,906	1,877,759	1,293,233
CURRENT LIABILITIES				
Trade payables	26	8,323	12,038	8,707
Contract liabilities	27	477	659	4,623
Other payables and accruals	28	73,907	68,222	22,471
Lease liabilities	15	2,811	3,430	3,056
Total current liabilities		85,518	84,349	38,857
NET CURRENT ASSETS		2,066,388	1,793,410	1,254,376
TOTAL ASSETS LESS CURRENT LIABILITIES		2,261,947	2,390,004	2,484,858

		As at 31 December		As at 30 September
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
				(Unaudited)
NON-CURRENT LIABILITIES				
Other payables and accruals	*28*	18,410	–	–
Lease liabilities	*15*	5,241	3,717	1,475
Deferred income	*29*	2,395	3,452	2,757
Deferred tax liabilities	*30*	932	657	449
Total non-current liabilities		26,978	7,826	4,681
Net assets		2,234,969	2,382,178	2,480,177
EQUITY				
Share capital	*31*	92,363	92,363	92,363
Treasury shares	*31*	–	–	(193)
Reserves	*33*	2,142,606	2,289,815	2,388,007
Total equity		2,234,969	2,382,178	2,480,177

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in People's Republic of China ("**PRC**") on 21 May 2010. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange (stock code: 688279) on 20 April 2022. The registered address of the Company is 203, Building 11, Software Park (Phase Ⅱ), 1 Keji Central Road Ⅱ, Gaoxin Central Zone, Nanshan District, Shenzhen, Guangdong, PRC. The Company is ultimately controlled by Mr. BI CHAO, Mr. BI LEI and Ms. Gao Shuai who are acting in concert.

The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the development and commercialisation of BLDC (Brushless DC) motor control and drive products and solutions.

As of the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of the principal subsidiaries are set out below:

Name	Date and place of incorporation/registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Fortior Technology (Qingdao) Co., Ltd. (峰岹科技(青島)有限公司) *(Note (a), (b))*	11 October 2019 Mainland China	RMB25,000,000	100	–	R&D, design and sales
Fortior Technology (Shanghai) Co., Ltd. (峰岧科技(上海)有限公司 *(Note (a), (b))*	8 June 2018 Mainland China	RMB170,000,000	100	–	R&D, design and sales

Notes:

(a) The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

(b) The statutory financial statements of these entities for the years ended 31 December 2022 and 2023 prepared in accordance with generally accepted accounting principles and financial regulations in the PRC were audited by Da Hua CPAs LLP, a certified public accounting firm registered in the PRC.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**").

All IFRSs effective for the accounting period commencing on/before 1 January 2024, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income, debt investments at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value at the end of each of the Relevant Periods.

Basis of consolidation

The consolidated financial statement includes the financial statements of the Group for the Relevant Periods. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[3]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[3]
Annual Improvements to IFRS Accounting Standards – Volume 11	*Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*[3]
IFRS 18	*Presentation and Disclosure in Financial Statements*[4]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[4]

1 No mandatory effective date yet determined but available for adoption
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after 1 January 2026
4 Effective for annual periods beginning on or after 1 January 2027

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group has expected that these standards will have an impact on the presentation and disclosure of the Group's financial statements but will not have a significant financial effect on the Group's operating results and financial position.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Fair value measurement

The Group measures its equity investments designated at fair value through other comprehensive income, debt investments at fair value through other comprehensive income and financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3.17%
Leasehold improvements	20% to 50%
Machine equipment	9.50% to 19%
Furniture and fixtures	19%
Electronic equipment	31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

IP licenses

Purchased IP licenses are stated at cost less any impairment losses and are amortised on the straight-line basis over the estimated useful life of 3 to 10 years.

Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 3 to 10 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Plant and properties	1 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

A lease with a term of not more than 12 months at the inception of the lease term and without any purchase option is recognised as a short-term lease; lease comprising an individual lease asset in brand new conditions and with low value is recognised as a low-value asset lease. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables)

After initial recognition, trade and other payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery or acceptance of the products as agreed in the sales contracts.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract cost

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share incentive plan. Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Business model

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets. In determining the business model, the Group considers how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within) and, in particular, the way those risks are managed and how managers of the business are compensated. In determining whether cash flows are going to be realised by collecting the financial assets' contractual cash flows, it is necessary for the Group to consider the reason, timing, frequency, and value of sales prior to the maturity date.

Characteristics of contract cash flow

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics, and judgement is required to determine whether they are "solely payments of principal and interest on the principal amount outstanding". The Group needs to determine whether the resulting cash flows from those of an instrument with modified time value of money element are significantly different from an instrument that has an unmodified time value of money element when assessing modification to time value of money element, and the Group needs to determine whether the fair value of the prepayment feature is insignificant when assessing a financial asset with a prepayment feature.

Research and development expenses

All research costs are charged to the profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Determining the timing and the amounts of development costs to be capitalised requires the use of judgements and estimation.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories and makes a provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each year and makes a provision against obsolete and slow-moving items. Management reassesses the estimation at the end of each year. The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying value of inventories and the write-down of inventory amount in the year in which such estimates have been changed.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised as well as the tax rate that is expected to apply to the period when the liability is settled, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 30 to the Historical Financial Information.

Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay," which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

Share-based payment

The Group, makes the best estimate of the number of exercisable equity instruments at the end of the reporting period during the vesting period based on the fair value on the grant date and the latest subsequent information obtained, and includes the services obtained in the current period in relevant costs or expenses. The fair value of the share awards to employees is determined by a black-scholes model at the date they are granted. Significant estimates on assumptions, including the expected volatility, risk-free interest rate and expected life of options, are made by the management of the Group. Further details are included in note 32 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group operates in one business unit based on its products, and has one reportable operating segment being the segment which principally engages in the development and commercialisation of BLDC (Brushless DC) motor control and drive products and solutions.

No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	(Unaudited)
Mainland China*	304,149	394,836	270,619	399,547
Other countries/regions	18,824	16,523	10,949	33,280
Total revenue	322,973	411,359	281,568	432,827

The revenue information above is based on the locations of the customers.

* Mainland China means the People's Republic of China excluding Hong Kong, Macau and Taiwan.

(b) Non-current assets

All significant operating assets of the Group are located in Mainland China. Accordingly, no geographical information of non-current assets is presented.

Information about a major customer

Revenue derived from a single customer which accounted for 10% or more of the Group's total revenue is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	(Unaudited)
Customer A	67,381	71,889	50,598	64,847
Customer B	42,752	N/A*	31,173	N/A*

* Less than 10% of the Group's revenue.

5. REVENUE

An analysis of revenue is as follows:

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2022

Segments	**Sale of products**
	RMB'000
Types of goods	
MCU	232,343
ASIC	19,697
HVIC	56,261
MOSFET	7,828
IPM	4,751
Others	2,093
Total revenue from contracts with customers	**322,973**
Geographical markets	
Mainland China	304,149
Other countries/areas	18,824
Total revenue from contracts with customers	**322,973**
Timing of revenue recognition	
Goods transferred at a point in time	**322,973**

For the year ended 31 December 2023

Segments	**Sale of products**
	RMB'000
Types of goods	
MCU	274,748
ASIC	48,254
HVIC	66,395
MOSFET	3,655
IPM	16,929
Others	1,378
Total revenue from contracts with customers	**411,359**
Geographical markets	
Mainland China	394,836
Other countries/areas	16,523
Total revenue from contracts with customers	**411,359**
Timing of revenue recognition	
Goods transferred at a point in time	**411,359**

For the nine months ended 30 September 2024

Segments	**Sale of products** *RMB'000* (Unaudited)
Types of goods	
MCU	276,536
ASIC	58,526
HVIC	65,368
MOSFET	1,518
IPM	30,061
Others	818
Total revenue from contracts with customers	**432,827**
Geographical markets	
Mainland China	399,547
Other countries/areas	33,280
Total revenue from contracts with customers	**432,827**
Timing of revenue recognition	
Goods transferred at a point in time	**432,827**

For the nine months ended 30 September 2023

Segments	**Sale of products** *RMB'000* (Unaudited)
Types of goods	
MCU	187,482
ASIC	34,123
HVIC	46,424
MOSFET	2,725
IPM	9,755
Others	1,059
Total revenue from contracts with customers	**281,568**
Geographical markets	
Mainland China	270,619
Other countries/areas	10,949
Total revenue from contracts with customers	**281,568**
Timing of revenue recognition	
Goods transferred at a point in time	**281,568**

The following table shows the amounts of revenue recognised during the Relevant Periods and the nine months ended 30 September 2023 and 2024 that were included in the contract liabilities at the beginning of each reporting period and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December		**Nine months ended 30 September**	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	(Unaudited)
Revenue recognised that was included in the contract liabilities balance at the beginning of year/period:				
Sale of products	1,975	508	508	1,030

(a) Performance obligations

Information about the Group's performance obligation is summarised below:

Sale of products

The performance obligation is satisfied upon delivery and acceptance of the chips products and the payment in advance is normally required.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods and 30 September 2024 are as follows:

	As at 31 December		**As at 30 September**
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Within one year	44,471	50,966	78,629

6. OTHER INCOME AND GAINS

	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	(Unaudited)
Other income				
Bank interest income	4,935	8,094	5,719	7,555
Other interest income from debt investments at fair value through other comprehensive income	2,977	9,110	5,545	14,380
Investment income from financial assets at fair value through profit or loss	25,014	42,231	27,413	22,110
Government grants *	16,920	24,325	11,174	17,297
	49,846	83,760	49,851	61,342
Other gains				
Fair value gains on financial assets at fair value through profit or loss	6,424	–	5,128	–
Foreign exchange gains	2,373	–	761	–
Others	324	616	537	701
	9,121	616	6,426	701
	58,967	84,376	56,277	62,043

* The Group has received certain government grants related to assets and income. Certain of the grants have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December		Nine months ended 30 September	
	Notes	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	(Unaudited)
Cost of inventories sold *		137,774	192,678	132,325	206,838
Depreciation of property, plant and equipment	*14*	1,787	2,127	1,471	2,578
Depreciation of right-of-use assets	*15*	3,232	4,071	3,082	2,965
Amortisation of intangible assets **	*16*	1,119	2,472	1,687	2,522
Research and development costs		63,845	84,674	52,007	65,079
Lease payments not included in the measurement of lease liabilities		362	529	370	391
Auditor's remuneration		1,165	1,312	1,267	1,306
Employee benefit expense (excluding directors' and chief executive's remuneration):					
Salaries and other benefits		58,285	78,878	42,249	54,269
Pension scheme contributions, social welfare and other welfare ***		8,069	10,670	7,658	9,871
Equity-settled share-based payments		3,453	3,242	8,228	4,021
		69,807	92,790	58,135	68,161
Impairment of financial assets, net:					
Impairment of trade receivables, net	*22*	(41)	134	104	(95)
Impairment of other receivables	*23*	6	9	8	4
		(35)	143	112	(91)
Fair value (gains)/losses:					
Financial assets at fair value through profit or loss		(6,424)	1,359	(5,128)	1,062
Foreign exchange (gains)/losses		(2,373)	347	(761)	2,900
Bank interest income	*6*	(4,935)	(8,094)	(5,719)	(7,555)
Other interest income from debt investments at fair value through other comprehensive income	*6*	(2,977)	(9,110)	(5,545)	(14,380)
Government grants	*6*	(16,920)	(24,325)	(11,174)	(17,297)
Investment income from financial assets at fair value through profit or loss	*6*	(25,014)	(42,231)	(27,413)	(22,110)
Write-down of inventories to net realisable value *		252	1,286	960	3,135
Loss on disposal of items of property, plant and equipment		2	3	3	1

* Write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss.

** The amortisation of intangible assets is included in "Selling and distribution expenses," "Administrative expenses," and "Research and development expenses" in profit or loss.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	(Unaudited)
Interest expenses on lease liabilities	275	443	347	219
Other finance cost	(213)	47	48	177
	62	490	395	396

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of each director and supervisor as recorded during each of the Relevant Periods, and the nine months ended 30 September 2023 and 2024, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is set out below:

	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	(Unaudited)
Fees	200	200	100	133
Other emoluments:				
Salaries, allowances and benefits in kind	3,221	4,061	2,939	3,226
Performance related bonuses	1,755	1,980	–	–
Pension scheme contributions	305	326	248	246
	5,481	6,567	3,287	3,605

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods and the nine months ended 30 September 2023 and 2024 were as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	(Unaudited)
Mr. Wang Jianxin *(note (a))*	100	100	50	60
Mr. Shen Jianxin *(note (b))*	100	100	50	73
Ms. Niu Shuangxia *(note (c))*	–	–	–	–
	200	200	100	133

(b) Executive directors, director and supervisors

Year ended 31 December 2022

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Bi Lei	1,365	936	93	2,394
Mr. Bi Chao	719	240	–	959
Non-Executive Director				
Mr. Wang Lin	–	–	–	–
Supervisors				
Ms. Wang Yuhong *(note (d))*	302	276	57	635
Ms. Liu Haimei	468	250	94	812
Ms. Huang Xiaoying *(note (g))*	126	53	31	210
Mr. Xie Zhengkai *(note (e))*	241	–	30	271
	3,221	1,755	305	5,281

Year ended 31 December 2023

	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive directors				
Mr. Bi Lei	2,019	960	99	3,078
Mr. Bi Chao	779	293	–	1,072
Non-Executive Director				
Mr. Wang Lin	–	–	–	–
Supervisors				
Ms. Wang Yuhong *(note (d))*	572	330	100	1,002
Ms. Liu Haimei	570	330	100	1,000
Mr. Bai Yuhong *(note (f))*	63	67	12	142
Ms. Huang Xiaoying *(note (g))*	58	–	15	73
	4,061	1,980	326	6,367

Nine months ended 30 September 2023

	Salaries, allowances and benefits in kind *RMB'000* (Unaudited)	Performance related bonuses *RMB'000* (Unaudited)	Pension scheme contributions *RMB'000* (Unaudited)	Total remuneration *RMB'000* (Unaudited)
Executive directors				
Mr. Bi Lei	1,433	–	75	1,508
Mr. Bi Chao	576	–	–	576
Non-Executive Director				
Mr. Wang Lin	–	–	–	–
Supervisors				
Ms. Wang Yuhong	420	–	76	496
Ms. Liu Haimei	418	–	76	494
Mr. Bai Yuhong	34	–	6	40
Ms. Huang Xiaoying	58	–	15	73
	2,939	–	248	3,187

Nine months ended 30 September 2024

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Executive directors				
Mr. Bi Lei	1,548	–	75	1,623
Mr. Bi Chao	634	–	–	634
Non-Executive Director				
Mr. Wang Lin	–	–	–	–
Supervisors				
Ms. Wang Yuhong	480	–	76	556
Ms. Liu Haimei	471	–	76	547
Mr. Bai Yuhong	93	–	19	112
	3,226	–	246	3,472

Notes:

(a) Mr. Wang Jianxin was appointed as an independent non-executive director of the Company with effect from 16 June 2020.

(b) Mr. Shen Jianxin was appointed as an independent non-executive director of the Company with effect from 16 June 2020 and resigned on 8 August 2024.

(c) Ms. Niu Shuangxia was appointed as an independent non-executive director of the Company with effect from 8 August 2024.

(d) Ms. Wang Yuhong was appointed as a supervisor of the Company with effect from 1 June 2022.

(e) Mr. Xie Zhengkai resigned as a supervisor of the Company on 1 June 2022.

(f) Mr. Bai Yuhong was appointed as a supervisor of the Company with effect from 15 June 2023.

(g) Ms. Huang Xiaoying resigned as a supervisor of the Company on 15 June 2023.

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Relevant Periods and the nine months ended 30 September 2023 and 2024.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Relevant Periods and the nine months ended 30 September 2023 and 2024 included 2, 1, 1, and 1 directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the 3, 4, 4, and 4 highest paid employees who are neither a director of the Group during the Relevant Periods and the nine months ended 30 September 2023 and 2024 are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	2,787	4,753	3,517	3,783
Performance related bonuses	1,736	2,320	–	–
Pension scheme contributions	257	377	283	293
Share-based payments	208	556	1,098	850
	4,988	8,006	4,898	4,926

The numbers of non-director highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
			(Unaudited)	(Unaudited)
HK$1,000,001 to HK$1,500,000	1	–	3	3
HK$1,500,001 to HK$2,000,000	1	3	1	–
HK$2,000,001 to HK$2,500,000	1	–	–	1
HK$3,000,001 to HK$3,500,000	–	1	–	–
	3	4	4	4

During the Relevant Periods and the nine months ended 30 September 2023 and 2024, no highest paid employees waived or agreed to waive any remuneration, and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Mainland China

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% unless those subject to tax exemption set out below.

The Company was accredited as a "High and New Technology Enterprise" in 2022, and therefore the Company was entitled to a preferential CIT rate of 15% for the Relevant Periods and nine months ended 30 September 2023 and 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Pursuant to Guofa [2020] No. 8 "Several Policies to Promote the High-Quality Development of Integrated Circuit Industry and Software Industry in the New Period"(新時期促進集成電路產業和軟件產業高質量發展的若干政策), key integrated circuit design enterprises encouraged by the government shall, from the profit-making year, be exempted from enterprise income tax from the first to the fifth year, and a reduction of enterprise income tax at a rate of 10% in the succeeding years. The Company, as a qualified key integrated circuit design enterprise encouraged by the government, was exempted from income tax during the Relevant Periods and nine months ended 30 September 2023 and 2024. This qualification is subject to review by the relevant tax authority in the PRC every year.

Fortior Technology (Shanghai) Co., Ltd. was accredited as a "High and New Technology Enterprise" in 2021 and entitled to a preferential income tax rate of 15%. The qualification is subject to review by the relevant tax authority in the PRC for every three years. Fortior Technology (Shanghai) Co., Ltd. has successfully passed the review of "High and New Technology Enterprise" in 2024 and was subject to income tax rate of 15% during the Relevant Periods and nine months ended 30 September 2023 and 2024.

Pursuant to Caishui [2021] No. 8 " Announcement of the State Taxation Administration on Matters Related to the Implementation of Income Tax Preferential Policies for Supporting the Development of Small Meagre-profit Enterprises and Self-employed Businesses"(國家稅務總局關於落實支持小型微利企業和個體工商戶發展所得稅優惠政策有關事項的公告), Fortior Technology (Qingdao) Co., Ltd. was qualified for Small Meagre-profit Enterprises and entitled to a preferential income tax rate of 20% on the 12.5% of taxable income less than RMB1,000,000, from 1 January 2021 to 31 December 2022.

Pursuant to Caishui [2022] No. 13 "Announcement on Further Implementing the Income Tax Preferential Policies for Small Meagre-profit Enterprises" (關於進一步實施小微企業所得稅優惠政策的公告), Fortior Technology (Qingdao) Co., Ltd. was qualified for Small Meagre-profit Enterprises and entitled to a preferential income tax rate of 20% on the 25% of taxable income exceeding RMB1,000,000 but less than RMB3,000,000 from 1 January 2022 to 31 December 2024.

Pursuant to Caishui [2023] No. 6 "Announcement on the Income Tax Preferential Policies for Small Meagre-profit Enterprises and Self-employed Businesses" (關於小微企業和個體工商戶所得稅優惠政策的公告), Fortior Technology (Qingdao) Co., Ltd. was qualified for Small Meagre-profit Enterprises and entitled to a preferential income tax rate of 20% on the 25% of taxable income not exceeding RMB1,000,000 from 1 January 2023 to 31 December 2024.

Pursuant to Caishui [2023] No. 12 "Announcement on the Income Tax Preferential Policies for Small Meagre-profit Enterprises and Self-employed Businesses" (關於小微企業和個體工商戶所得稅優惠政策的公告), Fortior Technology (Qingdao) Co., Ltd. was qualified for Small Meagre-profit Enterprises and entitled to a preferential income tax rate of 20% on the 25% of taxable income not exceeding RMB3,000,000 from 1 January 2023 to 31 December 2027.

The major components of the income tax expense for the year/period are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	(Unaudited)
Current tax expense				
Mainland China	1,061	–	–	1,227
Under provision in prior years from Mainland China	–	671	–	–
Total	1,061	671	–	1,227
Deferred tax expense/(credit)				
Mainland China	627	(4,322)	(1,099)	895
Elsewhere	(545)	(815)	(382)	(622)
Total	82	(5,137)	(1,481)	273
Total tax charge/(credit) for the year/period	1,143	(4,466)	(1,481)	1,500

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the statutory tax rate to the effective tax rate, are as follows:

	Year ended 31 December				Nine months ended 30 September			
	2023		**2024**		**2023**		**2024**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)		(Unaudited)	
Profit before tax	143,144		170,381		122,526		185,312	
Tax charge at the preferential tax rate of 15%	21,472	15.0	25,557	15.0	18,379	15.0	27,797	15.0
Effect of different tax rates enacted by local authorities	(13,343)	(9.3)	(17,558)	(10.3)	(13,695)	(11.2)	(16,383)	(8.9)
Adjustments in respect of current tax of previous periods	–	–	671	0.4	–	–	–	–
Super deduction for research and development expenses	(7,142)	(5.0)	(13,342)	(7.8)	(7,378)	(6.0)	(10,067)	(5.4)
Income not subject to tax	(1)	–	(19)	–	–	–	(40)	–
Expenses not deductible for tax	157	0.1	225	0.1	130	0.1	193	0.1
Tax losses and temporary difference not recognised	–	–	–	–	1,083	0.9	–	–
Tax charge/(credit) at the Group's effective rate	1,143	0.8	(4,466)	(2.6)	(1,481)	(1.2)	1,500	0.8

According to the EIT Law, the Company are entitled to additional deduction of qualified research and development expenses from the taxable income. The additional deduction percentage was 75% from 1 January 2022 to 30 September 2022, and it increased to 100% from 1 October 2022 to 31 December 2022 and further increased to 120% from 1 January 2023 to 31 December 2027.

12. DIVIDENDS

	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	(Unaudited)
Dividends declared by the Company	40,640	44,334	44,334	56,272

On 1 June 2022, the Company's shareholders approved the 2021 profit distribution plan at an annual general meeting, pursuant to which an aggregate amount of RMB40,640,000 (inclusive of tax) was subsequently paid in June 2022 to the shareholders of the Company on the record date for determining the shareholders' entitlement to the 2021 profit distribution plan, which amounted to a dividend of RMB4.4 (inclusive of tax) for every 10 shares of the Company.

On 23 May 2023, the Company's shareholders approved the 2022 profit distribution plan at an annual general meeting, pursuant to which an aggregate amount of RMB44,334,000 (inclusive of tax) was subsequently paid in June 2023 to the shareholders of the Company on the record date for determining the shareholders' entitlement to the 2022 profit distribution plan, which amounted to a dividend of RMB4.8 (inclusive of tax) for every 10 shares of the Company.

On 22 May 2024, the Company's shareholders approved the 2023 profit distribution plan at an annual general meeting, pursuant to which an aggregate amount of RMB56,272,000 (inclusive of tax) were subsequently paid in June 2024 to the shareholders of the Company on the record date for determining the shareholders' entitlement to the 2023 profit distribution plan, which amounted to a dividend of RMB6.1 (inclusive of tax) for every 10 shares of the Company.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares outstanding during the Relevant Periods and the nine months ended 30 September 2023 and 2024.

The number of the outstanding share awards contingently issuable was not included in the diluted earnings per share calculation as the earnings-based contingencies were not met at the end of each of the Relevant Periods and as at 30 September 2023 and 2024.

The calculation of basic earnings per share is based on:

	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	(Unaudited)
Earnings				
Profit attributable to ordinary equity holders of the parent	142,001	174,847	124,007	183,812

	Number of shares			
	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
			(Unaudited)	(Unaudited)
Number of shares				
Weighted average number of ordinary shares in issue during the year/period, used in the basic earnings per share calculation	84,666,430	92,363,380	92,363,380	92,273,269

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Machine equipment *RMB'000*	Electronic equipment *RMB'000*	Furniture and fixtures *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
31 December 2022					
At 1 January 2022:					
Cost	2,843	4,299	274	1,677	9,093
Accumulated depreciation	(305)	(2,275)	(260)	(967)	(3,807)
Net carrying amount	2,538	2,024	14	710	5,286
At 1 January 2022, net of accumulated depreciation	2,538	2,024	14	710	5,286
Additions	–	1,440	–	123	1,563
Disposals	–	(2)	–	–	(2)
Depreciation provided during the year	(270)	(1,032)	–	(485)	(1,787)
Exchange realignment	–	5	–	4	9
At 31 December 2022, net of accumulated depreciation	2,268	2,435	14	352	5,069
At 31 December 2022:					
Cost	2,843	5,724	274	1,805	10,646
Accumulated depreciation	(575)	(3,289)	(260)	(1,453)	(5,577)
Net carrying amount	2,268	2,435	14	352	5,069

	Machine equipment *RMB'000*	Electronic equipment *RMB'000*	Furniture and fixtures *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
31 December 2023					
At 1 January 2023:					
Cost	2,843	5,724	274	1,805	10,646
Accumulated depreciation	(575)	(3,289)	(260)	(1,453)	(5,577)
Net carrying amount	2,268	2,435	14	352	5,069
At 1 January 2023, net of accumulated depreciation	2,268	2,435	14	352	5,069
Additions	4,393	2,952	–	617	7,962
Disposals	–	(3)	–	–	(3)
Depreciation provided during the year	(364)	(1,496)	–	(267)	(2,127)
Exchange realignment	–	1	–	1	2
At 31 December 2023, net of accumulated depreciation	6,297	3,889	14	703	10,903
At 31 December 2023:					
Cost	7,236	8,667	274	2,423	18,600
Accumulated depreciation	(939)	(4,778)	(260)	(1,720)	(7,697)
Net carrying amount	6,297	3,889	14	703	10,903

	Buildings	Machine equipment	Electronic equipment	Furniture and fixtures	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 September 2024 (Unaudited)						
At 1 January 2024:						
Cost	–	7,236	8,667	274	2,423	18,600
Accumulated depreciation	–	(939)	(4,778)	(260)	(1,720)	(7,697)
Net carrying amount	–	6,297	3,889	14	703	10,903
At 1 January 2024, net of accumulated depreciation	–	6,297	3,889	14	703	10,903
Additions	134,436	1,619	1,065	–	32	137,152
Disposals	–	–	(1)	–	–	(1)
Depreciation provided during the period	(354)	(554)	(1,440)	–	(230)	(2,578)
Exchange realignment	–	–	(1)	–	–	(1)
At 30 September 2024, net of accumulated depreciation	134,082	7,362	3,512	14	505	145,475
At 30 September 2024:						
Cost	134,436	8,855	9,706	274	2,454	155,725
Accumulated depreciation	(354)	(1,493)	(6,194)	(260)	(1,949)	(10,250)
Net carrying amount	134,082	7,362	3,512	14	505	145,475

The Company

	Machine equipment *RMB'000*	Electronic equipment *RMB'000*	Furniture and fixtures *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
31 December 2022					
At 1 January 2022:					
Cost	2,843	3,907	274	1,677	8,701
Accumulated depreciation	(305)	(2,160)	(260)	(967)	(3,692)
Net carrying amount	2,538	1,747	14	710	5,009
At 1 January 2022, net of accumulated depreciation	2,538	1,747	14	710	5,009
Additions	–	1,286	–	20	1,306
Disposals	–	(2)	–	–	(2)
Depreciation provided during the year	(270)	(892)	–	(477)	(1,639)
At 31 December 2022, net of accumulated depreciation	2,268	2,139	14	253	4,674
At 31 December 2022:					
Cost	2,843	5,173	274	1,697	9,987
Accumulated depreciation	(575)	(3,034)	(260)	(1,444)	(5,313)
Net carrying amount	2,268	2,139	14	253	4,674

	Machine equipment *RMB'000*	Electronic equipment *RMB'000*	Furniture and fixtures *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
31 December 2023					
At 1 January 2023:					
Cost	2,843	5,173	274	1,697	9,987
Accumulated depreciation	(575)	(3,034)	(260)	(1,444)	(5,313)
Net carrying amount	2,268	2,139	14	253	4,674
At 1 January 2023, net of accumulated depreciation	2,268	2,139	14	253	4,674
Additions	4,393	2,792	–	617	7,802
Disposals	–	–	–	–	–
Depreciation provided during the year	(364)	(1,314)	–	(212)	(1,890)
At 31 December 2023, net of accumulated depreciation	6,297	3,617	14	658	10,586
At 31 December 2023:					
Cost	7,236	7,956	274	2,315	17,781
Accumulated depreciation	(939)	(4,339)	(260)	(1,657)	(7,195)
Net carrying amount	6,297	3,617	14	658	10,586

	Machine equipment *RMB'000*	Electronic equipment *RMB'000*	Furniture and fixtures *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
30 September 2024 (Unaudited)					
At 1 January 2024:					
Cost	7,236	7,956	274	2,315	17,781
Accumulated depreciation	(939)	(4,339)	(260)	(1,657)	(7,195)
Net carrying amount	6,297	3,617	14	658	10,586
At 1 January 2024, net of accumulated depreciation	6,297	3,617	14	658	10,586
Additions	1,619	961	–	–	2,580
Disposals	–	(1)	–	–	(1)
Depreciation provided during the period	(554)	(1,336)	–	(183)	(2,073)
At 30 September 2024, net of accumulated depreciation	7,362	3,241	14	475	11,092
At 30 September 2024:					
Cost	8,855	8,893	274	2,315	20,337
Accumulated depreciation	(1,493)	(5,652)	(260)	(1,840)	(9,245)
Net carrying amount	7,362	3,241	14	475	11,092

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and properties. Leases of plant and properties generally have lease terms with from 12 months to 60 months. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

	Plant and properties *RMB'000*
31 December 2022	
At 1 January 2022:	
Cost	6,695
Accumulated depreciation	(2,705)
Net carrying amount	3,990
At 1 January 2022, net of accumulated depreciation	3,990
Additions	7,987
Depreciation provided during the year	(3,232)
Disposals	(164)
At 31 December 2022, net of accumulated depreciation	8,581
At 31 December 2022:	
Cost	10,957
Accumulated depreciation	(2,376)
Net carrying amount	8,581

The Group

	Plant and properties
	RMB'000
31 December 2023	
At 1 January 2023:	
Cost	10,957
Accumulated depreciation	(2,376)
Net carrying amount	8,581
At 1 January 2023, net of accumulated depreciation	8,581
Additions	2,955
Depreciation provided during the year	(4,071)
Disposals	(206)
At 31 December 2023, net of accumulated depreciation	7,259
At 31 December 2023:	
Cost	13,194
Accumulated depreciation	(5,935)
Net carrying amount	7,259

	Plant and properties
	RMB'000
30 September 2024 (Unaudited)	
At 1 January 2024:	
Cost	13,194
Accumulated depreciation	(5,935)
Net carrying amount	7,259
At 1 January 2024, net of accumulated depreciation	7,259
Additions	243
Depreciation provided during the period	(2,965)
At 30 September 2024, net of accumulated depreciation	4,537
At 30 September 2024:	
Cost	12,740
Accumulated depreciation	(8,203)
Net carrying amount	4,537

The Company

	Plant and properties *RMB'000*
31 December 2022	
At 1 January 2022:	
Cost	5,834
Accumulated depreciation	(2,567)
Net carrying amount	3,267
At 1 January 2022, net of accumulated depreciation	3,267
Additions	7,415
Depreciation provided during the year	(2,833)
At 31 December 2022, net of accumulated depreciation	7,849
At 31 December 2022:	
Cost	9,742
Accumulated depreciation	(1,893)
Net carrying amount	7,849

	Plant and properties *RMB'000*
31 December 2023	
At 1 January 2023:	
Cost	9,742
Accumulated depreciation	(1,893)
Net carrying amount	7,849
At 1 January 2023, net of accumulated depreciation	7,849
Additions	2,447
Depreciation provided during the year	(3,359)
Disposals	(206)
At 31 December 2023, net of accumulated depreciation	6,731
At 31 December 2023:	
Cost	11,636
Accumulated depreciation	(4,905)
Net carrying amount	6,731

The Company

	Plant and properties *RMB'000*
30 September 2024 (Unaudited)	
At 1 January 2024:	
Cost	11,636
Accumulated depreciation	(4,905)
Net carrying amount	6,731
At 1 January 2024, net of accumulated depreciation	6,731
Depreciation provided during the period	(2,478)
At 30 September 2024, net of accumulated depreciation	4,253
At 30 September 2024:	
Cost	11,636
Accumulated depreciation	(7,383)
Net carrying amount	4,253

(b) ***Lease liabilities***

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

The Group

	As at 31 December		As at 30 September
	2022 *RMB'000*	**2023** *RMB'000*	**2024** *RMB'000* (Unaudited)
At the beginning of year/period	3,896	8,673	7,612
Additions	7,802	2,811	69
Accretion of interest recognised during the year/period	275	443	219
Early termination	(163)	(213)	–
Payments	(3,137)	(4,102)	(3,118)
At the end of year/period	8,673	7,612	4,782
Analysed into:			
Current portion	3,219	3,895	3,224
Non-current portion	5,454	3,717	1,558

The Company

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
At the beginning of year/period	3,317	8,052	7,147
Additions	7,342	2,416	–
Accretion of interest recognised during the year/period	252	402	210
Early termination	–	(213)	–
Payments	(2,859)	(3,510)	(2,826)
At the end of year/period	8,052	7,147	4,531
Analysed into:			
Current portion	2,811	3,430	3,056
Non-current portion	5,241	3,717	1,475

(c) ***The amounts recognised in profit or loss in relation to leases are as follows:***

The Group

	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	(Unaudited)
Interest on lease liabilities	275	443	347	219
Depreciation charge of right-of-use assets	3,232	4,071	3,082	2,965
Expense relating to short-term leases/leases of low-value assets	362	529	370	391
Total amount recognised in profit or loss	3,869	5,043	3,799	3,575

The Company

	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	(Unaudited)
Interest on lease liabilities	252	402	314	210
Depreciation charge of right-of-use assets	2,833	3,359	2,533	2,478
Expense relating to short-term leases/leases of low-value assets	84	52	37	38
Total amount recognised in profit or loss	3,169	3,813	2,884	2,726

16. INTANGIBLE ASSETS

The Group

	Software	**IP licenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
31 December 2022			
At 1 January 2022:			
Cost	2,139	1,092	3,231
Accumulated amortisation	(661)	(755)	(1,416)
Net carrying amount	1,478	337	1,815
Cost at 1 January 2022, net of accumulated amortisation	1,478	337	1,815
Additions	2,148	172	2,320
Amortisation provided during the year	(996)	(123)	(1,119)
At 31 December 2022	2,630	386	3,016
At 31 December 2022:			
Cost	4,287	1,319	5,606
Accumulated amortisation	(1,657)	(933)	(2,590)
Net carrying amount	2,630	386	3,016

	Software	**IP licenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
31 December 2023			
At 1 January 2023:			
Cost	4,287	1,319	5,606
Accumulated amortisation	(1,657)	(933)	(2,590)
Net carrying amount	2,630	386	3,016
Cost at 1 January 2023, net of accumulated amortisation	2,630	386	3,016
Additions	7,751	–	7,751
Amortisation provided during the year	(2,323)	(149)	(2,472)
At 31 December 2023	8,058	237	8,295
At 31 December 2023:			
Cost	12,038	1,330	13,368
Accumulated amortisation	(3,980)	(1,093)	(5,073)
Net carrying amount	8,058	237	8,295

	Software	**IP licenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
30 September 2024 (Unaudited)			
At 1 January 2024:			
Cost	12,038	1,330	13,368
Accumulated amortisation	(3,980)	(1,093)	(5,073)
Net carrying amount	8,058	237	8,295
Cost at 1 January 2024, net of accumulated amortisation	8,058	237	8,295
Additions	72	–	72
Amortisation provided during the period	(2,472)	(50)	(2,522)
At 30 September 2024	5,658	187	5,845
At 30 September 2024:			
Cost	12,110	1,323	13,433
Accumulated amortisation	(6,452)	(1,136)	(7,588)
Net carrying amount	5,658	187	5,845

The Company

	Software	**IP licenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
31 December 2022			
At 1 January 2022:			
Cost	2,139	503	2,642
Accumulated amortisation	(661)	(166)	(827)
Net carrying amount	1,478	337	1,815
Cost at 1 January 2022, net of accumulated amortisation	1,478	337	1,815
Additions	2,148	172	2,320
Amortisation provided during the year	(996)	(123)	(1,119)
At 31 December 2022	2,630	386	3,016
At 31 December 2022:			
Cost	4,287	675	4,962
Accumulated amortisation	(1,657)	(289)	(1,946)
Net carrying amount	2,630	386	3,016

	Software	**IP licenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
31 December 2023			
At 1 January 2023:			
Cost	4,287	675	4,962
Accumulated amortisation	(1,657)	(289)	(1,946)
Net carrying amount	2,630	386	3,016
Cost at 1 January 2023, net of accumulated amortisation	2,630	386	3,016
Additions	2,802	–	2,802
Amortisation provided during the year	(1,159)	(149)	(1,308)
At 31 December 2023	4,273	237	4,510
At 31 December 2023:			
Cost	7,089	675	7,764
Accumulated amortisation	(2,816)	(438)	(3,254)
Net carrying amount	4,273	237	4,510

	Software	IP licenses	Total
	RMB'000	*RMB'000*	*RMB'000*
30 September 2024 (Unaudited)			
At 1 January 2024:			
Cost	7,089	675	7,764
Accumulated amortisation	(2,816)	(438)	(3,254)
Net carrying amount	4,273	237	4,510
Cost at 1 January 2024, net of accumulated amortisation	4,273	237	4,510
Additions	72	–	72
Amortisation provided during the period	(1,162)	(50)	(1,212)
At 30 September 2024	3,183	187	3,370
At 30 September 2024:			
Cost	7,161	675	7,836
Accumulated amortisation	(3,978)	(488)	(4,466)
Net carrying amount	3,183	187	3,370

17. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Unlisted shares, at cost	52,583	84,080	234,987

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group and The Company

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value:			
Shenzhen Guochuang Embodied Intelligent Robot Co., Ltd	–	–	796

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

19. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group and the Company

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Non-current asset			
Negotiable Certificate of Deposit	110,938	461,012	937,186
Current asset			
Negotiable Certificate of Deposit	–	10,724	43,063

The above certificate deposits are issued by banks in Mainland China. They are classified and measured at fair value through other comprehensive income as they are held within a business model with the objective of both collecting contractual cashflows and selling.

20. OTHER NON-CURRENT ASSET

The Group

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Prepayment for outsourced processing fees	2,832	2,124	1,593
Prepayment for purchase of property plant and equipment	1,908	255	2,793
Prepayment for purchase of intangible assets	–	–	2,568
Cooperative building construction*	10,949	23,295	25,030
	15,689	25,674	31,984

The Company

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Prepayment for outsourced processing fees	2,832	2,124	1,593
Prepayment for purchase of property plant and equipment	1,896	255	2,793
Prepayment for purchase of intangible assets	–	–	2,568
Cooperative building construction*	10,949	23,295	25,030
	15,677	25,674	31,984

* It represented the payments for the construction costs of the land and the buildings which are jointly owned by the Group and other independent third parties. The allocated construction costs borne by the Group according to the joint purchase agreement are recognized as the assets. The construction is expected to complete in 2027.

21. INVENTORIES

The Group

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Raw materials	90,966	88,194	48,496
Finished goods	43,790	34,857	51,279
Outsourced Processing Materials	21,471	49,948	64,507
Goods in transit	–	–	2,708
	156,227	172,999	166,990

The inventories are net of a write-down of approximately RMB2,341,000, RMB3,205,000 and RMB5,643,000 as at 31 December 2022 and 2023 and 30 September 2024, respectively.

The Company

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Raw materials	91,002	73,709	42,393
Finished goods	42,981	11,343	39,471
Outsourced Processing Materials	21,312	41,936	59,493
Goods in transit	–	–	2,322
	155,295	126,988	143,679

The inventories are net of a write-down of approximately RMB2,341,000, RMB2,292,000 and RMB3,531,000 as at 31 December 2022 and 2023 and 30 September 2024, respectively.

22. TRADE RECEIVABLES

The Group

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Trade receivables	1,472	5,949	2,781
Allowance for expected credit losses	(44)	(178)	(83)
	1,428	5,771	2,698

The Group's trading terms with its customers are mainly received in advance, and only a few customers are on credit. The credit period is generally within 30 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the fact that the Group's trade receivables relate to diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of each of the Relevant Periods, based on the billing date and net of allowance for expected credit losses, is as follows:

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Within one year	1,428	5,771	2,698

The movements in the allowance for expected credit losses of trade receivables are as follows:

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
At the beginning of year/period	85	44	178
Impairment losses, net *(note 7)*	(41)	134	(95)
At the end of year/period	44	178	83

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables.

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings.

Set out below is the information during the Relevant Periods about the credit risk exposure on the Group's trade receivables using a provision matrix:

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
			(Unaudited)
	Current	Current	Current
Expected credit loss rate	3.00%	3.00%	3.00%
Gross carrying amount *(RMB'000)*	1,472	5,949	2,781
Expected credit losses *(RMB'000)*	44	178	83

The Company

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Trade receivables due from subsidiaries	–	5,605	75
Trade receivables due from third parties	1,472	5,824	2,780
Allowance for expected credit losses	(44)	(174)	(83)
	1,428	11,255	2,772

The movements in the allowance for expected credit losses of trade receivables are as follows:

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
At the beginning of year/period	57	44	174
Impairment losses, net	(13)	130	(91)
At the end of year/period	44	174	83

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Prepayments	24,196	5,705	15,165
Deposits and other receivables *	1,434	1,797	1,795
VAT recoverable	28,594	31,199	28,218
Prepaid tax	1,442	261	–
	55,666	38,962	45,178
Less: Impairment of other receivables **	(64)	(73)	(77)
	55,602	38,889	45,101

* Deposits and other receivables are unsecured, non-interest-bearing and repayable on demand.

** As at 31 December 2022, 31 December 2023 and 30 September 2024, the impairment of the financial assets included in prepayments, other receivables and other assets were measured based on 12-month expected credit loss if they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on lifetime expected credit loss.

The movements in the loss allowance for other receivables are as follows:

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
At the beginning of year/period	58	64	73
Impairment losses, net *(note 7)*	6	9	4
At the end of year/period	64	73	77

The Company

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Prepayments	24,127	5,635	14,721
Deposits and other receivables	1,092	1,498	1,507
VAT recoverable	28,494	24,203	22,869
Amount due from subsidiaries	3,047	8,765	8,672
	56,760	40,101	47,769
Less: Impairment of other receivables	(57)	(65)	(68)
	56,703	40,036	47,701

The movements in the loss allowance for other receivables are as follows:

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
At the beginning of year/period	53	57	65
Impairment losses, net	4	8	3
At the end of year/period	57	65	68

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Wealth management products	47,479	7,679	11,889
Structured Deposits	1,420,145	1,062,886	819,215
	1,467,624	1,070,565	831,104

The Company

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Wealth management products	10,257	–	–
Structured Deposits	1,413,137	1,060,885	777,497
	1,423,394	1,060,885	777,497

The wealth management products and structured deposits are issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

25. CASH AND CASH EQUIVALENTS

The Group

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Cash and bank balances	519,585	608,696	207,332
Time deposits	27,417	62,802	121,115
	547,002	671,498	328,447
Less:			
Time deposits	(27,417)	(62,802)	(121,115)
	519,585	608,696	207,332

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Cash and bank balances			
Denominated in			
– RMB	510,305	590,964	203,129
– USD	9,267	14,070	709
– Others	13	3,662	3,494
	519,585	608,696	207,332

The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

The Company

	As at 31 December		**As at 30 September**
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Cash and bank balances	487,669	580,058	175,904
Time deposits	27,417	47,813	102,617
	515,086	627,871	278,521
Less:			
Time deposits	(27,417)	(47,813)	(102,617)
	487,669	580,058	175,904

	As at 31 December		**As at 30 September**
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Cash and bank balances			
Denominated in			
– RMB	482,945	578,189	175,779
– USD	4,724	1,869	125
	487,669	580,058	175,904

26. TRADE PAYABLES

The Group

	As at 31 December 2022 *RMB'000*	2023 *RMB'000*	As at 30 September 2024 *RMB'000* (Unaudited)
Trade payables	8,324	12,270	9,280

An aging analysis of the trade payables as at the end of each of the Relevant Periods, based on the date of goods received from the suppliers, is as follows:

	As at 31 December 2022 *RMB'000*	2023 *RMB'000*	As at 30 September 2024 *RMB'000* (Unaudited)
Within one year	8,324	12,270	9,280

The Company

	As at 31 December 2022 *RMB'000*	2023 *RMB'000*	As at 30 September 2024 *RMB'000* (Unaudited)
Trade payables	8,323	12,038	8,707

An aging analysis of the trade payables as at the end of each of the Relevant Periods, based on the date of goods received from the suppliers, is as follows:

	As at 31 December 2022 *RMB'000*	2023 *RMB'000*	As at 30 September 2024 *RMB'000* (Unaudited)
Within one year	8,323	12,038	8,707

The trade payables are non-interest-bearing and are normally settled on terms of 30 days.

27. CONTRACT LIABILITIES

The Group

The Group recognised the following revenue-related contract liabilities:

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Sale of products	508	1,030	5,826

The Company

The Company recognised the following revenue-related contract liabilities:

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Sale of products	477	659	4,623

Contract liabilities include short-term advances received to deliver products. The increase in contract liabilities in 2024 was mainly due to the increase in advances received from customers in relation to the delivery of goods as at 30 September 2024.

28. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Current liabilities			
Deposits payable	49,302	38,430	10,572
Payroll payables	21,085	27,652	6,900
Accruals and other payables	4,871	3,934	3,977
Instalments payable due within one year	544	2,151	1,649
Other tax payables	2,787	3,617	4,002
	78,589	75,784	27,100
Non-current liabilities			
Deposits payable	17,842	–	–
Instalments payable for purchase of intangible assets	568	1,649	–
	18,410	1,649	–

The Company

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Current liabilities			
Deposits payable	49,302	38,430	10,572
Payroll payables	17,011	22,259	5,184
Accruals and other payables	4,353	3,616	3,580
Instalments payable due within one year	544	578	–
Other tax payables	2,697	3,339	3,135
	73,907	68,222	22,471
Non-current liabilities			
Deposits payable	17,842	–	–
Instalments payable for purchase of intangible assets	568	–	–
	18,410	–	–

Instalments payable relates to the purchase of intangible assets which are payable in three instalments over three years. Non-current deposits payable represents the deposits received from the customers to secure the production capacity, which will be returned to the customers proportionally when future sales occur. Other than that, other payables included in the above balances are non-interest-bearing and have no fixed terms of settlement.

29. DEFERRED INCOME

The Group and the Company

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Government grants	2,395	3,452	2,757

The movements of deferred income for the Relevant Periods and the nine months ended 30 September 2024 are as follows:

	Year ended 31 December		Nine months ended 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
At beginning of the year/period	53	2,395	3,452
Grants received during the year/period	2,700	2,000	–
Amounts released to profit or loss during the year/period	(358)	(943)	(695)
At end of the year/period	2,395	3,452	2,757

30. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

The Group

	Impairment of trade and other receivables	Impairment of inventories	Unrealised internal trading profits	Tax losses	Share incentive plan	Lease liabilities	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	21	329	348	123	–	588	–	1,409
Deferred tax (charged)/credited to the statement of profit or loss during the year	(5)	22	(203)	567	519	727	–	1,627
At 31 December 2022	16	351	145	690	519	1,315	–	3,036
At 1 January 2023	16	351	145	690	519	1,315	–	3,036
Deferred tax credited/(charged) to the statement of profit or loss during the year	22	283	1,609	2,540	471	(136)	1	4,790
Deferred tax credited to share option reserve during the year	–	–	–	–	3,387	–	–	3,387
At 31 December 2023	38	634	1,754	3,230	4,377	1,179	1	11,213
At 1 January 2024	38	634	1,754	3,230	4,377	1,179	1	11,213
Deferred tax (charged)/credited to the statement of profit or loss during the period	(14)	399	(995)	(417)	575	(440)	6	(886)
Deferred tax credited to share option reserve during the period	–	–	–	–	2,633	–	–	2,633
Deferred tax credited to other comprehensive income during the period	–	–	–	–	–	–	16	16
At 30 September 2024 (Unaudited)	24	1,033	759	2,813	7,585	739	23	12,976

The Company

	Impairment of trade and other receivables	**Impairment of inventories**	**Share incentive plan**	**Lease liabilities**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	17	328	–	498	–	843
Deferred tax (charged)/credited to the statement of profit or loss during the year	(2)	23	423	712	–	1,156
At 31 December 2022	15	351	423	1,210	–	1,999
At 1 January 2023	15	351	423	1,210	–	1,999
Deferred tax credited/(charged) to the statement of profit or loss during the year	21	(7)	379	(137)	1	257
Deferred tax credited to share option reserve during the year	–	–	2,756	–	–	2,756
At 31 December 2023	36	344	3,558	1,073	1	5,012
At 1 January 2024	36	344	3,558	1,073	1	5,012
Deferred tax (charged)/credited to the statement of profit or loss during the period	(13)	185	468	(384)	–	256
Deferred tax credited to share option reserve during the period	–	–	2,169	–	–	2,168
Deferred tax credited to other comprehensive income during the period	–	–	–	–	16	16
At 30 September 2024 (Unaudited)	23	529	6,195	689	17	7,453

The movements in deferred tax liabilities during the Relevant Periods are as follows:

The Group

	Fair value adjustments of financial assets at fair value through profit and loss	**Right-of-use assets**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	–	581	–	581
Deferred tax charged to the statement of profit or loss during the year	965	700	8	1,673
At 31 December 2022	965	1,281	8	2,254
At 1 January 2023	965	1,281	8	2,254
Deferred tax (credited)/charged to the statement of profit or loss during the year	(205)	(168)	6	(367)
At 31 December 2023	760	1,113	14	1,887
At 1 January 2024	760	1,113	14	1,887
Deferred tax credited to the statement of profit or loss during the period	(159)	(426)	(8)	(593)
At 30 September 2024 (Unaudited)	601	687	6	1,294

The Company

	Fair value adjustments of financial assets at fair value through profit and loss	Right-of-use assets	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	–	489	–	489
Deferred tax charged to the statement of profit or loss during the year	929	688	3	1,620
At 31 December 2022	929	1,177	3	2,109
At 1 January 2023	929	1,177	3	2,109
Deferred tax credited to the statement of profit or loss during the year	(271)	(167)	(3)	(441)
At 31 December 2023	658	1,010	–	1,668
At 1 January 2024	658	1,010	–	1,668
Deferred tax credited to the statement of profit or loss during the period	(208)	(372)	–	(580)
At 30 September 2024 (Unaudited)	450	638	–	1,088

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group and the Company for financial reporting purposes:

The Group

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Net deferred tax assets recognised in the consolidated statement of financial position	1,755	10,099	12,289
Net deferred tax liabilities recognised in the consolidated statement of financial position	973	773	607

The Company

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Net deferred tax assets recognised in the statement of financial position	822	4,001	6,814
Net deferred tax liabilities recognised in the statement of financial position	932	657	449

31. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

The Group and the Company

	As at 31 December 2022	2023	As at 30 September 2024
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Registered, issued and fully paid: ordinary shares	92,363	92,363	92,363

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital *RMB'000*
At 1 January 2022	69,272,530	69,272
Issue of A shares	23,090,850	23,091
At 31 December 2022 and 1 January 2023	92,363,380	92,363
At 31 December 2023 and 1 January 2024	92,363,380	92,363
At 30 September 2024 (Unaudited)	92,363,380	92,363

(b) Treasury shares

The Group and the Company

	Number of shares in issue	Treasury shares *RMB'000*
At 31 December 2022 and 2023 and 1 January 2024	–	–
Shares repurchased	193,000	193
At 30 September 2024 (Unaudited)	193,000	193

During the nine months ended 30 September 2024, the Company repurchased 193,000 issued A shares at a consideration of RMB20,021,000.

32. EQUITY INCENTIVE PLAN

(1) 2022 Equity incentive plan

The Company operates an equity incentive plan (the "**Scheme**") which became effective on 2 September 2022 and will remain in force for five years from that date. The board approved a total of 2,471,000 type II restricted shares, and the grant price for each share is RMB56.00. It was confirmed that 133 participants were granted 2,361,000 type II restricted shares, and 110,000 type II restricted shares were reserved. On 3 August 2023, the Second Meeting of the Second Session of the Board of Directors approved the grant of 110,000 reserved restricted shares to four participants.

Type II restricted shares refer to A shares granted to the participants pursuant to which the participants have the right to subscribe new A shares of the Company upon the satisfaction of certain vesting conditions.

The vesting periods and vesting arrangements for the initially granted restricted shares are as follows:

Vesting arrangements	Vesting periods	The percentage of vested/The total granted shares	Vesting conditions
First vesting period*	From the first trading day 12 months after the date of the first grant to the first grant end of the last trading day within 24 months	20%	Based on the revenue and net profit of 2021, the growth rate of revenue or net profit of 2022 is not less than 20%
Second vesting period*	From the first trading day 24 months after the date of the first grant to the first grant end of the last trading day within 36 months	40%	Based on the revenue and net profit of 2021, the growth rate of revenue or net profit of 2023 is not less than 40%
Third vesting period	From the first trading day 36 months after the date of the first grant to the first grant end of the last trading day within 48 months	40%	Based on the revenue and net profit of 2021, the growth rate of revenue or net profit of 2024 is not less than 60%

The vesting periods and vesting arrangements for the reserved restricted shares are as follows:

Vesting arrangements	Vesting periods	The percentage of vested/The total granted shares	Vesting conditions
First vesting period*	From the first trading day 12 months after the date of the first grant to the first grant end of the last trading day within 24 months	50%	Based on the revenue and net profit of 2021, the growth rate of revenue or net profit of 2023 is not less than 40%
Second vesting period	From the first trading day 24 months after the date of the first grant to the first grant end of the last trading day within 36 months	50%	Based on the revenue and net profit of 2021, the growth rate of revenue or net profit of 2024 is not less than 60%

* These vesting conditions were not met and related granted shares were forfeited accordingly.

(2) The following restricted shares were outstanding under the Scheme during the Relevant Periods and the nine months ended 30 September 2024:

	Year ended 31 December				Nine months ended 30 September	
	2022		2023		2024	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	RMB per share	*'000*	*RMB per share*	*'000*	*RMB per share*	*'000*
At 1 January	–	–	56.00	1,869	55.52	965
Granted during the year/period	56.00	2,361	55.52	110	–	–
Forfeited during the year/period	56.00	(492)	55.52	(1,014)	55.47	(49)
At the end of the year/period	56.00	1,869	55.52*	965	54.91*	916

(3) The following restricted shares were outstanding under the Scheme during the Relevant Periods:

	Number of options	Exercise price *	Exercise period
	'000	*RMB per share*	
As at 31 December 2022			
	934	56.00	2-9-24 to 1-9-25
	935	56.00	2-9-25 to 1-9-26
	1,869		
As at 31 December 2023			
	910	55.52	2-9-25 to 1-9-26
	55	55.52	3-8-25 to 2-8-26
	965		
As at 30 September 2024 (unaudited)			
	861	54.91	2-9-25 to 1-9-26
	55	54.91	3-8-25 to 2-8-26
	916		

* The exercise price per share was adjusted for the dividends entitlement for 2022 and 2023 respectively.

(4) Details of equity-settled share-based payments during the Relevant Periods are as follows:

The fair value of equity-settled restricted shares granted was estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the shares were granted. The following table lists the inputs to the model used:

	As at 2 September 2022	As at 3 August 2023
Share price at the grant date	RMB64.40	RMB107.00
Expected volatility *(%)*	15.65-17.13	12.99-14.92
Risk-free interest rate *(%)*	1.50-2.75	1.50-2.10
Expected life of options *(years)*	1-3	1-2

During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, the Group recorded share-based payment expenses of RMB3,453,000, RMB3,242,000, RMB8,228,000 and RMB4,021,000, respectively.

33. RESERVES

The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity of the Historical Financial Information.

(i) Capital reserve

The capital reserve mainly represents the difference between the value of share capital and the consideration received.

(ii) Statutory surplus reserve

In accordance with the Company Law of the PRC, the companies in the PRC are required to allocate 10% of the statutory after-tax profits to the statutory surplus reserve until the cumulative total of the reserve reaches 50% of the company registered capital. The statutory surplus reserve may be used to offset any accumulated losses or increase the registered capital of such companies subject to approval from the relevant PRC authorities. The statutory surplus reserve is not available for dividend distribution to shareholders of such companies.

(iii) Share option reserve

The share option reserve comprises the fair value of restricted shares granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the Historical Financial Information. The amount will either be transferred to the capital reserve account when the related options are exercised or be transferred to retained profits should the related options expire after the vesting period.

(iv) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statement of foreign operations whose functional currencies are different from the Group's presentation currency.

(v) Fair value reserve

The fair value reserve represents the fair value movement of equity investment designated at fair value through other comprehensive income.

The Company

The amounts of the Company's reserves and the movements therein for the Relevant Periods are presented as follows:

	Capital reserve	Share option reserve	Fair value reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	156,651	–	–	18,516	166,641	341,808
Profit for the year	–	–	–	–	132,602	132,602
Total comprehensive income for the year	–	–	–	–	132,603	132,603
Dividends declared to shareholders	–	–	–	–	(40,640)	(40,640)
Share-based payments	–	3,465	–	–	–	3,465
Issue of shares	1,705,371	–	–	–	–	1,705,371
Transferred from retained profits	–	–	–	13,260	(13,260)	–
At 31 December 2022	1,862,022	3,465	–	31,776	245,343	2,142,606

	Capital reserve	Share option reserve	Fair value reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	1,862,022	3,465	–	31,776	245,343	2,142,606
Profit for the year	–	–	–	–	185,540	185,540
Total comprehensive income for the year	–	–	–	–	185,540	185,540
Dividends declared to shareholders	–	–	–	–	(44,334)	(44,334)
Share-based payments	–	6,003	–	–	–	6,003
Transferred from retained profits	–	–	–	18,554	(18,554)	–
At 31 December 2023	1,862,022	9,468	–	50,330	367,995	2,289,815

	Capital reserve *RMB'000*	Share option reserve *RMB'000*	Fair value reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2024	1,862,022	9,468	–	50,330	367,995	2,289,815
Profit for the period (unaudited)	–	–	–	–	168,187	168,187
Other comprehensive income for the period:						
Changes in fair value of equity investments at fair value through other comprehensive income (unaudited)	–	–	(89)	–	–	(89)
Total comprehensive income for the period (unaudited)	–	–	(89)	–	168,187	168,098
Dividends declared to shareholders (unaudited)	–	–	–	–	(56,273)	(56,273)
Shares repurchased (unaudited)	(19,828)	–	–	–	–	(19,828)
Share-based payments (unaudited)	–	6,195	–	–	–	6,195
At 30 September 2024 (Unaudited)	1,842,194	15,663	(89)	50,330	479,909	2,388,007

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB7,802,000, RMB2,811,000, RMB2,811,000 and RMB69,000, respectively, in respect of lease arrangements for office premises.

During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, the Group had non-cash additions to intangible assets and other payables of RMB1,005,000, RMB3,222,000, RMB3,222,000 and nil, respectively, in respect of software.

(b) Changes in liabilities arising from financing activities

	Lease liabilities *RMB'000*	**Instalment payables (including due within one year)** *RMB'000*
At 1 January 2022	3,896	–
Additions	7,802	1,005
Changes from financing cash flows	(3,137)	–
Accretion of interest	275	–
Early termination of lease liabilities	(163)	–
Foreign exchange movement	–	107
At 31 December 2022	8,673	1,112
At 1 January 2023	8,673	1,112
Additions	2,811	3,222
Changes from financing cash flows	(4,102)	(577)
Accretion of interest	443	48
Early termination of lease liabilities	(213)	–
Foreign exchange movement	–	(5)
At 31 December 2023	7,612	3,800
At 1 January 2024	7,612	3,800
Additions	69	–
Changes from financing cash flows	(3,118)	(2,331)
Accretion of interest	219	178
Early termination of lease liabilities	–	–
Foreign exchange movement	–	2
At 30 September 2024 (unaudited)	4,782	1,649
At 1 January 2023	8,673	1,112
Additions	2,811	3,222
Changes from financing cash flows	(3,055)	(577)
Accretion of interest	347	48
Early termination of lease liabilities	(134)	–
Foreign exchange movement	–	3
At 30 September 2023 (unaudited)	8,642	3,808

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	(Unaudited)
Within operating activities	365	526	449	341
Within financing activities	3,369	4,333	3,198	3,299
Total	3,734	4,859	3,647	3,640

35. COMMITMENTS

The Group had the following capital commitments at the end of each reporting period:

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Contracted, but not provided for:			
Property, plant and equipment	1,645	1,099	4,812
Cooperative building construction	10,949	99,919	98,038
	12,594	101,018	102,850

36. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	2,882	3,754	2,719	2,896
Performance related bonuses	1,508	1,595	–	–
Pension scheme contributions	269	293	222	184
Share-based payments	111	90	250	8
	4,770	5,732	3,191	3,088

Supervisors' emoluments are not included in the above amounts. Further details of directors' and supervisors' emoluments are included in note 9 to the Historical Financial Information.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

The Group

Financial assets

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Financial assets at fair value through profit or loss:			
Financial assets at fair value through profit or loss	1,467,624	1,070,565	831,104
Financial assets at fair value through other comprehensive income:			
Debt investments at fair value through other comprehensive income	110,938	471,736	980,249
Equity investments designated at fair value through other comprehensive income	–	–	796
	110,938	471,736	981,045
At amortised cost:			
Cash and cash equivalents	519,585	608,696	207,332
Time deposits	27,417	62,802	121,115
Trade receivables	1,428	5,771	2,698
Financial assets included in prepayments, deposits and other receivables	1,370	1,724	1,718
	549,800	678,993	332,863

The Company

Financial assets	**As at 31 December 2022**	**As at 31 December 2023**	**As at 30 September 2024**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Financial assets at fair value through profit or loss:			
Financial assets at fair value through profit or loss	1,423,394	1,060,885	777,497
Financial assets at fair value through other comprehensive income:			
Debt investments at fair value through other comprehensive income	110,938	471,736	980,249
Equity investments designated at fair value through other comprehensive income	–	–	796
	110,938	471,736	981,045
At amortised cost:			
Cash and cash equivalents	487,669	580,058	175,904
Time deposits	27,417	47,813	102,617
Trade receivables	1,428	11,255	2,772
Financial assets included in prepayments, deposits and other receivables	4,082	10,198	10,111
	520,596	649,324	291,404

Financial liabilities

The Group

Financial liabilities	**As at 31 December**		**As at 30 September**
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
At amortised cost:			
Trade payables	8,324	12,270	9,280
Financial liabilities included in other payables and accruals	73,127	46,164	16,198
Lease liabilities	8,673	7,612	4,782
	90,124	66,046	30,260

The Company

Financial liabilities	**As at 31 December**		**As at 30 September**
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
At amortised cost:			
Trade payables	8,323	12,038	8,707
Financial liabilities included in other payables and accruals	72,609	42,624	14,152
Lease liabilities	8,052	7,147	4,531
	88,984	61,809	27,390

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2022 and 2023 and 30 September 2024, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, time deposits, financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group invests in unlisted investments, which represent wealth management products, structured deposits and negotiable certificate of deposits issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using an asset-based approach. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income and profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Fair value hierarchy

The Group

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Debt investments at fair value through other comprehensive income	–	110,938	–	110,938
Financial assets at fair value through profit or loss	–	1,467,624	–	1,467,624
Total	–	1,578,562	–	1,578,562

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Debt investments at fair value through other comprehensive income	–	471,736	–	471,736
Financial assets at fair value through profit or loss	–	1,070,565	–	1,070,565
Total	–	1,542,301	–	1,542,301

As at 30 September 2024 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	–	–	796	796
Debt investments at fair value through other comprehensive income	–	980,249	–	980,249
Financial assets at fair value through profit or loss	–	831,104	–	831,104
Total	–	1,811,353	796	1,812,149

The movements in fair value measurements within Level 3 during the Relevant Periods are as follows:

	30 September 2024
	RMB'000
	(Unaudited)
Equity investments designated at fair value through other comprehensive income	
At beginning of the period	–
Purchases	900
Total losses recognised in other comprehensive income	(104)
At end of the period	796

The Company

The following tables illustrate the fair value measurement hierarchy of the Company's financial instruments:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Debt investments at fair value through other comprehensive income	–	110,938	–	110,938
Financial assets at fair value through profit or loss	–	1,423,394	–	1,423,394
Total	–	1,534,332	–	1,534,332

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Debt investments at fair value through other comprehensive income	–	471,736	–	471,736
Financial assets at fair value through profit or loss	–	1,060,885	–	1,060,885
Total	–	1,532,621	–	1,532,621

As at 30 September 2024 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	–	–	796	796
Debt investments at fair value through other comprehensive income	–	980,249	–	980,249
Financial assets at fair value through profit or loss	–	777,497	–	777,497
Total	–	1,757,746	796	1,758,542

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, financial assets at fair value through profit or loss, and investments at fair value through other comprehensive income. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, other receivables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's profit before tax.

	Year ended 31 December		Nine months ended 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
RMB/USD			
Strengthened 5%	(1,529)	(3,545)	(5,199)
Weakened 5%	1,529	3,545	5,199

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and staging as at the end of each of the Relevant Periods and 30 September 2024

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and staging classification as at the end of each of the Relevant Periods and 30 September 2024. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	1,472	1,472
Financial assets included in prepayments, deposits and other receivables					
– Normal**	1,434	–	–	–	1,434
– Doubtful**	–	–	–	–	–
Time deposits	27,417	–	–	–	27,417
Cash and cash equivalents	519,585	–	–	–	519,585
	548,436	–	–	1,472	549,908

At 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	5,949	5,949
Financial assets included in prepayments, deposits and other receivables					
– Normal**	1,797	–	–	–	1,797
– Doubtful**	–	–	–	–	–
Time deposits	62,802	–	–	–	62,802
Cash and cash equivalents	608,696	–	–	–	608,696
	673,295	–	–	5,949	679,244

At 30 September 2024 (Unaudited)

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	2,781	2,781
Financial assets included in prepayments, deposits and other receivables					
– Normal**	1,795	–	–	–	1,795
– Doubtful**	–	–	–	–	–
Time deposits	121,115	–	–	–	121,115
Cash and cash equivalents	207,332	–	–	–	207,332
	330,242	–	–	2,781	333,023

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 26 to the Historical Financial Information. At the end of each of the Relevant Periods, the Group had no significant concentrations of credit risk.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2022		
	Less than 1 year	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	8,324	–	8,324
Financial liabilities included in other payables and accruals	54,765	18,434	73,199
Lease liabilities	3,556	5,688	9,244
	66,645	24,122	90,767

	As at 31 December 2023		
	Less than 1 year	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	12,270	–	12,270
Financial liabilities included in other payables and accruals	44,693	1,727	46,420
Lease liabilities	4,164	3,869	8,033
	61,127	5,596	66,723

	As at 30 September 2024 (Unaudited)		
	Less than 1 year	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	9,280	–	9,280
Financial liabilities included in other payables and accruals	16,276	–	16,276
Lease liabilities	3,371	1,623	4,994
	28,927	1,623	30,550

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The asset-liability ratios as at the end of each of the Relevant Periods and 30 September 2024 are as follows:

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Total assets	2,372,931	2,493,688	2,555,515
Total liabilities	117,872	102,570	50,516
Asset-liability ratio	5%	4%	2%

40. EVENT AFTER THE RELEVANT PERIOD

The Company operates an equity incentive plan which became effective on 22 November 2024 and will remain in force for five years from that date. The board of directors approved a total of 1,629,000 type II restricted shares, and the grant price for each share is RMB70.00. It was confirmed that 221 participants were granted 1,599,000 type II restricted shares, and 30,000 type II restricted shares were reserved.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2023.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

TAXATION OF SECURITY HOLDERS

Income tax and capital gains tax of holders of the H shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of the H shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, and has not taken in to account the expected change or amendment to the relevant laws or policies and does not constitute any opinion or advice. The discussion does not deal with all possible tax consequences relating to an **[REDACTED]** in the H shares, nor does it take into account the specific circumstances of any particular **[REDACTED]**, some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an **[REDACTED]** in the H shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change or adjustment and may have retrospective effect.

This discussion does not address any aspects of PRC taxation other than income tax, capital gains tax and profits tax, sales tax, value-added tax, stamp duty and estate duty. Prospective **[REDACTED]** are urged to consult their financial advisers regarding the PRC and other tax consequences of owning and disposing of the H shares.

TAXATION IN MAINLAND CHINA

Tax on Dividends

Individual Investors

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "**IIT Law**"), latest amended by the SCNPC on August 31, 2018 and effective on January 1, 2019, and the Implementation Rules of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》) amended by the State Council on December 18, 2018 and effective on January 1, 2019, dividends paid by PRC companies to individual investors are ordinarily subject to a withholding income tax levied at a flat rate of 20%. Meanwhile, according to Notice on Issues Relating to Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued by the MOF, the STA and the CSRC on September 7, 2015 and effective on September 8, 2015, for shares of listed companies obtained by individuals via public offerings and market transfer and held for more than one year, the income from dividends and bonuses thereof shall temporarily be exempt from individual income tax. For shares of listed companies obtained by individuals via public offerings and market transfer and held for less than one month (including one month), the income from dividends and bonuses thereof shall be fully included in the individual's taxable income amount; where the shares are held for a period from one month up to one year (including one year), 50% of the income from dividends and bonuses therefrom shall temporally be included in the individual's taxable income amount; the aforesaid income shall be subject to individual income tax based on 20% tax rate on a unified basis.

Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income**"), signed by the Mainland of China and the Hong Kong Special Administrative Region on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》) (the "**Fifth Protocol**"), issued by the STA and effective on December 6, 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**") promulgated by the SCNPC, latest amended and became effective on December 29, 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council, last amended and became effective on April 23, 2019, a non-resident enterprise is subject to a 10% enterprise income tax on PRC-sourced income, including dividends paid by a PRC resident enterprise that issues and lists shares in Hong Kong, if such non-resident enterprise does not have an establishment or place of business in the PRC or has an establishment or place of business in the PRC but the PRC-sourced income is not actually connected with such establishment or place of business in the PRC. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, and the payer shall be the withholding agent, and the tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation.

Pursuant to the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the STA and effective on November 6, 2008, a PRC resident enterprise is required to withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise holders of H Shares which are derived out of profit generated since 2008.

According to the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《對所得避免雙重徵稅和防止偷漏稅的安排》), the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. Non-resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Tax on Gains from Share Transfer

Individual Investors

According to the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Under the Circular of the MOF and STA on Declaring that Individual Income Tax Continues to Be Exempted over Individual Income Tax from Transfer of Shares (Cai Shui Zi〔1998〕No.61) (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》(the "**Circular 61**") issued by the MOF and SAT on March 30, 1998, from January 1, 1997, gains of individuals from the transfer of shares of listed companies continue to be exempted from individual income tax. According to Announcement about the Catalog of Preferential Individual Income Tax Policies with Continued Effect (《財政部、國家稅務總局關於繼續有效的個人所得稅優惠政策目錄的公告》issued by the MOF and STA on December 29, 2018, the Circular 61 will continue to be effective.

Enterprise Investors

In accordance with the EIT Law and its implementation rules, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Taxation Policy of Shanghai-Hong Kong Stock Connect

Under the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui〔2014〕No. 81) (《財政部、國家稅務總局、中國證券監督管理委員會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) which came into effect on November 17, 2014, for dividends and bonus obtained by mainland individual investors investing in H shares listed on the Hong Kong Stock Exchange (the "**HKSE**") through Shanghai-Hong Kong Stock Connect, the H-share companies shall apply to the China Securities Depository and Clearing Corporation Limited (the "**CSDC**") for provision by CSDC to the H-share companies register of individual investors in Mainland China, and the H-share companies shall withhold individual income tax at the rate of 20%.

Income from share dividend derived by Mainland China corporate investors from investment in shares listed on the HKSE through the Shanghai-Hong Kong Stock Connect shall be included in their total income and be subject to enterprise income tax pursuant to the law. Income from share dividend derived by a Mainland China resident enterprise for holding H shares over 12 consecutive months shall be exempted from enterprise income tax pursuant to the law. The H shares company is not required to withhold income tax on share dividend for its Mainland China corporate investors, and the corporate investors shall make declaration and payment for the tax payable amount voluntarily.

Pursuant to the Announcement on Continuing the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mutual Recognition of Funds between Mainland China and Hong Kong (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) which promulgated on August 21, 2023 and implemented on the same date, the transfer spread income derived by mainland individual investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall continue to be exempted from individual income tax until December 31, 2027.

Taxation Policy of Shenzhen-Hong Kong Stock Connect

Under the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui〔2016〕No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) which came into effect on December 5, 2016, for dividends and bonus income obtained by mainland individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-share companies shall apply to CSDC for provision by CSDC to the H-share companies register of individual investors in Mainland China, and individual income tax shall be withheld by H-share companies at the tax rate of 20%.

Income from dividends and bonuses derived by a corporate investor in Mainland China from investment in shares listed on the HKSE through Shenzhen-Hong Kong Stock Connect shall be included in the total income amount, and subject to enterprise income tax pursuant to the law. Income from dividends and bonuses derived by a Mainland China resident enterprise for H shares held for 12 months consecutively shall be exempted from enterprise income tax pursuant to the law. The H shares company shall not withhold income tax on dividends and bonuses for corporate investors in Mainland China, and the tax payable amount shall be declared and paid by the corporate investor.

Pursuant to the Announcement on Continuing the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mutual Recognition of Funds between Mainland China and Hong Kong (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) which promulgated on August 21, 2023 and implemented on the same date, the transfer spread income derived by mainland individual investors from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect shall continue to be exempted from individual income tax until December 31, 2027.

Stamp Duty

According to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), which was promulgated on June 10, 2021 and came into effect on July 1, 2022, PRC stamp duty only applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this document, no estate duty has been levied in the PRC under the PRC laws.

MAJOR TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to the EIT Law and its implementation rules,, all the domestic enterprises in China (including foreign-invested enterprises) shall be subject to enterprise income tax at the uniform tax rate of 25%.

According to the Administrative Measures for Determination of High and New Tech Enterprises (《高新技術企業認定管理辦法》), which was promulgated by the Ministry of Science and Technology, the MOF and the STA on April 14, 2008, amended on January 29, 2016 and became effective on January 1, 2016, an enterprise recognized as a high and new technology enterprise may apply for a preferential enterprise income tax rate of 15% pursuant to the relevant requirements of the Enterprise Income Tax Law.

According to the Announcement of the Ministry of Finance and the State Taxation Administration on Further Implementing the Preferential Income Tax Policies for Micro and Small Enterprises (《關於進一步實施小微企業所得稅優惠政策的公告》), which was promulgated by the MOF and the STA on March 14, 2022, the annual taxable income of a small low-profit enterprise that is not less than 1 million yuan and not more than 3 million yuan shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%. According to the Announcement of the Ministry of Finance and the State Taxation Administration on the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households (《財政部、國家稅務總局關於小微企業和個體工商戶所得稅優惠政策的公告》), which was promulgated on March 26, 2023, the annual taxable income of a small low-profit enterprise that is not more than 1 million yuan shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%. According to the Announcement of the Ministry of Finance and the State Taxation Administration on the Relevant Tax and Fee Policies for Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households(《財政部、國家稅務總局關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》), which was promulgated on Aug 2, 2023, the taxable income of a small low-profit enterprise shall be calculated at the reduced rate of 25%, and the policy of payment of enterprise income tax at the rate of 20% shall continue to be implemented until December 31, 2027.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council, last amended and became effective on November 19, 2017 and the Implementation Rules for the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on December 25, 1993, latest amended on October 28, 2011 and became effective on November 1, 2011, all entities or individuals in the PRC engaging in the sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovables and importation of goods in the PRC shall be taxpayers of Value-added Tax (the "**VAT**") and shall pay VAT. The rate of VAT for sale of goods is 17% unless otherwise specified, such as the rate of VAT for sale of transportation is 11%.

In accordance with Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which became effective on May 1, 2018, the deduction rates of 17% or 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% or 10%.

According to Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) promulgated by the MOF, the STA and the General Administration of Customs on March 20, 2019 and became effective from April 1, 2019, for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

On December 25, 2024, the SCNPC promulgated the VAT Law of the PRC (《中華人民共和國增值稅法》), which will come into effective on January 1, 2026, and replace the Provisional Regulations on Value-added Tax of the PRC.

Preferential Tax Policy for the Integrated Circuit Industry

As listed in the Guidance of Preferential Tax Policy for Software Enterprises and Integrated Circuit Enterprises (《軟件企業和集成電路企業稅費優惠政策指引》 issued by the STA in May 21, 2022, the integrated circuit industry enjoys a variety of tax preferences. Enterprises for integrated circuit design, equipment, materials, packaging and testing encouraged by the State, for example, can enjoy regular exemption or reduction of the enterprise income tax; key integrated circuit design enterprises encouraged by the State can enjoy the regular exemption or reduction of enterprise income tax; staff training expenses of integrated circuit design enterprises can be deducted before tax according to the actual amount incurred.

According to the Notice of the State Council on Promulgation of Several Policies for Promoting the High-quality Development of Integrated Circuit and Software Industries in the New Era (Guo Fa 〔2020〕 No.8) (《國務院關於印發新時期促進集成電路產業和軟件產業高質量發展若干政策的通知》(國發〔2020〕8號) (the "**No.8 Notice**") and the Announcement on Enterprise Income Tax Policies for Promoting High-quality Development of Integrated Circuit Industry and Software Industry (《關於促進集成電路產業和軟件產業高質量發展企業所得稅政策的公告》) promulgated by the MOF, the STA, the NDRC and the MIIT, enterprises of integrated circuit design, equipment, materials, packaging and testing and software enterprises encouraged by the State are exempted from enterprise income tax during the first year and the second year from the profit-making year. During the third year to the fifth year, the enterprise income tax shall be levied at half of the statutory tax rate of 25%. Key integrated circuit design enterprises and software enterprises encouraged by the State shall be exempted from enterprise income tax during the first year to the fifth year since the profit-making year, and the enterprise income tax shall be levied at a reduced tax rate of 10% in successive years. Notice of the National Development and Reform Commission and Other Departments on Making Relevant Requirements for the List of Integrated Circuit Enterprises or Projects and Software Enterprises Entitled to Preferential Tax Policies for 2024 (《國家發展改革委等部門關於做好2024年享受稅收優惠政策的集成電路企業或項目、軟件企業清單制定工作有關要求的通知》), on the basis of the No.8 Notice, makes detailed description of the conditions and project standards for enterprises that enjoy preferential tax policy.

FOREIGN EXCHANGE ADMINISTRATION IN THE PRC

The lawful currency of the PRC is the Renminbi. The the State Administration of Foreign Exchange (the "**SAFE**"), authorized by the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regulations.

Pursuant to the Regulations of the People's Republic of China on Foreign Exchange Control (《中華人民共和國外匯管理條例》) amended by the State Council and became effective on August 5, 2008, all international payments and transfers are classified into current account items and capital account items. The PRC does not impose restrictions on international payments and transfers under current account items. Foreign exchange income from the current account of PRC enterprises may be retained or sold to financial institutions engaged in the settlement and sale of foreign exchange in accordance with relevant provisions of the State. The retention or sale of foreign exchange receipts under capital accounts to financial institutions engaging in settlement and sale of foreign exchange shall be subject to the approval of foreign exchange administrative authorities, unless otherwise stipulated by the State.

Pursuant to the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996, the remaining restrictions on convertibility of foreign exchange in respect of current account items are abolished while the existing restrictions on foreign exchange transactions in respect of capital account items are retained.

According to relevant laws and regulations of the PRC, PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign-invested enterprise that need to distribute profits to their shareholders in foreign exchange and Chinese enterprise that need to pay fixed dividends in foreign exchange in accordance with the requirements shall pay from its foreign exchange account or pay at the designated foreign exchange bank by a resolution of the board of directors on the distribution of profits.

According to the Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State Council and effective on October 23, 2014, the administrative approval of the SAFE and its branches on matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing has been canceled.

According to the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control Pertaining to Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE on December 26, 2014, a domestic company shall complete registration formalities for overseas listing with the SAFE's local branch at its place of registration within 15 working days from completion of issuance for its overseas listing. Funds raised from overseas listing of a domestic company may be repatriated to China or deposited overseas, and the usage of funds shall be consistent with the relevant contents set out in the document document or disclosure documents such as the corporate bonds offering documentation, shareholders' circular and the board of directors or shareholders' general meeting resolution.

According to the Notice of the State Administration of Foreign Exchange on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated by the SAFE on June 9, 2016, domestic institutions may settle their foreign exchange receipts under the capital account (including repatriated funds raised through overseas listing) entitled to discretionary settlement according to relevant policies with banks as actually needed for business operation. Domestic institutions may, at their discretion, settle up to 100% of their foreign exchange receipts under the capital account for the time being. The SAFE may adjust the aforesaid proportion in due time in light of the balance of payment.

This Appendix summarizes certain aspects of PRC laws and regulations which are relevant to our Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III – Taxation and Foreign Exchange". This Appendix also contains a summary of laws and regulatory provisions of the PRC Company Law. The principal objective of this summary is to provide potential **[REDACTED]** with an overview of the principal laws and regulatory provisions applicable to our Company. This summary is not intended to include all the information which is important to the potential **[REDACTED]**. For a discussion of laws and regulations which are relevant to our Company's business, see "Regulatory Overview" in this document.

PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) amended and came into effect on March 11, 2018 (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is the signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) which was last amended on March 13, 2023 and came into effect on March 15, 2023 (the "**Legislation Law**"), the NPC and SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. The SCNPC formulates and amends the laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of the provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, ecological civilization development, historical and cultural protection, and grassroots governance based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval shall be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of the relevant provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions, a decision should be made to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, PBOC, the National Audit Office, the subordinate institutions with administrative functions directly under the State Council, and the organizations prescribed by laws may formulate departmental rules and regulations within the permissions of their respective departments based on the laws as well as the administrative regulations, decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws or the administrative regulations, decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

The NPC has the power to amend or repeal any inappropriate laws enacted by the SCNPC, and to repeal any autonomous regulations and separate rules approved by the SCNPC that are in conflict with the Constitution and the Legislation Law. The SCNPC has the power to repeal any administrative regulations that are in conflict with the Constitution and the laws, and to repeal any local regulations that are in conflict with the Constitution, the laws, and the administrative regulations, and to repeal autonomous regulations and separate regulations approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government as being in conflict with the Constitution and the Legislation Law. The State Council has the right to amend or repeal any inappropriate departmental and local government regulations. The people's congresses of the provinces, autonomous regions and municipalities directly under the central government have the right to amend or repeal any inappropriate local laws or regulations promulgated or approved by their respective standing committees. The standing committees of local people's congresses have the right to repeal any inappropriate rules promulgated by the people's governments at the same level, and the people's governments of provinces and autonomous regions have the right to amend or repeal any inappropriate rules promulgated by the people's governments at lower levels.

Pursuant to the Resolution of the SCNPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加强法律解釋工作的決議》) passed on June 10, 1981, in cases where the scope of provisions of laws or decrees needs to be further defined or additional stipulations need to be made, the SCNPC shall provide interpretations or make stipulations by means of decrees. Issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws in a prosecution process of the procuratorate should be interpreted by the Supreme People's Procuratorate, and issues related to the application of laws other than in a court trial or in a prosecution process of the procuratorate should be interpreted by the State Council and the competent authorities. At the regional level, the power to interpret regional regulations is vested in the regional legislative and administrative authorities which promulgate such regulations.

PRC JUDICIAL SYSTEM

According to the Constitution and the Law of Organization of the People's Court of the PRC (《中華人民共和國人民法院組織法》) amended by the SCNPC on October 26, 2018 and becoming effective on January 1, 2019,, the people's courts of the PRC are divided into the Supreme People's Court, the local people's courts at all levels and special people's courts. The local people's courts at all levels are divided into three levels, namely, the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court shall be the highest judicial organ of the state. The Supreme People's Court shall supervise the administration of justice by the local people's courts at all levels and by the special people's courts. The people's courts at a higher level shall supervise the judicial work of the people's courts at lower levels.

The people's courts employ a two-tier appellate system, i.e., judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds any definite errors in a legally effective final judgment or ruling of a people's court at any lower level, the people's courts at the next higher level finds any definite errors in a legally effective final judgment or ruling of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "**Civil Procedure Law**") latest amended on September 1, 2023 and took effect on January 1, 2024, prescribes the conditions for instituting a civil action, the jurisdiction of the people's court, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally under the jurisdiction of the court located in the defendant's place of domicile. The litigants of a contract dispute or other property rights dispute may agree in writing on selection of the People's Court at the location of the Defendant's domicile, place of performance of contract, place of execution of contract, address of the Plaintiff, location of the subject matter, etc. or a venue which has actual connection with the dispute to be the People's Court which has jurisdiction, but shall not violate the provisions of the Civil Procedure Law on grade jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a people's court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the People's court of PRC may apply the same limitations to the citizens or enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a people's court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. The laws governing the suspension or interruption of the statute of limitations shall apply to the suspension or interruption of the statute of limitations for the application for enforcement. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment against such party.

Where a party requests for enforcement of an effective judgment or ruling made by a people's court, but the opposite party or his property is not within the territory of the People's Republic of China, the party may directly apply to the foreign court with jurisdiction for recognition and enforcement of the judgment or ruling, or the people's court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or according to the principle of reciprocity, request for recognition and enforcement by the foreign court. Similarly, for an effective judgment or ruling made by a foreign court that requires recognition and enforcement by a people's court of the PRC, a party may directly apply to an intermediate people's court of the PRC with jurisdiction for recognition and enforcement of the judgment or ruling, or the foreign court may, in accordance with the provisions of international treaties to which its country and the PRC are signatories or in which its country is a participant or according to the principle of reciprocity, request for recognition and enforcement by the people's court, unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security or would not be in social and public interest.

THE COMPANY LAW, TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION

A joint stock limited company established in the PRC seeking a listing on The HKSE is mainly subject to the following laws and regulations of the PRC.

The Company Law of the PRC (《中華人民共和國公司法》) (the "**Company Law**") was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023. The latest revision of the Company Law will take effect on July 1, 2024.

The Trial Measures and relevant guidelines promulgated by the CSRC on February 17, 2023 and came into effect on March 31, 2023, and were applicable both direct and indirect overseas share subscription and listing of domestic enterprises. The Trial Measures also set out the filing and administration methods and regulatory requirements for the overseas issuance of securities and listing of domestic enterprises.

On December 15, 2023, the CSRC promulgated the newly amended Guidelines for Articles of Association of Listed Companies(《上市公司章程指引》) (the "**Guidelines for Articles of Association**"), which came into effect on the same date. Pursuant to the Trial Measures and its supporting Guidelines for the Application of Regulatory Rules – Overseas Issuance and Listing Category No.1, domestic enterprises that directly issue and list overseas shall formulate articles of association and standardize corporate governance with reference to the Articles of Association Guidelines and other relevant provisions of the CSRC on corporate governance.

Set out below is a summary of the major provisions of the Company Law, the Trial Measures and the Guidelines for Articles of Association which are applicable to our Company.

General Provisions

"A joint stock limited company" means a corporate legal person incorporated in China under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they have subscribed for and the liability of a company is limited to the full value of all the property owned by it.

A company must conduct its business in accordance with laws and regulations as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint liabilities associated with the debts of the invested enterprises.

Incorporation

A joint stock limited company may be established by means of promotion or stock floatation. To establish a joint stock limited company, there shall be not less than 1 but not more than 200 promoters, more than half of whom shall have their domiciles within the territory of the PRC.

Where a joint stock limited company is to be established by means of promotion, promoters shall fully subscribe for the shares that shall be issued at the time of the establishment of the company as provided for in the articles of association. If a joint stock limited company is to be established by means of stock floatation, the promoters shall subscribed for not less than 35% of the total shares that shall be issued at the time of the establishment of the company as provided for in the articles of association; however, where laws and administrative regulations provide otherwise, such provisions shall prevail.

Promoters of a joint stock limited company established by means of stock floatation shall, within 30 days after full payment has been made for the shares to be issued at the time of establishment, hold an establishment meeting of the company. The promoters shall notify each subscriber of the date of the meeting or make a public announcement 15 days before the meeting is held. The establishment meeting may not be held unless the subscribers who hold more than half of the voting rights attend the meeting. Where a joint stock limited company is established by means of promotion, the convening and voting procedures for the establishment meeting shall be prescribed by the articles of association of the company or the agreement of the promoters.

The establishment meeting of a company shall exercise the following functions and powers:

(i) deliberating on the report on the preparations for establishment of the company by promoters;

(ii) adopting the articles of association;

(iii) electing directors and supervisors;

(iv) reviewing the expenses for the establishment of the company;

(v) reviewing the valuations of the non-monetary property contributed by the promoters; and

(vi) where any force majeure or any major change of business conditions directly affects the establishment of the company, the resolution of not establishing the company may be made.

The resolutions made at the establishment meeting about the matters as mentioned in the preceding provision shall be adopted by the subscribers present at the meeting who represent more than half of the voting rights.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after the business license has been issued by the relevant registration authority.

Registered Shares and Issue of Shares

Under the Company Law, a shareholder may make capital contributions in currency, or in kind, intellectual property, land use right, stock rights, creditor's rights or other non-monetary property that may be assessed in currency and transferred according to law, except the property that may not be used as capital contributions according to any law or administrative regulation.

The capital of a joint stock limited shall be divided into shares. All the shares of the company shall alternatively be shares with or without par value in accordance with the articles of association. Where par value shares are adopted, all the shares shall be of equal value. The company may, according to the articles of association, convert all the issued par value shares into no par value shares, or vice versa. Where no par value shares are adopted, more than half of the proceeds from the issuance of the shares shall be included in the registered capital.

A joint stock limited company shall make a register of shareholders and keep it in the company. The register of shareholders shall contain the following items:

(i) name and domicile of each shareholder;

(ii) class and number of shares subscribed for by each shareholder;

(iii) serial number of shares if the shares are issued in paper form; and

(iv) date on which each shareholder acquired the shares.

Shares of a joint stock limited company shall be issued under the principle of fairness and impartiality. The shares of the same class shall rank pari passu. Shares of the same class in the same issue shall be issued at the same price and on same conditions. The same price shall be paid for each share subscribed for by a subscriber. The issue price of par value stock may be based on the face value or exceed the face value but shall not be lower than the face value.

The Trial Measures provides that a company that offers and lists securities on overseas markets may raise funds and pay dividends in a foreign currency or Renminbi. Under certain circumstances, such as equity incentives and the acquisition of assets through the issuance of securities, a domestic enterprise is allowed to issue securities to specific domestic targets when it directly issues and lists overseas.

Under the Trial Measures, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorize the domestic company to file with the CSRC on their behalf. The term "domestic unlisted shares" in the preceding provision refers to shares offered by a domestic company but not listed or quoted for trading on any domestic trading venues. Domestic unlisted shares shall be centrally registered and deposited at a domestic securities depository and settlement agency. The registration and settlement of overseas listed shares is subject to applicable rules in overseas markets.

Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer shall file with the CSRC. If a domestic enterprise is indirectly listed overseas, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

Increase in Share Capital

Pursuant to the relevant provisions of the Company Law, where a joint stock limited company intends to issue new stocks, its shareholders' general meeting shall make a resolution about the following matters:

(i) the class and amount of the new stocks;

(ii) the issuing price of the new stocks;

(iii) the beginning and ending dates for the issuance of the new stocks;

(iv) the class and amount of the new stocks to be issued to the original shareholders; and

(v) if any no par value stock is issued, the proceeds from the issuance of the new stocks shall be included into the registered capital.

Where a company intends to make public offering of shares, it shall go through the registration with the securities regulatory authority of the State Council and announce the document.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

(i) the company shall prepare a balance sheet and an inventory of property;

(ii) the reduction of registered capital must be approved by shareholders at the shareholders' general meeting;

(iii) the company shall notify its creditors within ten days from the date of the resolution of the shareholders' general meeting to reduce the registered capital and make an announcement in the newspaper or the National Enterprise Credit Information Publicity System within thirty days;

(iv) the creditors have the right to demand the company to settle the debts or provide corresponding guarantees within thirty days from the date of receipt of the notice, or within forty-five days from the date of the announcement if the notice has not been received; and

(v) the company shall apply to the company registration authority for change in registration.

Where a company reduces its registered capital, it shall reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless it is otherwise prescribed by any law, or is agreed upon by all the shareholders of a limited liability company or is otherwise prescribed by the articles of association of a joint stock limited company.

Share Buy-Back

Under the Company Law, no company may purchase its own shares except under any of the following circumstances:

(i) where the company's registered capital is reduced;

(ii) where it merges with another company holding its shares;

(iii) where its shares are used for employee stock ownership plan or equity incentives;

(iv) where any shareholder, who raises objections to the resolution of the shareholders' general meeting on the merger or split-up of the company, requests the company to purchase its shares;

(v) where its shares are used for converting the corporate bonds into convertible stocks issued by the company; or

(vi) it is necessary for a listed company to maintain its company value and its shareholders' equity.

Where a company purchases its own shares under any of the circumstances as mentioned in items (i) or (ii) of the preceding paragraph, a resolution of the shareholders' general meeting shall be adopted. Where a company purchases its own shares under any of the circumstances as mentioned in items (iii), (v) or (vi) of the preceding paragraph, a resolution shall be adopted at the meeting of the board of directors with the attendance of not less than two thirds of the directors, according to the articles of association or the shareholders' general meeting of the company.

After the company purchases its own shares according to the first paragraph of this Article, the shares purchased shall be written off within ten days as of the purchase date under the circumstance as mentioned in item (i); the shares shall be transferred or written off within six months under the circumstance as mentioned in item (ii) or (iv); and the shares held accumulatively by the company shall not exceed 10% of the total shares issued and be transferred or written off within three years under any of the circumstances as mentioned in item (iii), (v) or (vi).

Transfer of Shares

Shares held by a shareholder may be transferred according to the law. Under the Company Law, the share transfer by a shareholder shall be conducted on a lawfully established stock exchange or by any other means as prescribed by the State Council. The stocks shall be transferred by a shareholder in the form of endorsement or by any other means prescribed by the relevant laws or administrative regulations. After the transfer, the company shall record the name and domicile of the transferee in the register of shareholders. The register of shareholders shall not be modified within 20 days before any shareholders' general meeting is held, or within 5 days prior to the benchmark date decided by the company for the distribution of dividends. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the modification of the register of shareholders of a listed company, such provisions shall prevail.

Under the Company Law, the shares issued before a company makes a public offering of shares shall not be transferred within 1 year as of the day when the stocks of the company are listed and traded on the stock exchange. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the transfer of shares held by the shareholders or actual controllers of a listed company, such provisions shall prevail.

The directors, supervisors and senior executives of the company shall declare to the company the shares they hold and the changes thereof. During the term of office as determined when they assume the posts, the shares transferred each year shall not exceed 25% of the total shares they hold of the company. The shares of the company held by them shall not be transferred within 1 year as of the day when the stocks of the company are listed and traded on the stock exchange. Any of the aforesaid persons shall not transfer the shares of the company held within six months after he/she leaves office. Any other restrictions on the transfer of company shares held by directors, supervisors or senior executives may be specified in the articles of association.

Where the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee may not exercise the pledge right within such restricted period.

Shareholders

Under the Company Law and Guidelines for Articles of Association the rights of a shareholder include:

(i) to receive dividends and other forms of distributions in proportion to their shareholdings;

(ii) to attend or appoint a proxy to attend shareholders' general meetings and to exercise voting rights;

(iii) to supervise and manage a company's business operations, and to present proposals or to raise inquiries;

(iv) to transfer shares in accordance with laws, administrative regulations and the provisions of the articles of association;

(v) to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquiries on the company's operations;

(vi) in the event of the winding-up or liquidation of a company, to participate in the distribution of remaining property of a company in proportion to the number of shares held;

(vii) other rights conferred by laws, administrative regulations and the articles of association.

The obligations of a shareholder include:

(i) to comply with the articles of association;

(ii) to pay subscription money according to the number of shares subscribed and the method of subscription;

(iii) not to abuse their shareholders' rights to damage the interests of a company or other shareholders; not to abuse the independent legal person status of a company and the limited liability of shareholders to damage the interests of the creditors of a company;

(iv) other obligations conferred by laws, administrative regulations and the articles of association.

Shareholders' General Meetings

Under the Company Law, the shareholders' general meeting of a joint stock limited company is made up of all shareholders. The shareholders' general meeting is the authority of a company, which shall exercise the following functions and powers:

(i) electing and replacing directors and supervisors and deciding on their remunerations;

(ii) deliberating on and approving the reports of the board of directors;

(iii) deliberating on and approving the reports of the board of supervisors;

(iv) deliberating on and approving the plans for profit distribution and making up losses of the company;

(v) making resolutions on the increase or decrease of the registered capital of the company;

(vi) making resolutions on the issuance of corporate bonds;

(vii) making resolutions on the merger, split-up, dissolution, liquidation or change of corporate form of the company;

(viii) amending the articles of association; and

(ix) other functions and powers as prescribed in the articles of association.

Under the Company Law, an annual shareholders' general meeting shall be held every year. If any of the following circumstances occurs, an interim shareholders' general meeting shall be held within two months:

(i) where the number of directors is less than two thirds of the number as provided for by the Company Law or the articles of association;

(ii) where the unrecovered losses of the company reach one third of the total capital stock;

(iii) where the shareholders who separately or aggregately hold 10% or more of the company's shares so request;

(iv) where the board of directors deems it necessary;

(v) where the board of supervisors so proposes; or

(vi) other circumstances as provided for in the articles of association.

The shareholders' general meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. If the chairman is unable or fails to perform his/her duties, the meeting shall be presided over by the deputy chairman. If the deputy chairman is unable or fails to perform his/her duties, the meeting shall be presided over by a director jointly elected by more than half of the directors.

If the board of directors is unable or fails to perform the duties of convening the shareholders' general meeting, the board of supervisors shall timely convene and preside over the meeting. If the board of supervisors fails to convene and preside over the meeting, shareholders who separately or aggregately hold 10% or more of the shares of the company for 90 or more consecutive days may convene and preside over the meeting by themselves.

If the shareholders who separately or aggregately hold 10% or more of the shares of the company request to convene an interim shareholders' general meeting, the board of directors and the board of supervisors shall, within 10 days after the receipt of such request, decide whether to hold an interim shareholders' general meeting and reply to the shareholders in writing.

The time and place of the meeting and the matters to be deliberated shall be notified to each shareholder 20 days before a shareholders' general meeting is held. For an interim shareholders' general meeting, a notice shall be served 15 days in advance.

The shareholders who separately or aggregately hold 1% or more of the shares of the company may, 10 days before a shareholders' general meeting is held, submit an interim proposal in writing to the board of directors. The interim proposal shall contain a clear topic for discussion and specific matters for resolution. The board of directors shall, within 2 days after it receives such a proposal, notify other shareholders and submit the interim proposal to the shareholders' general meeting for deliberation, unless the interim proposal is in violation of any law, administrative regulation or the articles of association or fails to fall into the scope of functions of the shareholders' general meeting. The company shall not raise the shareholding proportion of the shareholder who brings forward any interim proposal.

Under the Company Law, a shareholder may entrust a proxy to attend a shareholders' general meeting, and it should clarify the matters, power and time limit of the proxy. The proxy shall present a written power of attorney issued by the shareholder to a company and shall exercise his voting rights within the scope of authorization. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' general meeting.

Under the Company Law, shareholder who attends the shareholders' general meeting has one vote for each share held by it, except the shareholders of classified shares. The company may not have a voting right for the shares it holds.

Under the Company Law and the Guidelines for Articles of Association, a resolution made at the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders who attend the meeting. A resolution made at the shareholders' general meeting on modifying the articles of association, increasing or reducing the registered capital as well as merger, split-up, dissolution or change of the corporate form shall be adopted by two thirds or more of the voting rights held by the shareholders who attend the meeting.

The shareholders' general meeting may, in electing the directors or supervisors, adopt a cumulative voting system according to the articles of association or the resolutions of the shareholders' general meeting. Under the cumulative voting system, when the shareholders' general meeting elects the directors or supervisors, each shareholder is entitled to one vote per share, multiplied by the number of candidates and uses them all for one candidate for director or supervisor.

The Board of Directors

Under the Company Law, a joint stock limited company shall have a board of directors, which consists of more than three members. The term of office of directors shall be prescribed in the articles of association, but each term shall not exceed three years. After the term of office of a director expires, he/she may be reelected to serve another term.

The board of directors shall have one chairman and may have deputy chairmen. The chairman and deputy chairmen shall be elected by more than half of all the directors. The chairman shall convene and preside over the meetings of the board of directors and check the implementation of the resolutions of the board of directors. The deputy chairman shall assist the chairman in work. If the chairman is unable or fails to perform his/her duties, the deputy chairman shall perform such duties. If the deputy chairman is unable or fails to perform his/her duties, a director jointly elected by more than half of the directors shall perform such duties.

Under any of the following circumstances, anyone may not act as a director of a company:

(i) having no capacity for civil conduct or having limited capacity for civil conduct;

(ii) having been sentenced to any criminal penalty due to an offence of corruption, bribery, encroachment of property, misappropriation of property or disrupting the order of the socialist market economy, or having been deprived of political rights due to a crime, where a five-year period has not elapsed since the expiration of execution period; If he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension of sentence;

(iii) serving as a director, factory director or manager of a company or enterprise which has been bankrupt and liquidated and being personally liable for the bankruptcy of such company or enterprise, where a three-year period has not elapsed since the completion of the bankruptcy and liquidation;

(iv) acting as the legal representative of a company or enterprise whose business license has been revoked or which was ordered to close down due to any violation of the law and being personally liable, where a three-year period has not elapsed since the date of revocation of business license or the order for closure; or

(v) being listed as a dishonest person subject to enforcement by the people's court due to his/her failure to pay off a relatively large amount of due debts.

The board of directors shall convene at least two meetings every year. Each meeting shall be notified to all directors and supervisors 10 days before it is held. The board of directors shall exercise the following functions and powers:

(i) convening the shareholders' general meeting and reporting its work to the shareholders' general meeting;

(ii) executing the resolutions of the shareholders' general meeting;

(iii) deciding the business plans and investment scheme of the company;

(iv) formulating the plans for profit distribution and making up for loss of the company;

(v) formulating the plan for increasing or decreasing the registered capital, as well as the plan for issuance of corporate bonds;

(vi) formulating the plan for merger, division, dissolution, or change of corporate form of the company;

(vii) deciding the establishment of the internal management body of the company;

(viii) deciding the appointment or dismissal of the manager of the company and the remuneration thereof, and, according to the nomination of the manager, deciding on hiring or dismissing deputy managers and financial director of the company as well as their remuneration;

(ix) formulating the basic management rules of the company; and

(x) other functions and powers specified in the articles of association or granted by the shareholders' general meeting.

No meeting of the board of directors may be held unless more than half of the directors are present. A resolution made by the board of directors shall be adopted by more than half of all the directors. For voting on a resolution of the board of directors, each director shall have one vote. The board of directors shall prepare minutes regarding the decisions on the matters discussed at the meetings, which shall be signed by the directors present.

The directors shall attend the meeting of the board of directors in person. Where any director is unable to attend the meeting for any reason, he/she may, by issuing a written power of attorney, entrust another director to attend the meeting on his/her behalf. The power of attorney shall indicate the scope of authorization. The directors shall be responsible for the resolutions made by the board of directors. Where a resolution of the board of directors is in violation of any law, administrative regulation, article of association or resolution of the shareholders' general meeting and causes any serious loss to the company, the directors who participate in adopting such resolution shall be liable for compensation to the company. If a director is proved to have expressed his/her objection to the voting on such resolution and such objection has been recorded in the minutes, he/she may be exempted from liability.

The Board of Supervisors

Under the Company Law, a joint stock limited company may have a board of supervisors which shall comprise 3 members or more. The members of the board of supervisors shall include shareholders' representatives and an appropriate proportion of employees' representatives of the company, among which the proportion of the employees' representatives shall not be lower than one third, and the concrete proportion shall be specified in the articles of association. The employees' representatives who serve as members of the board of supervisors shall be democratically elected by employees through the employees' representative congress, employees' congress or by other means. No director or senior executive may concurrently hold the post of supervisor.

The board of supervisors shall have one chairman and may have deputy chairmen. The chairman and deputy chairmen of the board of supervisors shall be elected by more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. If the chairman of the board of supervisors is unable or fails to perform his/her duties, the deputy chairman of the board of supervisors shall convene and preside over the meeting. If the deputy chairman is unable or fails to perform his/her duties, a supervisor jointly elected by more than half of the supervisors shall convene and preside over such meeting.

The board of supervisors shall exercise the following functions and powers:

(i) examining the financial affairs of the company;

(ii) supervising the acts of the directors and senior executives in the performance of their duties, and proposing the removal of the directors and senior executives who have violated laws, administrative regulations, the articles of association or the resolutions of the shareholders' general meeting;

(iii) requiring the directors and senior executives to correct their acts if such acts damage the interests of the company;

(iv) proposing to convene interim shareholders' general meetings, and convening and presiding over the shareholders' general meeting when the board of directors fails to implement the duties to convene and preside over the shareholders' general meeting as prescribed in the Company Law;

(v) presenting proposals to the shareholders' general meetings;

(vi) initiating lawsuits against the directors and senior executives according to Article 189 of the Company Law; and

(vii) other functions and powers provided for in the articles of association.

A joint-stock company may, instead of setting up board of supervisors, in accordance with the provisions of its articles of association, set up an audit committee consisting of directors on its board of directors to exercise the powers and functions of the board of supervisors.

On December 27, 2024, the CSRC promulgated the Transitional arrangements relating to the implementation of the rules under the new Company Law (關於新《公司法》配套制度規則實施相關過渡期安排), Listed companies shall, before January 1, 2026, in accordance with the provisions of the Company Law, the Provisions of the State Council on Implementation of the Registered Capital Management System under the Company Law of the PRC and the supporting rules of the CSRC, provide in the articles of association for the establishment of an audit committee in the board of directors, exercising the powers and functions of the supervisory board as stipulated in the Company Law, the listed companies will then have no supervisory board or supervisors. Before a listed company adjusts the establishment of the company's internal supervisory body, the supervisory board or supervisors shall continue to comply with the provisions in the original rules of the CSRC.

Managers and Senior Management

Under the Company Law, a joint stock limited company may have a manager, who shall be appointed or removed as decided by the board of directors. The manager shall be responsible to the board of directors and exercise his/her functions and powers according to the articles of association or the authorization of the board of directors. The manager shall attend the meetings of the board of directors as a non-voting member.

According to the Company Law, senior management refers to the company manager, deputy company manager, head of finance, secretary to the board of directors of a listed company, and any other persons as specified in the company's articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior executives shall assume the obligation of loyalty to the company and take measures to avoid the conflict between their own interests and those of the company and may not seek any improper interests by taking advantage of their powers.

The directors, supervisors and senior executives shall assume the duty of diligence to the company. When performing their duties, they shall, for the best interests of the company, exercise the reasonable care that shall be generally possessed by a manager.

Directors, supervisors and senior management are prohibited from:

(i) embezzling the property or misappropriating the funds of the company;

(ii) depositing the funds of the company into an account opened in his/her own name or in the name of any other individual;

(iii) giving bribes or accepting any other illegal proceeds by taking advantage of his/her power;

(iv) taking commissions from the transactions between the company and any other person into his/her own pocket;

(v) unlawfully disclosing the confidential information of the company; or

(vi) other acts in violation of the obligation of loyalty to the company.

Where any director, supervisor or senior executive directly or indirectly concludes a contract or conducts a transaction with his/her company, he/she shall report the matters relating to the conclusion of the contract or transaction to the board of directors or shareholders' general meeting, which shall be subject to the resolution of the board of directors or shareholders' general meeting according to the articles of association.

Where any of the near relatives of the directors, supervisors or senior executives, or any of the enterprises directly or indirectly controlled by the directors, supervisors or senior executives or any of their near relatives, or any of the related parties who has any other related-party relationship with the directors, supervisors or senior executives, concludes a contract or conducts a transaction with the company, the provisions of the preceding paragraph shall apply.

No director, supervisor or senior executive may take advantage of his/her position to seek any business opportunity that belongs to the company for himself/herself or any other person except under any of the following circumstances:

(i) where he/she has reported to the board of directors or the shareholders' general meeting and has been approved by a resolution of the board of directors or the shareholders' general meeting according to the articles of association; or

(ii) where the company cannot make use of the business opportunity as stipulated by laws, administrative regulations or the articles of association.

Where any director, supervisor or senior executive fails to report to the board of directors or the shareholders' general meeting and obtain an approval by resolution of the board of directors or the shareholders' general meeting according to the articles of association, he/she may not engage in any business that is similar to that of the company where he/she holds office for himself/herself or for any other person.

Where any director, supervisor or senior executive violates any law, administrative regulation or the articles of association during the performance of duties and causes any loss to the company, he/she shall be liable for compensation.

Finance and Accounting

Under the Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each fiscal year, the company shall prepare a financial accounting report which shall be audited by an accounting firm in accordance with the law. The financial accounting report shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial department of the State Council.

The financial accounting report of a joint stock limited company shall be made available for inspection by the shareholders at the company not later than twenty days before the annual meeting of shareholders; a joint stock limited company that has publicly issued shares shall announce its financial accounting report.

The premiums received by a company from the issuance of shares at an issue price in excess of the par value of the shares, the amount of share proceeds from the issuance of no-par shares that have not been credited to the registered capital, and other items required by the financial department of the State Council to be included in the capital reserve shall be classified as the capital reserve of the company.

The reserve of a company shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company. Where the reserve of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. Where the statutory reserve is converted to increase registered capital, the amount of such reserve retained shall not be less than 25% of the registered capital of the company prior to the conversion.

No company may keep any accounting books other than the statutory accounting books. No account shall be opened in the name of any individual for the deposit of a company's funds.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the employment or dismissal of an accounting firm undertaking a company's auditing business shall be decided by the shareholders' general meeting, the board of directors or the board of supervisors in accordance with the provisions of the company's articles of association. When a company's shareholders' general meeting, board of directors or the board of supervisors votes on the dismissal of an accounting firm, the accounting firm shall be allowed to state its own opinions. A company shall provide true and complete accounting documents, accounting books, financial accounting reports and other accounting information to the accounting firm engaged by it, and shall not refuse, conceal or misrepresent them.

The Guidelines for Articles of Association provide that the Company's engagement of an accounting firm shall be decided by the shareholders' general meeting. The board of directors shall not engage any accounting firm before the decision is made by the shareholders' general meeting. The audit fee to the accounting firm shall be decided by the shareholders' general meeting.

Profit Distribution

When a company distributes its after-tax profit for the current year, 10% of the profit shall be accrued and included in the company's statutory reserve. Such accrual is no longer required when the accumulated amount of the company's statutory reserve is 50% or more of the company's registered capital. Where the accumulative amount of the company's statutory reserve is not enough to make up for the losses of the previous year, the current year's profits shall first be used to make up for the losses before the statutory reserve is accrued according to the provisions of the preceding provision. After having accrued statutory reserves from the after-tax profits, a company can also set aside discretionary reserve from the after-tax profits upon a resolution made by the shareholders' general meeting. The residual after-tax profits after a company has made up its losses and accrued reserve shall be distributed by the company (in the case of a joint stock limited company) in proportion to the shares held by its shareholders, except as otherwise provided for in the company's articles of association. Profit shall not be distributed for a company's shares held by this company.

Where a company distributes profits to shareholders in violation of the provisions of the Company Law, the shareholders shall refund the profits distributed to the company, and the shareholders and the liable directors, supervisors and senior executives shall be held liable for compensation if any loss is caused to the company.

If the shareholders' general meeting resolves to distribute profits, the board of directors shall do so within six months after the resolution is made.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved for the following reasons:

(i) the expiration of the business period stipulated in the company's articles of association or the occurrence of other causes of dissolution stipulated in the company's articles of association;

(ii) dissolution by a resolution of the shareholders' general meeting;

(iii) dissolution due to merger or demerger of the company;

(iv) suspension of the business license, being ordered to close down or being revoked in accordance with the law; or

(v) being dissolved by the People's Court in accordance with the provisions of Article 231 of the Company Law.

If any of the situations as mentioned in the preceding paragraph arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Where the company is dissolved in accordance with sub-paragraph (i) above, it may carry on its existence by amending its articles of association or upon a resolution of the shareholders' general meeting, which must be approved by more than two-thirds of the voting rights held by the shareholders present at the shareholders' general meeting. Where the company is dissolved pursuant to sub-paragraphs (i), (ii), (iv) or (v) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution. The liquidation group shall be composed of the directors, unless it is otherwise provided for in the company's Articles of Association or it is otherwise elected by the shareholders' general meeting. The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors.

The liquidation group fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people's court to designate relevant persons to form a liquidation group. The people's court shall accept such requests and organize a liquidation group to carry out the liquidation in a timely manner.

The liquidation group may exercise the following functions during the period of liquidation:

(i) liquidating the property of the company, preparing a balance sheet and an inventory of property, respectively;

(ii) notifying the company's creditors by mail or public announcement;

(iii) handling and liquidating the unfinished business of the company;

(iv) paying off the taxes overdue by the company and the taxes incurred in the process of liquidation;

(v) liquidation of claims and debts;

(vi) distributing the remaining property after all the debts of the company are paid off; and

(vii) representing the company in civil litigation activities.

The liquidation group shall notify the company's creditors within ten days as of its formation and shall make a public announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their proofs of claim with the liquidation group within 30 days as of the receipt of the notice or within 45 days as of the issuance of the public announcement in the case of failing to receive such notice. When filing a proof of claim, the creditor shall describe the relevant matters of claim and provide the relevant evidentiary materials. The liquidation group shall register the proof of claim. During the period for filing proofs of claims, the liquidation group shall not pay off for any of the creditors.

The liquidation group shall, after liquidating the property of the company and preparing a balance sheet and an inventory of property, make a plan of liquidation and report the same to the shareholders' general meeting or the people's court for confirmation.

After paying off the liquidation expenses, wages of employees, social insurance premiums and statutory compensations, the outstanding taxes and the debts of the company with the property of the company, the remaining assets may, in the case of a limited liability company, be distributed in proportion to capital contributions of the shareholders, and in the case of a joint stock limited company, distributed in proportion to the shares held by the shareholders.

During the period of liquidation, the company survives, but shall not carry out any business operation unrelated to the liquidation. The property of the company shall not be distributed to the shareholders until it has been liquidated in accordance with the preceding paragraph.

Where the liquidation group finds that the property of the company are not sufficient for paying off the debts after liquidating the property of the company and preparing a balance sheet and an inventory of property, it shall file an application to a people's court for bankruptcy liquidation. After the people's court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

The members of the liquidation group performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation group who neglects to fulfill his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation group who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Upon completion of the liquidation of the company, the liquidation group shall produce a liquidation report, report the same to the shareholders' general meeting or the people's court for confirmation, and submit the same to the company registration authority to apply for deregistration of the company.

Where, after three years since the business license of a company is revoked, or the company is ordered to close down or is revoked, the company fails to apply for its deregistration with the company registration authority, the said authority may announce the company's deregistration through the National Enterprise Credit Information Publicity System for a period of no less than 60 days. If there is no objection after the announcement period expires, the company registration authority may deregister the company.

Overseas Listing

According to the Trial Measures, initial public offerings or listings in overseas markets shall be filed with the CSRC within 3 working days after the relevant application is submitted overseas. Subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within 3 working days after the offering is completed. Subsequent securities offerings and listings of an issuer in other overseas markets than where it has offered and listed shall be filed pursuant to provisions in the first sentence of this paragraph.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declared that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法(2019年修訂)》) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Trial Measures, upon the occurrence of voluntary or mandatory delisting after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report thereof to CSRC within 3 working days after the occurrence and public disclosure of the event.

SECURITIES LAW AND REGULATIONS

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by Chinese companies in the mainland China or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. On March 29, 1998, the State Council consolidated the above two departments and reformed the CSRC.

The Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) promulgated by the State Council and effective on April 22, 1993 provide the application and approval procedures for the public issue of shares, trading of shares, takeover of listed companies, the deposit, settlement and transfer of listed shares, the disclosure of information by listed companies, investigation and penalties, and arbitration of disputes.

The Regulations of the State Council Concerning the Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》), which were promulgated by the State Council and came into effect on December 25, 1995, mainly provide for the issue, subscription, trading and payment of dividends of domestic listed foreign shares and disclosure of information of joint stock limited companies with domestic listed foreign shares.

The Securities Law of the People's Republic of China (《中華人民共和國證券法》) (the "**PRC Securities Law**"), which was latest amended by the SCNPC on December 28, 2019 and came into effect on March 1, 2020, provides a series of provisions regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities in the PRC, and comprehensively regulates activities in the PRC securities market. The PRC Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the PRC or listing and trading its securities outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Under the Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the "**Arbitration Law**"), amended by the SCNPC on September 1 2017 and effective on January 1 2018, the Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the Arbitration Law. An arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with relevant regulations under the Arbitration Law and the PRC Civil Procedure Law. Where the disputing parties have reached an arbitration agreement and one party applies to the People's Court to have the case heard, the People's Court shall not deal with this, except if the arbitration agreement is invalid.

Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement according to the PRC Civil Procedure Law. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the making of an award on matters beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission). Where a party applies for enforcement of an arbitral award made in the PRC pursuant to the law which has come into legal effect, and the person subject to enforcement or its properties are not located in the PRC, the party may apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the people's court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

According to the Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People's Court on January 24, 2000 and effective on February 1, 2000, and the Supplementary Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People's Court on November 26, 2020 and effective on November 27, 2020, awards made by PRC arbitral authorities can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

JUDICIAL JUDGMENT AND ITS ENFORCEMENT

Under the Supreme People's Court's Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on July 3, 2008 and effective on August 1, 2008 and was abolished on January 29, 2024, as for an enforceable final judgment made by a court in Mainland China or Hong Kong court concerning a civil and commercial case under a written agreement on jurisdiction, in which payment must be made, the party concerned may, under the Arrangement, apply to a court in Mainland China or a Hong Kong court for recognition and enforcement. The term "written agreement on jurisdiction" refers to agreements clearly stipulated in written form by parties concerned that a court in Mainland China or Hong Kong court has sole jurisdiction as to the effectiveness of the Arrangement, so as to settle disputes relevant to a certain legal relationship that has either arisen or might arise. Therefore, the party concerned may apply to the court in Mainland China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in Mainland China or Hong Kong that meet certain conditions of the aforementioned regulations.

On January 25, 2024, the Supreme People's Court promulgated the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"), which takes into effect on January 29, 2024 and seeks to establish a mechanism with further clarification on and certainty for recognition and enforcement of judgements in a wider range of civil and commercial matters between Hong Kong Special Administrative Region and the China. The New Arrangement discontinued the requirements for a choice of court agreement for bilateral recognition and enforcement.

This Appendix mainly provides **[REDACTED]** with an overview of the Articles of Association. As the following information is in summary form, it does not contain all the information that may be important to **[REDACTED]**.

SHARES AND REGISTERED CAPITAL

The shares of the Company shall take the form of share certificates.

The Company shall issue shares in an open, equitable and fair manner, and each of the shares in the same class shall carry the same rights.

Shares of the same class and the same issuance shall be issued on the same conditions and at the same price. Any entity or individual shall pay the same price for each of the shares that it/he/she subscribes for.

All shares issued by the Company shall be denominated in RMB.

INCREASE, REDUCTION, REPURCHASE AND TRANSFER OF SHARES

Increase and Reduction of Shares

In light of the Company's operational and developmental needs, the Company may increase its capital in accordance with the laws and regulations and subject to a separate resolution of the shareholders' general meeting, by any of the following methods:

(i) a public offering of shares;

(ii) a private placement of shares;

(iii) allotment of bonus shares to existing shareholders;

(iv) conversion of reserve into share capital;

(v) other methods permitted by laws, administrative regulations and the securities regulatory authorities of the place where the Company's shares are listed.

The Company may reduce its registered capital. Any reduction of the Company's registered capital shall be subject to the procedures prescribed in the Company Law and other relevant regulations, as well as the Articles of Association.

Share Buy-Back

The Company shall not repurchase its shares. However, exceptions are made in any of the following cases:

(i) to reduce the registered capital of the Company;

(ii) to merge with other companies that hold shares in the Company;

(iii) to use the shares for employee shareholding schemes or as share incentives;

(iv) to acquire the shares of shareholders (upon their request) who vote against any resolution adopted at any shareholders' general meetings on the merger or division of the Company;

(v) to use the shares to satisfy the conversion of those corporate bonds convertible into shares issued by the Company;

(vi) to safeguard corporate value and shareholders' equity as the Company deems necessary.

The Company may repurchase its own shares through public centralized trading, or through other means recognized by the laws, administrative regulations, the securities regulatory authorities of the place and the stock exchange where the Company's shares are listed, and shall comply with the provisions under applicable laws and regulations, as well as securities regulatory rules of the place where the Company's shares are listed. Where the purchases of the Company's shares under any of the circumstances specified in aforesaid items (iii), (v) and (vi), centralized trading shall be adopted publicly. Where the Company purchases its own shares under any of the circumstances specified in the aforesaid items (i) and (ii) shall require a resolution of the shareholders' general meeting. Where the purchases of the Company's shares under any of the circumstances specified in aforesaid items (iii), (v) and (vi) shall, prevailing provided that they comply with the applicable securities regulatory rules of the place where the Company's shares are listed, require a resolution of a board of directors attended by two-thirds or more of the directors. After the Company purchasing its own shares pursuant to the provisions above, such shares shall be cancelled within 10 days from the date of purchase under the circumstance as described in item (i); such shares shall be either transferred or cancelled within six months under the circumstances as described in items (ii) and (iv); the aggregate number of shares it holds shall not exceed 10% of the total shares in issue of the Company and such shares shall be transferred or cancelled within three years under the circumstances as described in items (iii), (v) and (vi).

Transfer of Shares

The shares of the Company held by the promoters thereof shall not be transferred within 1 year of the date of establishment of the Company. A Shares already issued by the Company before the public offering of A Shares shall not be transferred within 1 year of the date on which the A Shares of the Company are listed on the stock exchange.

The directors, supervisors, and senior executives of the Company shall declare, to the Company, the information on their holdings of the shares of the Company and the changes thereto. The shares transferrable by them during each year of their term of office shall not exceed twenty-five percent of the total shares they hold in the Company. The shares that they hold in the Company shall not be transferred within 1 year of the date on which the shares of the Company are listed and traded. The aforesaid persons shall not transfer their shares of the Company within half a year from the date of their resignation.

Where the Company's directors, supervisors, senior executives or shareholders who hold 5% or more of the Company's shares sell the Company's shares they hold within six months of the relevant purchase, or purchase any share they have sold within six months of the relevant sale, the proceeds generated therefrom shall be incorporated into the profits of the Company, and the Board of Directors of the Company shall recover the proceeds. However, the following circumstances shall be excluded where a securities company holds 5% or more of the shares of the Company due to its purchase of any remaining shares under best efforts underwriting or where the provisions of the CSRC are applicable.

Shares or other securities with the nature of equity held by directors, supervisors, senior executives and natural person shareholders as mentioned in the preceding paragraph include shares or other securities with the nature of equity held by their spouses, parents or children, and held by them by using other people's accounts.

If the Board of Directors of the Company fails to comply with the aforesaid provision of this Article, the shareholders are entitled to request the Board of Directors to do so within 30 days. If the Board of Directors of the Company fails to comply within the aforesaid period, the shareholders are entitled to initiate litigation directly in the people's court in their own names for the interest of the Company. And if the Board of Directors fails to implement the aforesaid provisions of this Article, the responsible directors shall bear joint and several liability in accordance with law.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

Shareholders

The Company shall establish a register of shareholders based on the certificates provided by the share registrar where the Company's shares are listed. The register of shareholders shall be sufficient evidence proving the shareholders' holding of the Company's shares. The original register of holders of H Shares **[REDACTED]** in Hong Kong shall be maintained in Hong Kong and available for inspection by shareholders, whilst the Company may close the register of members in accordance with the provisions of applicable laws and regulations and the securities regulatory rules of the place where the Company's shares are listed. Shareholders shall enjoy rights and assume obligations according to the class of shares held by him/her. Shareholders who hold existing shares of the same class shall enjoy equal rights and assume the equal obligations.

Shareholders of the Company shall enjoy the following rights:

(i) the right to receive dividends and other distributions in proportion to the number of shares held;

(ii) the right to request, convene, preside over, attend or appoint proxy(ies) to attend the shareholders' general meeting and to exercise the corresponding right to vote according to law;

(iii) the right to supervise, present proposals or raise enquiries in respect of the Company's operations;

(iv) the right to transfer, give as a gift or pledge the shares it holds in accordance with laws, administrative regulations and the Articles of Association;

(v) the right to inspect the Articles of Association, register of shareholders, corporate bond stubs, minutes of the shareholders' general meetings, resolutions of the Board of Directors, resolutions of the Board of Supervisors and financial and accounting reports;

(vi) in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining property of the Company in proportion to the number of shares held;

(vii) shareholders who object to resolutions of merger or division made by the shareholders' general meeting may request the Company to purchase the shares they hold;

(viii) other rights provided for by laws, administrative regulations, departmental rules, the securities regulatory rules in the place where the Company's shares are listed or the Articles of Association.

When a shareholder requests to have access to or obtain the information mentioned above in the article, he or she shall present evidence to prove the class and amount of shareholdings in writing. The Company shall comply with the shareholder's request after verifying his/her identity.

A resolution of the shareholders' general meeting or the Board of Directors may be declared void by the people's court upon application from shareholders if the content contravenes the laws or administrative regulations. If the convening procedure or voting method of a shareholders' general meeting or the Board of Directors contravenes the laws, administrative regulations or the Articles of Association, or if the contents of the resolutions of such meetings contravene the Articles of Association, the shareholders can request the people's court to revoke the resolution within 60 days of the resolution.

The shareholders of the Company shall assume the following obligations:

(i) to comply with laws, administrative regulations and the Articles of Association;

(ii) to pay the share subscription price based on the shares subscribed for by them and the method of acquiring such shares;

(iii) not to return shares unless prescribed otherwise in laws and regulations;

(iv) not to abuse shareholders' rights to infringe upon the interests of the Company or other shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of shareholders to harm the interests of the Company's creditors;

(v) other obligations imposed by laws, administrative regulations and the Articles of Association.

Any shareholder who abuses shareholders' rights and causes the Company or other shareholders to suffer a loss shall be liable for making compensation in accordance with laws; any shareholder who abuses the status of the Company as an independent legal entity or the limited liability of shareholders to evade debts and causes severe harms to the interests of the Company's creditors shall assume joint and several liability for the Company's debts.

General Requirements of Shareholders' General Meeting

The shareholders' general meeting is the body of power of the Company which exercises the following functions and powers according to law:

(i) to decide on the business policy and investment plans of the Company, and to approve significant changes in the Company's business scope;

(ii) to elect and replace the directors and supervisors who are not employee representatives and to decide on the matters relating to the remuneration of directors and supervisors;

(iii) to consider and approve the reports of the Board of Directors;

(iv) to consider and approve the reports of the Board of Supervisors;

(v) to consider and approve the proposed annual financial budgets and final accounts of the Company;

(vi) to consider and approve the Company's profit distribution plan and plan for recovery of losses;

(vii) to resolve on the increase or reduction of the Company's registered capital;

(viii) to resolve on issuance of corporate bonds;

(ix) to resolve on the merger, division, dissolution, liquidation or changing the form of the Company;

(x) to amend the Articles of Association and other important rules and regulations of the Company;

(xi) to adopt resolutions on the Company's appointments and dismissals of accounting firms;

(xii) to consider and approve the guarantees provided in Article 41 of the Articles of Association;

(xiii) to consider the purchase or sale of major assets of the Company in excess of 30% of the Company's latest audited total assets within one year;

(xiv) to consider and approve changes in the use of proceeds;

(xv) to consider the equity incentive plans and employee shareholding schemes;

(xvi) to consider all transactions where the Company's percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules relating to percentage ratios are not less than 25% (including one-off transactions and a series of transactions which require combined percentage ratio calculation) and related transactions where the percentage ratios are not less than 5% (including one-off transactions and a series of transactions which require combined percentage ratio calculation);

(xvii) to consider other matters on which decisions shall be made by the shareholders' general meeting as required by laws, administrative regulations, departmental rules, and the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

The annual shareholders' general meeting of the Company may authorize the Board of Directors to decide the issuance of shares with a total financing amount not exceeding RMB300 million and not exceeding 20% of the net assets as at the end of the latest year to specific subject(s), and such authorization will expire on the date of the next annual shareholders' general meeting.

The following external guarantees provided by the Company shall be considered and approved by the shareholders' general meeting:

(i) any guarantee provided after the total amounts of the external guarantees provided by the Company and its majority-owned subsidiaries exceed 50% of the latest audited net assets;

(ii) a single guarantee the amount of which exceeds 10% of the latest audited net assets;

(iii) provision of guarantee to any guaranteed party with a gearing ratio exceeding 70%;

(iv) any guarantee provided after the total amounts of the external guarantees provided by the Company exceed 30% of the latest audited total assets;

(v) guarantee that exceeds 30% of the latest audited total assets of the Company when determined based on the principle of accumulation of guarantee amounts for consecutive 12 months;

(vi) guarantees provided to shareholders, de facto controllers and their related parties;

(vii) other guarantee circumstances as stipulated by laws, regulations, securities regulatory rules in the place where the Company's shares are listed or the Articles of Association.

The guarantee in item (v) of the preceding paragraph shall be approved by more than two-thirds of the voting rights held by shareholders present at the shareholders' general meeting.

The shareholders' general meetings are classified into annual shareholders' general meetings and interim shareholders' general meetings. The annual shareholders' general meeting shall be convened once a year and be held within 6 months of the end of the previous accounting year.

In any of the following circumstances, the Company shall convene an interim shareholders' general meeting within 2 months from the date upon which the circumstance occurs:

(i) when the number of directors falls short of the number specified in the Company Law or is less than two-thirds of the number specified in the Articles of Association;

(ii) when the unrecovered losses of the Company amount to one-third of the total paid-up share capital;

(iii) when shareholders individually or collectively holding more than 10% of the Company's shares request;

(iv) when the Board of Directors deems necessary;

(v) when proposed by the Board of Supervisors;

(vi) other circumstances stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Convening of Shareholders' General Meeting

Independent directors shall be entitled to submit a proposal to the Board of Directors on holding an interim shareholders' general meeting. For such a proposal, the Board of Directors shall give a written reply as to whether it agrees or disagrees to hold an interim shareholders' general meeting within 10 days upon receipt of the proposal in accordance with laws, administrative regulations, and the Articles of Association. Where the Board of Directors agrees to hold an interim shareholders' general meeting, a notice of the shareholders' general meeting shall be given within 5 days after the resolution of the Board of Directors is made. Where the Board of Directors does not agree to hold such a meeting, its reasons shall be given, and an announcement shall be made.

The Board of Supervisors shall be entitled to submit a proposal in writing to the Board of Directors on holding an interim shareholders' general meeting. The Board of Directors shall give a written reply as to whether it agrees or disagrees to hold an interim shareholders' general meeting within 10 days upon receipt of the proposal in accordance with laws, administrative regulations, and the Articles of Association. Where the Board of Directors agrees to hold an interim shareholders' general meeting, a notice of shareholders' general meeting shall be given within 5 days after the resolution of the Board of Directors is made. Any change to the original proposal in the notice shall be subject to the approval from the Board of Supervisors. Where the Board of Directors does not agree to hold an interim shareholders' general meeting or fails to give a reply within 10 days upon receipt of the proposal, it shall be deemed that the Board of Directors is unable or fails to perform its duty of convening a shareholders' general meeting. In such case, the Board of Supervisors may convene and preside over the meeting on its own.

Shareholders who individually or together hold 10% or more of the shares of the Company shall have the right to request the Board of Directors to convene an interim shareholders' general meeting and such request shall be made to the Board of Directors in writing. The Board of Directors shall give a written reply as to whether it agrees or disagrees to hold an interim shareholders' general meeting within 10 days upon receipt of the request in accordance with laws, administrative regulations, and the Articles of Association. Where the Board of Directors agrees to hold an interim shareholders' general meeting, it shall issue a notice of the shareholders' general meeting within 5 days after the resolution is made. Any change to the original request in the notice shall be subject to the approval from the relevant shareholders. Where the Board of Directors does not agree to hold an interim shareholders' general meeting or fails to give a reply within 10 days upon receipt of the request, shareholders who individually or together hold 10% or more of the shares of the Company shall have the right to submit a proposal to the Board of Supervisors on holding an interim shareholders' general meeting and such request shall be made to the Board of Supervisors in writing. Where the Board of Supervisors agrees to hold an interim shareholders' general meeting, it shall issue a notice of Shareholders' general meeting within 5 days after receiving the request. Any changes to the original request in the notice shall be approved by the relevant shareholders. Where the Board of Supervisors fails to give the notice of the shareholders' general meeting within the specified time limit, it shall be deemed that the Board of Supervisors does not convene or preside over the meeting, in which case, shareholders who individually or together hold 10% or more of the shares of the Company for 90 or more consecutive days may convene and preside over the meeting on their own.

Where the Board of Supervisors or shareholders decide to convene a shareholders' general meeting on their own, they must notify the Board of Directors in writing and, in accordance with the securities regulatory rules and the requirements of the stock exchange where the Company's shares are listed, complete the necessary reports or announcements. Prior to the announcement of the resolution of the shareholders' general meeting, the proportion of shares held by the convening shareholders shall not be less than 10%. The convening shareholders shall, upon issuing the notice of the shareholders' general meeting and the announcement of the resolutions of the shareholders' general meeting, complete the necessary reports or announcements in accordance with the securities regulatory rules and the requirements of the stock exchange where the Company's shares are listed.

The Board of Directors and the secretary to the Board of Directors should cooperate with the Board of Supervisors or shareholders to convene shareholders' general meetings on their own. The Board of Directors shall provide the register of shareholders on the record date of equity interests.

Proposals and Notices of Shareholders' General Meeting

The contents of a proposal of the shareholders' general meeting shall be within the scope of the duties and powers of the shareholders' general meeting, have definite themes and specific matters for resolutions, as well as be in compliance with laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed, and the relevant requirements set forth in the Articles of Association.

When the Company convenes a shareholders' general meeting, the Board of Directors, the Board of Supervisors and shareholders who individually or together hold 3% or more of the shares of the Company are entitled to put forward a proposal to the Company.

Shareholders individually or together holding 3% or more of the shares of the Company can put forward a temporary proposal 10 days before the shareholders' general meeting is held and submit the proposal to the convener of the meeting in writing. The convener shall issue a supplemental notice within 2 days upon receiving such proposal and notify shareholders of the content of such proposal. If the shareholders' general meeting needs to be postponed due to the issuance of a supplemental notice of the shareholders' general meeting according to the securities regulatory rules of the place where the Company's shares are listed, the convening of the shareholders' general meeting shall be postponed in accordance with the securities regulatory rules of the place where the Company's shares are listed.

The convener shall notify each shareholder 21 days prior to an annual shareholders' general meeting and shall notify each shareholder 15 days prior to an interim shareholders' general meeting. For the purpose of calculating the starting date, the day on which the meeting is held shall be excluded.

Notice of shareholders' general meeting shall include the following contents:

(i) the date, venue and duration of the meeting;

(ii) matters and proposals to be considered at the meeting;

(iii) an express statement that the entire shareholders are entitled to attend the shareholders' general meeting, and to appoint proxy(ies) to attend and vote on his/her behalf at the meeting, and that a proxy need not be a shareholder of the Company;

(iv) the record date on which the shareholders are entitled to attend the shareholders' general meeting;

(v) the name and telephone number of permanent contact persons for the affairs of the meeting;

(vi) the voting time and procedure via internet or through other means (if any).

The notice and the supplementary notice, if any, of the shareholders' general meeting shall fully and completely disclose the contents of all proposals. If the matters to be discussed require the opinions of the independent directors, the opinions of the independent directors and the reasons therefor shall be disclosed at the same time when the notice of shareholders' general meeting or its supplementary notice is issued.

Holding of Shareholders' General Meeting

All shareholders (or their proxies) who are legally registered on the record date according to the securities regulatory rules of the place where the Company's shares are listed shall have the right to attend the shareholders' general meeting and exercise voting rights in accordance with relevant laws, regulations, and the Articles of Association (unless certain shareholders are required to abstain from voting on specific matters according to the securities regulatory rules of the place where the Company's shares are listed). Shareholders may attend the shareholders' general meeting in person and exercise their voting rights, or appoint proxies to attend and exercise voting rights within the scope of authorization.

An individual shareholder who attends the meeting in person shall produce his/her own identification card or other valid documents or proof evidencing his/her identity and stock account cards. If a shareholder appoints a proxy to attend the meeting on his/her behalf, such proxy shall produce his/her own valid proof of identity and the power of attorney from the shareholder.

A legal person shareholder shall attend the meeting by its legal representative or proxy appointed by the legal representative. Where the legal representative attends the meeting, he/she shall produce his/her own identification card and valid certificates evidencing his/her capacity as the legal representative. Where a proxy is appointed to attend the meeting, he/she shall produce his/her own identification card and the written power of attorney issued by the legal representative of the legal person shareholder according to law.

Shareholders of a partnership should be represented at the meeting through a representative appointed by the executive partner of the partnership or a proxy entrusted by the appointed representative. The representative appointed by the executive partner attending the meeting shall produce his/her own identification card and valid proof of qualification as an appointed representative. If a proxy is entrusted to attend the meeting, the proxy shall produce his/her own identification card and the written power of attorney issued by the executive partner.

If the shareholder is a recognized clearing house (or its nominee) as defined in the relevant laws and regulations of the place where the Company's shares are listed, such shareholder may authorize 1 or more persons or corporate representatives as he/she deems appropriate to act on his/her behalf at any meetings (including but not limited to shareholders' general meetings and creditors' meetings); however, if more than 1 persons are thus authorized, the power of attorney shall specify the numbers and classes of shares in respect of which such persons are authorized, and signed by the authorized person of the recognized clearing house. The person(s) so authorized may attend the meeting, speak at the meeting and exercise the rights on behalf of the recognized clearing house (or its nominee) without producing certificates of shareholding, the notarized power of attorney and/or further evidence to prove that he/she has been duly authorized as if such person is an individual shareholder of the Company.

A proxy of attorney issued by a shareholder to entrust another person as his/her proxy to attend the shareholders' general meeting shall contain the following:

(i) the name of the proxy;

(ii) whether the proxy has voting right or not;

(iii) separate instructions as to whether to cast affirmative, negative or abstention votes on each and every matter under consideration listed on the agenda of the shareholders' general meeting;

(iv) the issuing date and validity period of the power of attorney;

(v) Signature (or seal) of the principal. If the principal is a legal person shareholder or a partnership shareholder, the seal of the legal person or partnership shall be affixed, or it shall be signed by a duly authorized person.

The power of attorney shall indicate whether the proxy can vote as he/she thinks fit or not if the shareholder does not make specific instructions.

Where the power of attorney is signed by a person authorized by the principal, the power of attorney or other authorization instruments authorized to be signed shall be notarized. The notarized power of attorney or other authorization instruments, together with the power of attorney, shall be lodged at the domicile of the Company or other places as specified in the notice of the meeting.

Where the principal is a legal person or partnership, its legal representative, executive partner or the person authorized by the resolutions of its board of directors or other decision-making body shall be entitled to attend the shareholders' general meeting of the Company as a representative of the principal.

When the shareholders' general meeting is held, all directors, supervisors and secretary to the Board of Directors of the Company shall attend the meeting, and the general manager and other senior executives shall attend the meeting as non-voting participants. Subject to the securities regulatory rules of the place where the Company's shares are listed, the aforesaid persons may attend the meeting or attend the meeting as non-voting participants by internet, video, telephone or other means with equivalent effect.

The shareholders' general meeting shall be presided over by the chairman of the Board of Directors. Where the chairman of the Board of Directors is unable to or fails to perform his/her duty, a director elected by more than half of all directors shall preside over the meeting. If a shareholders' general meeting is convened by the Board of Supervisors itself, the chairman of the Board of Supervisors shall preside over the meeting. If the chairman of the Board of Supervisors is unable to or will not discharge his duties, not less than one half of the supervisors shall nominate a supervisor to preside over the meeting. The shareholders' general meeting convened by shareholder(s) itself/themselves shall be presided over by a representative elected by the convener. In a shareholders' general meeting, if the chairman of the meeting contravenes the rules of procedure, making the meeting impossible to proceed, with consent from more than one-half of the attending shareholders with voting rights, the shareholders' general meeting may nominate one person to serve as the chairman and continue with the meeting.

Voting at Shareholders' General Meetings

The resolutions of the shareholders' general meeting shall be divided into ordinary resolutions and special resolutions. An ordinary resolution of the shareholders' general meeting shall be adopted by more than half of the votes held by the shareholders (including proxies of shareholders) attending the shareholders' general meeting. A special resolution of the shareholders' general meeting shall be adopted by two-thirds or more of the votes held by the shareholders (including proxies of shareholders) attending the shareholders' general meeting.

The following matters shall be approved by the shareholders' general meeting through ordinary resolutions:

(i) work report of the Board of Directors and the Board of Supervisors;

(ii) the profit distribution plans and loss recovery plans drafted by the Board of Directors;

(iii) appointment or dismissal of the members of the Board of Directors and the Board of Supervisors, and their payment and payment methods;

(iv) annual budget and final account plan of the Company;

(v) annual report of the Company;

(vi) other matters other than those approved by special resolution stipulated in the laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

The following matters shall be approved by special resolution at the shareholders' general meeting:

(i) the increase or reduction of the registered capital of the Company;

(ii) the division, spin-off, merger, dissolution and liquidation;

(iii) change of corporate form of the Company;

(iv) other amendment to the Articles of Association;

(v) the purchases or sales of material assets by the Company within a consecutive 12 months or the guarantee amount exceeding 30% of the latest audited total assets of the Company;

(vi) the share incentive scheme;

(vii) other matters stipulated by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association, as well as other matters that the shareholders' general meeting determines by ordinary resolution will have a significant impact on the Company and need to be passed by special resolution.

Shareholders (including proxies) may exercise their voting rights by the number of shares held by them which carry the right to vote. Each share shall have one vote.

When material issues affecting the interests of minority shareholders are considered at a shareholders' general meeting, the votes of minority shareholders shall be counted separately. The separate votes counting results shall be disclosed publicly in a timely manner.

The shares of the Company which are held by the Company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders attending a shareholders' general meeting.

If a shareholder purchases shares with voting rights of the Company in violation of paragraph 1 and paragraph 2 of Article 63 of the Securities Law, such shares in excess of the prescribed proportion shall not be allowed to exercise voting rights for a period of thirty-six months after the purchase and shall not be counted in the total number of shares with voting rights present at the shareholders' general meeting.

According to applicable laws and regulations and the Listing Rules, if any shareholder is required to abstain from voting on certain resolution or is restricted to voting only for or against certain resolution, any votes cast by the shareholder or proxy in violation of the relevant requirements or restrictions shall not be counted in the total number of shares with voting rights.

The Board of Directors, independent directors, shareholders of the Company holding 1% or more of the voting shares of the Company or investor protection institutions established pursuant to laws, administrative regulations or the rules of the securities regulatory authorities of the place where the Company's shares are listed, may publicly solicit voting rights from shareholders. When soliciting voting rights from shareholders, the specific voting intention and other information shall be fully disclosed to the solicitation targets. The solicitation of voting rights from shareholders with the provision of direct or indirect compensation shall be prohibited. The Company may not impose any minimum shareholding requirement for the solicitation of voting rights, except for statutory conditions.

When relevant related transaction is considered at a shareholders' general meeting, the related shareholders shall not vote, and the voting shares held by them shall not be counted in the total number of shares with valid voting rights; the announcement of the resolutions of the shareholders' general meeting shall fully disclose the voting of non-related shareholders.

BOARD OF DIRECTORS

Directors

Directors may include executive directors, non-executive directors, and independent directors. Independent directors refer to persons who meet the requirements of Article 103 of the Articles of Association. Directors of the Company are natural persons and shall possess the qualifications required by the laws, administrative regulations, departmental rules, and securities regulatory rules of the place where the Company's shares are listed. The following person shall not serve as a director of the Company:

(i) person without capacity or with limited capacity of civil conduct;

(ii) person who has committed offences relating to corruption, bribery, misappropriation of fund, misappropriation of property or disruption of social economic order and has been sentenced to criminal punishment, where less than 5 years has elapsed since the date of completion of the sentence, or who has been deprived of his/her political rights due to a criminal offense, where less than 5 years has elapsed since the date of restoring his/her political rights;

(iii) person who was a former director, factory manager or general manager of a company or enterprise which was declared bankrupt and was liquidated and who was personally liable for the bankruptcy of such company or enterprise, where less than 3 years has elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;

(iv) A person who is a former legal person who was a legal representative of a company or enterprise which had its business license revoked and was ordered to close down due to violation of the law and who was personally liable, where less than 3 years has elapsed since the date of the revocation;

(v) person who has a substantial number of debts due and outstanding;

(vi) person who is subject to the CSRC's or other regulatory authorities' measures which prohibits him/her from entering into the securities market for a period which has not yet expired;

(vii) other circumstances specified by the laws, administrative regulations, departmental rules, or securities regulatory rules of the place where the Company's shares are listed.

Directors shall be elected or replaced by the shareholders' general meeting and serve a term of 3 years. A director shall be eligible for re-election and re-appointment upon the expiration of his/her term according to the securities regulatory rules of the place where the Company's shares are listed. Directors shall not be removed from their office prior to the conclusion of the term thereof by the shareholders' general meeting without cause.

The term of office of a director shall commence from the date on which the said director assumes office until the expiry of the term of office of the current session of the Board of Directors. A director shall continue to perform his/her duties as a director in accordance with laws, administrative regulations, departmental rules and the Articles of Association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or where a director has resigned during the term of his/her office resulting that the number of the members in the Board of Directors falls below the quorum.

Any person appointed by the Board of Directors as a director to fill a casual vacancy on the Board of Directors or as an addition to the Board of Directors shall hold office only until the first annual shareholders' general meeting following his/her appointment, and shall then be eligible for re-election.

A director may serve concurrently as general manager or other senior executives, but the total number of directors serving concurrently as general manager or other senior executives and employee representative directors shall not be more than half of the directors of the Company.

A director may resign before expiry of his/her term of service. A director shall submit a written resignation notice to the Board of Directors when he/she resigns. The Board of Directors shall disclose the relevant matter within 2 days or the timeframe required by the securities regulatory rules of the place where the Company's shares are listed. If number of the member of directors falls below the minimum statutory requirement due to a director's resignation, the former directors shall still perform their duties as directors in accordance with the requirements of the laws, administrative regulations, departmental rules and the Articles of Association until an elected director assumes his/her office. Save for the circumstances referred to in the paragraph, the director's resignation takes effect upon delivery of his/her resignation report to the Board of Directors.

The qualification, nomination and selection procedures, and function and power of independent directors shall be implemented in accordance with the relevant provisions of laws and regulations and securities rules of the place where the Company's shares are listed.

The number of independent directors shall not be less than 3 and shall constitute no less than one-third of all directors, and shall include at least 1 with appropriate professional qualifications or appropriate accounting or related financial management expertise as required by the Listing Rules. One independent director shall be ordinarily resident in Hong Kong. All independent directors shall possess the independence as required by the Listing Rules.

Board of Directors

The Company sets up the Board of Directors, which is responsible for the shareholders' general meeting. The board of directors consists of 5 directors, including 3 independent directors and one chairman. The Board of Directors establishes special committees such as the Strategy and ESG Committee, the Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee. These special committees are accountable to the Board of Directors and perform their duties in accordance with the Articles of Association and the authorization granted by the Board of Directors. Proposals should be submitted to the Board of Directors for consideration and decision.

The Board of Directors exercises the following functions and powers:

(i) to convene shareholders' general meetings and report on its work to the shareholders' general meeting;

(ii) to implement the resolutions of the shareholders' general meetings;

(iii) to decide on the Company's business plans and investment plans;

(iv) to formulate the Company's annual financial budget plan and final account plan;

(v) to formulate the Company's profit distribution plan and loss recovery plan;

(vi) to formulate proposals for the increase or reduction of the Company's registered capital, issuance of bonds or other securities, and listing plans;

(vii) to formulate plans for major acquisitions, purchase of our Company's shares, or merger, division, dissolution and change of form of our Company;

(viii) within the scope authorized by the shareholders' general meeting, to decide on the Company's external investment, acquisition and sale of assets, asset pledge, external guarantee matters, entrusted wealth management, related transactions, and external donations.

(ix) to decide on the establishment of the Company's internal management structure;

(x) to decide on the appointment or dismissal of the Company's general manager, secretary to the Board of Directors, or other senior management personnel, and to determine their remuneration, rewards, and penalties; based on the general manager's nomination, to decide on the appointment or dismissal of the Company's deputy manager, financial officer, and other senior management personnel, and to determine their remuneration and rewards and penalties;

(xi) to formulate the Company's basic management system;

(xii) to formulate proposals for any amendment to the Articles of Association;

(xiii) to manage the information disclosure matters of the Company;

(xiv) to propose to the shareholders' general meeting the appointment or change of the accounting firm acting as the auditors of our Company;

(xv) to receive the work report of the Company's general manager and examine the general manager's work;

(xvi) other powers conferred by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

The Board of Directors shall determine the scope of authorities in respect of external investments, acquisition and sale of assets, asset mortgage, external guarantees, entrusted financial management, related transactions, and external donations, and establish strict review and decision-making procedures; major investment projects should be reviewed by relevant experts and professionals, and subject to shareholders' approval at the shareholders' general meeting.

A meeting of the Board of Directors shall be held in the presence of more than half of the directors. Unless otherwise provided by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or these Articles of Association, resolutions of the Board of Directors must be passed by more than half of all directors. Voting on Board of Directors resolutions shall be made on a one-person-one-vote basis.

If a director is associated with the enterprises involved in the matters to be resolved at the Board of Directors, he/she shall not exercise voting rights on such resolutions, nor shall he/she act as a proxy to exercise voting rights on behalf of other directors. Such Board of Directors may be held with the attendance of over half of the directors without association relationship. Resolutions made by Board of Directors shall be adopted by over half of the directors without association relationship. If the number of non-related directors present at the Board of Directors is less than 3, the matter shall be submitted to the shareholders' general meeting for consideration. If the laws, regulations and the securities regulatory rules of the places where the Company's shares are listed impose any additional restrictions on directors' participation and voting in the Board of Directors, such provisions shall prevail.

GENERAL MANAGER AND OTHER SENIOR MANAGEMENT

The Company shall have one general manager, who shall be appointed or dismissed by the Board of Directors. The Company may appoint several deputy general managers, who shall be appointed or dismissed by the Board of Directors. The general manager, deputy general manager, financial officer, and secretary to the Board of Directors are senior management of the Company.

The circumstances in Article 94 of the Articles of Association regarding disqualification from serving as a director shall also apply to senior management. The provisions regarding the fiduciary duties of directors under Article 96 and the diligence obligations under items (IV), (V), and (VI) of Article 97 of the Articles of Association shall also apply to senior management.

The general manager shall serve a term of three years and may serve consecutive terms if re-employed.

The general manager shall be accountable to the Board of Directors and exercise the following functions and powers:

(i) to lead the Company's production, operation and management, organize the implementation of the resolutions of the Board of Directors, and report to the Board of Directors;

(ii) to organize the implementation of the Company's annual operation plan and investment proposal;

(iii) to prepare the plan for the establishment of the Company's internal management department;

(iv) to prepare the basic management system of the Company;

(v) to formulate the specific rules and regulations of the Company;

(vi) to propose to the Board of Directors the appointment or dismissal of the Company's deputy general manager and financial officer;

(vii) to decide on the appointment or dismissal of management personnel other than those required to be appointed or dismissed by the Board of Directors;

(viii) to determine the wages, benefits, rewards and punishments of the company's staff, to decide on the appointment and dismissal of the company's staff;

(ix) to approve matters of external investment, acquisition and sale of assets, asset pledge, entrusted wealth management, related transactions, and external donations that do not meet the standards for the Board of Directors review;

(x) other powers authorized by the Articles of Association or the Board of Directors.

The Company shall have a Secretary to the Board of Directors, who is responsible for preparing the shareholders' general meeting and the Board of Directors, keeping documents, managing the materials regarding the shareholders of the Company, and dealing with information disclosure and other matters.

BOARD OF SUPERVISORS

Supervisors

The provisions of the Articles of Association regarding the circumstances under which a person may not serve as a director shall also apply to supervisors. Directors, general manager and other senior executives shall not act as supervisors concurrently.

Supervisors shall comply with the laws, administrative regulations and the Articles of Association, and owe fiduciary obligations and diligence obligations to the Company. They shall not use their authority to accept bribes or other illegal income, nor encroach upon the Company's property.

The term of office of the supervisor is three (3) years for each session. Upon expiry of the term, the supervisor may be re-appointed upon re-election.

A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations, and the Articles of Association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

Board of Supervisors

The Company shall have one Board of Supervisors. The Board of Supervisors shall be composed of three Supervisors, and shall have a chairman. The chairman of the Board of Supervisors shall be elected by more than half of all the Supervisors. The chairman of the Board of Supervisors shall convene and preside over the meeting of the Board of Supervisors; where the chairman of the Board of Supervisors is unable to or fails to perform his duties, a supervisor shall be chosen by more than half of all the supervisors to convene and preside over the meeting of the Board of Supervisors. The Board of Supervisors shall include shareholder representatives and an appropriate proportion of the Company's employee representatives, and the proportion of employee representatives shall not be less than one-third. The employee representatives in the Board of Supervisors shall be elected by the Company's employees through the employee representatives' meeting, employee meeting or other democratic forms.

The Board of Supervisors shall exercise the following functions and powers:

(i) to review the Company's regular reports prepared by the Board of Directors and provide written review opinions;

(ii) to examine the Company's financial affairs;

(iii) to supervise the conduct of directors and senior executives in performing their duties for the company, and propose the dismissal of directors and senior executives who have violated laws, administrative regulations, the Articles of Association, or resolutions of the shareholders' general meetings;

(iv) to require directors and senior executives personnel to rectify their acts when they are detrimental to the interests of the Company;

(v) to propose to convene an extraordinary general meeting, and to convene and preside over the shareholders' general meeting when the Board of Directors fails to perform the duties of convening and presiding over the shareholders' general meeting under the Company Law;

(vi) to submit proposals to the shareholders' general meeting;

(vii) to file lawsuits against the directors and senior executives in accordance with the Company Law;

(viii) to investigate any irregularities in the operations of the Company; if necessary, may engage accounting firms, law firms and other professional institutions to assist in the work, with expenses to be borne by the Company;

(ix) other functions and powers conferred by laws, administrative regulations, and the Articles of Association.

FINANCIAL AND ACCOUNTING SYSTEMS, DISTRIBUTION OF PROFITS AND AUDIT

Financial and Accounting System

The Company shall develop its financial and accounting systems pursuant to laws, administrative regulations and the requirements of the competent authorities of China, and the securities regulatory rules of the place where the Company's shares are listed.

The Company shall report and disclose its annual report to the CSRC and the stock exchange(s) within 4 months from the ending date of each fiscal year, and report and disclose its interim report to the delegated authority of the CSRC and the stock exchange(s) within 2 months from the end of the first half of each fiscal year. If the securities regulatory authorities of the place where shares of the Company are listed provide otherwise, such provisions shall prevail. The aforementioned annual reports and interim reports shall be prepared in accordance with relevant laws, administrative regulations and requirements of the CSRC and the stock exchange(s).

The Company shall not keep accounts other than those provided by law. Any assets of the Company shall not be kept under any account opened in the name of any individual.

When distributing profits after taxation of the year, the Company shall set aside 10% of its profits for the Company's statutory reserve until the fund has reached 50% or more of the Company's registered capital. When the Company's statutory reserve is not sufficient to make up for the Company's losses for the previous years, the profits of the current year shall first be used to cover the losses before any allocation is set aside for the statutory reserve pursuant to the preceding provision. After making allocations to the statutory reserve from its profits after taxation, the Company may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary reserve. After the Company covers its losses and makes allocations to its reserve, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the Articles of Association. Profits distributed to shareholders by a shareholders' general meeting before losses are covered and allocations are made to the statutory reserve in violation of the preceding requirements must be returned to the Company. The Company shall not distribute any profits in respect of the shares held by it.

The reserve of the Company shall be applied to making up for the Company's losses, expanding its business operations or increasing its capital. The capital reserve, however, shall not be used to make up for the Company's losses. Upon the conversion of statutory reserve into capital, the balance of the statutory reserve shall not be less than 25% of the registered capital of the Company before such conversion.

After the shareholders' general meeting of the Company has resolved on the profit distribution plan, or after the Board of Directors of the Company has formulated a specific plan according to the interim dividend conditions and caps for the next year reviewed and approved at the annual shareholders' general meeting, the distribution of dividends (or shares) shall be completed within 2 months.

The Company shall maintain continuous and stable profit distribution policy, and the Company's profit distribution should pay attention to bringing reasonable return to investors and take into account the long-term interests and sustainable development of the Company. Profit distribution shall not exceed the scope of accumulated distributable profits, or damage the Company's ability to continue as a going concern. The Company may distribute dividends in cash, shares, or a combination of cash and shares; the Company will priorities cash distribution of dividends; based on realistic and reasonable factors such as the Company's cash flow position, business growth, and net asset size per share, the Company may also distribute dividends in shares or a combination of cash and shares.

Internal Audit

The Company shall implement an internal audit system, where dedicated auditing staff carry out the internal audit and supervision over the financial revenue and expenditure and the economic activities of the Company.

The internal audit system of the Company and the duties of the auditing staff shall be subject to the approval of the Board of Directors. The officer in charge of audit shall be accountable to the Board of Directors and report his/her work to the same.

Appointment of an Accounting Firm

The Company shall engage an accounting firm which is qualified under the laws, regulations, and securities regulatory rules of the place where the Company's shares are listed, to perform audits of accounting statements, verify net assets and provide other relevant consulting services. The term of such engagement is 1 year and can be renewed.

The engagement of an accounting firm by the Company shall be determined at the shareholders' general meeting, and the Board of Directors shall not engage an accounting firm before any decision is made at the shareholders' general meeting.

The Company shall ensure to provide true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting data to the accounting firm it engages, without any refusal, withholding or misrepresentation.

The audit fee of the accounting firm shall be determined by the shareholders' general meeting.

A 15-day prior notice shall be given to the accounting firm if the Company decides to dismiss such accounting firm or not to renew the engagement thereof. The accounting firm is allowed to make representations when the shareholders' general meeting of the Company conducts a vote on the dismissal of the accounting firm.

Where the accounting firm resigns, it shall make clear to the shareholders' general meeting whether there has been any impropriety on the part of the Company.

MERGER, DIVISION, INCREASE AND REDUCTION OF CAPITAL, DISSOLUTION AND LIQUIDATION

Merger, Division, Increase and Reduction of Capital

The merger of the Company may take the form of either merger by absorption or merger by new establishment. The absorption by one company of another company constitutes a merger by absorption, in which case the absorbed company shall be dissolved.

If the Company is involved in a merger, the parties to the merger shall enter into a merger agreement, and shall prepare a balance sheet and a property list. The Company shall notify its creditors within 10 days as of the date of the resolution for the merger and shall publish an announcement on the media that complies with the requirements of the CSRC or National Enterprise Credit Information Publicity System, the website of the Shanghai Stock Exchange (**http://www.sse.com.cn**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) within 30 days as of the date of such resolution. A creditor may within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, demand the Company to repay its debts or provide guarantees for such debts.

When the Company is merged, the claims and debts of each party to the merger shall be succeeded by the company surviving the merger or the new company established subsequent to the merger.

Where there is a division of the Company, its assets shall be divided accordingly. Where there is a division of the Company, a balance sheet and property list shall be prepared. The Company shall notify its creditors within 10 days as of the date of the resolution for the division and shall publish an announcement on the media that complies with the requirements of the CSRC or National Enterprise Credit Information Publicity System, the website of the Shanghai Stock Exchange (**http://www.sse.com.cn**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) within 30 days as of the date of such resolution. Other securities regulatory rules at the place where the shares of the Company are listed shall prevail.

Unless a written agreement has been entered into, before the division, by the Company and its creditors in relation to the repayment of debts, debts of the Company prior to the division shall be jointly assumed by the surviving companies after the division.

Where the Company needs to reduce its registered capital, it must prepare a balance sheet and property list. The Company shall notify its creditors within 10 days as of the date of the resolution for the reduction of its registered capital and shall publish an announcement on the media that complies with the requirements of the CSRC or National Enterprise Credit Information Publicity System, the website of the Shanghai Stock Exchange (**http://www.sse.com.cn**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) within 30 days as of the date of such resolution. A creditor may within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, demand the Company to repay its debts or provide guarantees for such debts. Other securities regulatory rules at the place where the shares of the Company are listed shall prevail. The registered capital of the Company after the reduction shall not be less than the statutory minimum amount.

Where there is a merger or division of the Company, the Company shall, in accordance with the laws, apply for a change in its registration with the company registration authority for any changes of its registered information caused thereby. Where the Company is dissolved, the Company shall apply for cancellation of its registration in accordance with the laws. Where a new company is established, the Company shall apply for registration of incorporation in accordance with the laws. Where there is an increase or reduction in the registered capital, the Company shall, in accordance with the laws, apply for a change in registration with the company registration authority.

Dissolution and Liquidation

The Company shall be dissolved upon the occurrence of any of the following events:

(i) expiry of the term of business provided in the Articles of Association or other cause of dissolution as specified therein;

(ii) a resolution on dissolution is passed by the shareholders' general meeting;

(iii) dissolution is required due to the merger or division of the Company;

(iv) the business license of the Company is revoked or the Company is ordered to close down or dissolved in accordance with the laws;

(v) the Company suffers significant hardships in operation and management that cannot be resolved through other means, and its continuation may cause substantial loss in Shareholders' interests, Shareholders representing 10% or above of the total voting rights of the Company may plead the people's court to dissolve the Company.

If the above-mentioned event (i) occurs, the Company may continue to exist by amending the Articles of Association. Amendments to the Articles of Association pursuant to the preceding paragraph shall be subject to the approval of Shareholders representing two-thirds or above of the voting rights present at the shareholders' general meetings.

Where the Company is dissolved pursuant to sub-paragraph (i), (ii), (iv) or (v) above, it shall establish a liquidation committee within 15 days as of the dissolution circumstance arises, and the liquidation shall be started. The liquidation committee shall be composed of Directors or persons determined by the shareholders' general meeting. If the liquidation committee is not established to conduct liquidation within the prescribed time limit, the creditors may apply to the people's court to designate relevant personnel to form a liquidation committee to conduct liquidation.

As of the date of its establishment, the liquidation committee shall notify the creditors within 10 days and make a public announcement on the media that complies with the requirements of the CSRC or National Enterprise Credit Information Publicity System, the website of the Shanghai Stock Exchange (**http://www.sse.com.cn**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) within 60 days. Creditors shall, within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice, within 45 days as of the date of the announcement, declare their claims to the liquidation committee. Other securities regulatory rules at the place where the shares of the Company are listed shall prevail. Creditors shall provide explanations and evidence for their claims upon their declarations of such claims. The liquidation committee shall record the creditors' claims. The liquidation committee shall not pay off any debts to any creditors during the period of credit declaration.

After checking the assets of the Company and preparing a balance sheet and property list, the liquidation committee shall formulate a liquidation plan for the confirmation by the shareholders' general meeting or the people's court. The remaining properties of the Company, after the payment for liquidation expenses, wages, social insurance premiums and statutory compensation of staffs, taxes and debts of the Company, shall be distributed to the shareholders in proportion to their shareholdings. During the liquidation period, the Company shall continue to exist but cannot carry out any business activities unrelated to liquidation. The assets of the Company shall not be distributed to the shareholders until the settlement of debts in accordance with the preceding article.

If the liquidation committee, after checking the assets of the Company and preparing a balance sheet and property list, finds that the assets of the Company are insufficient to pay off its debts, it shall file an application to the people's court for a declaration of bankruptcy in accordance with the laws. Upon the declaration of bankruptcy of the Company by the people's court, the liquidation committee shall hand over the liquidation matters to the people's court.

Upon completion of the liquidation of the Company, the liquidation committee shall prepare a liquidation report and submit the report to the shareholders' general meeting or the people's court for confirmation, and submit the report to the company registration authority to apply for the deregistration of the Company, and announce the termination of the Company.

Where the Company is declared bankrupt in accordance with the laws, it shall implement bankruptcy liquidation in accordance with the relevant laws relating to bankruptcy of enterprise.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association in any of the following circumstances:

(i) after amendments are made to the Company Law or other relevant laws, administrative regulations and securities regulatory rules at the place where the shares of the Company are listed, any term contained in the Articles of Association become inconsistent with the said amendments;

(ii) if certain changes of the Company occur resulting in inconsistency with certain terms specified in the Articles of Association;

(iii) the shareholders' general meeting has resolved to amend the Articles of Association.

Where the amendments to the Articles of Association passed by resolutions of the shareholders' general meetings require approval of the competent authorities, the amendments shall be submitted to the relevant authorities for approval. Where the amendments involve registration matters of the Company, the involved change shall be registered in accordance with the laws.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was established as a limited liability company under the laws of the PRC on May 21, 2010, and was converted into a joint stock company with limited liability on June 22, 2020. We were registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on [•], and have established a place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. Ms. Yan Hoi Ling Jovian has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the PRC, our operations are subject to the relevant laws and regulations of the PRC. A summary of our Articles of Association and relevant aspects of PRC law is set out in "Taxation and Foreign Exchange," "Summary of Principal Legal and Regulatory Provisions" and "Summary of the Articles of Association" in Appendices III, IV and V to this document, respectively.

2. Changes in the Share Capital of Our Company

Save as disclosed above and in "– A. Further Information about Our Group – 4. Resolutions of Our Shareholders" in this section, there has been no alteration in our share capital within the two years immediately preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to the Accountants' Report in Appendix I to this document.

The following subsidiaries of our Company were incorporated within two years immediately preceding the date of this document:

Name of subsidiary	Place of incorporation	Date of incorporation	Initial registered capital/share capital
Fortior Semiconductor	PRC	June 5, 2024	RMB500,000
Fortior Japan	Japan	November 19, 2024	JPY20,000,000

The following sets out the changes in the share capital of our subsidiaries within the two years immediately preceding the date of this document:

Fortior Shanghai

- On April 1, 2024, the registered capital of Fortior Shanghai increased from RMB20,000,000 to RMB40,000,000.

- On June 25, 2024, the registered capital of Fortior Shanghai increased from RMB40,000,000 to RMB170,000,000.

Fortior Semiconductor

- On November 28, 2024, the registered capital of Fortior Semiconductor increased from RMB500,000 to RMB95,500,000.

Fortior Microelectronics

- On October 13, 2023, the share capital of Fortior Microelectronics increased from HK$8,554,662 to HK$41,411,682.

4. Resolutions of Our Shareholders

On January 10, 2025, resolutions of our Shareholders were passed pursuant to which, among other things:

(a) the Articles was approved and adopted with effect from the **[REDACTED]**;

(b) the **[REDACTED]** (including the **[REDACTED]**) and the **[REDACTED]** were approved and our Directors were authorized to allot and **[REDACTED]** the **[REDACTED]** pursuant to the **[REDACTED]**; and

(c) the number of H Shares to be **[REDACTED]** shall be up to **[REDACTED]**% of the total share capital of our Company upon completion of the **[REDACTED]** and before any exercise of the **[REDACTED]**, and the grant of the **[REDACTED]** in respect of no more than **[REDACTED]**% of the number of H Shares initially **[REDACTED]** pursuant to the **[REDACTED]**.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contract (not being contracts entered into in the ordinary course of the business carried on or intended to be carried on by our Company) was entered into by any member of our Group within the two years preceding the date of this document and is or may be material:

(a) the **[REDACTED]**.

2. Our Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material in relation to our business:

No.	Trademark	Class	Registrant	Place of registration	Registration number	Expiry date
1.	Fortior	9	Our Company	PRC	8863553	December 13, 2031
2.	峰 岹	9	Our Company	PRC	8863464	December 6, 2031
3.		9	Our Company	PRC	8863586	December 6, 2031
4.	峰 岹	7	Our Company	PRC	10095353	January 6, 2033
5.		7	Our Company	PRC	10095383	January 6, 2033
6.	Fortior	7	Our Company	PRC	10095371	January 6, 2033
7.	FORTIOR	9	Our Company	PRC	10717050	June 6, 2033

(b) Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be material to our business:

No.	Patent	Patent type	Patentee	Place of registration	Patent number	Registration date
1.	Sensorless drive method for permanent magnet AC motors (永磁交流電動機的無傳感器驅動方法)	Inventory patent	Our Company	PRC	ZL201010153582.9	June 5, 2013
2.	Three-phase AC permanent magnet motor (三相交流永磁電動機)	Inventory patent	Our Company	PRC	ZL201010219190.8	November 7, 2012
3.	A sensorless dynamic drive method and system for single-phase AC permanent magnet motor (一種單相交流永磁電動機的無傳感器動態驅動方法及系統)	Inventory patent	Our Company	PRC	ZL201180000673.1	July 8, 2015
4.	A drive system of a claw pole synchronous motor and its drive method (一種爪極同步電機的驅動系統及其驅動方法)	Inventory patent	Our Company	PRC	ZL201210112892.5	April 1, 2015
5.	An inductive brushless DC motor driving method (一種有感無刷直流電機驅動方法)	Inventory patent	Our Company	PRC	ZL201210321206.5	May 25, 2016
6.	Three-phase BLDC motor drive system with sensor and its driving method (三相有傳感器BLDC電機驅動系統及其驅動方法)	Inventory patent	Our Company	PRC	ZL201310101189.9	December 28, 2016
7.	A high power density permanent magnet motor rotor structure and a motor applying it (一種高功率密度的永磁電機轉子結構及應用其的電機)	Inventory patent	Our Company	PRC	ZL201310411199.2	June 1, 2018
8.	Overvoltage protection circuit for high voltage integrated circuits (用於高壓集成電路的過壓保護電路)	Inventory patent	Our Company	PRC	ZL201310603360.6	February 23, 2018

No.	Patent	Patent type	Patentee	Place of registration	Patent number	Registration date
9.	Winding structure with high power density, method and motor with axial magnetic field (高功率密度的繞組結構、方法及具有軸向磁場的電機)	Inventory patent	Our Company	PRC	ZL201410579365.4	August 3, 2018
10.	High precision RC oscillator (高精度的RC振蕩器)	Inventory patent	Our Company	PRC	ZL201511033188.0	April 9, 2019
11.	Timing logic control methods for SAR ADC (SAR ADC的時序邏輯控制方法)	Inventory patent	Our Company	PRC	ZL201511031526.7	March 26, 2019
12.	Induction motor drive system (感應電機驅動系統)	Inventory patent	Our Company	PRC	ZL201511033197.X	October 9, 2018
13.	Method of winding single-phase windings for p axial magnetic field motors, winding structures, printed circuit boards, motors (用於p個軸向磁場電機的單相繞組繞制方法、繞組結構、印刷電路板、電機)	Inventory patent	Our Company	PRC	ZL201610042114.1	October 9, 2018
14.	A bi-directional IO circuit to prevent current backflow (一種防止電流倒灌的雙向IO電路)	Inventory patent	Our Company	PRC	ZL201611184718.6	May 15, 2020
15.	Soft-start switching control circuit and control method for brushless DC motor (用於無刷直流電機的軟啟動切換控制電路及控制方法)	Inventory patent	Our Company	PRC	ZL201611184423.9	October 9, 2018
16.	A circuit to eliminate operational amplifier out-of-tune voltage (一種消除運算放大器失調電壓的電路)	Inventory patent	Our Company	PRC	ZL201611183686.8	February 1, 2019
17.	Output pass-through protection circuits for high-voltage integrated circuits and high-voltage integrated circuits (用於高壓集成電路的輸出直通保護電路及高壓集成電路)	Inventory patent	Our Company	PRC	ZL201611191164.2	July 4, 2023
18.	Speed detection circuit for brushless DC motor and its method (無刷直流電機的速度檢測電路及其方法)	Inventory patent	Our Company	PRC	ZL201611207039.6	April 9, 2019

No.	Patent	Patent type	Patentee	Place of registration	Patent number	Registration date
19.	Reference voltage circuits and integrated circuits (基準電壓電路與集成電路)	Inventory patent	Our Company	PRC	ZL201711380193.8	July 20, 2021
20.	Scooter control system and method (滑板車控制系統及方法)	Inventory patent	Our Company	PRC	ZL201711370862.3	July 26, 2019
21.	Negative voltage detection circuit and motor driver (負電壓檢測電路及電機驅動裝置)	Inventory patent	Our Company	PRC	ZL201711430298.X	July 30, 2024
22.	BLDC motor and its reverse electromotive force over zero point acquisition method and driving device (BLDC電機及其反電動勢過零點採集方法和驅動裝置)	Inventory patent	Our Company	PRC	ZL201810037842.2	September 22, 2020
23.	MOS tube driver circuit, driver chip and motor (MOS管驅動電路、驅動芯片及電機)	Inventory patent	Our Company	PRC	ZL201810318297.4	February 14, 2020
24.	Three-phase motor (三相電機)	Inventory patent	Our Company	PRC	ZL201810364867.3	September 22, 2020
25.	Armature windings of AC motors and AC motors (交流電機的電機繞組和交流電機)	Inventory patent	Our Company	PRC	ZL201810868483.5	February 14, 2020
26.	Positionless drives for single-phase BLDC motors (單相BLDC電機無位置驅動裝置)	Inventory patent	Our Company	PRC	ZL201811617528.8	February 9, 2021
27.	Ceiling fan motor control method, device and ceiling fan based on non-inductive FOC (基於無感FOC的吊扇電機控制方法、裝置及吊扇)	Inventory patent	Our Company	PRC	ZL201811616778.X	December 10, 2021
28.	Electric vehicle control method, device and electric vehicle (電動車控制方法、裝置及電動車)	Inventory patent	Our Company	PRC	ZL201811616780.7	March 23, 2021
29.	FOC-based control device for power tools (基於FOC的電動工具控制裝置)	Inventory patent	Our Company	PRC	ZL201811616779.4	July 16, 2024

No.	Patent	Patent type	Patentee	Place of registration	Patent number	Registration date
30.	Method for detecting eccentricity in a washing machine, device for detecting eccentricity in a washing machine, storage medium and washing machine (洗衣機偏心檢測的方法、洗衣機偏心檢測裝置、存儲介質和洗衣機)	Inventory patent	Our Company	PRC	ZL201910997466.6	December 10, 2021
31.	Vacuum cleaner control method and device, vacuum cleaner (吸塵器控制方法和裝置、吸塵器)	Inventory patent	Our Company	PRC	ZL201910998925.2	July 20, 2021
32.	Fan stepless constant air volume control method, fan control device and fan (風機無級恒風量控制方法、風機控制裝置及風機)	Inventory patent	Our Company	PRC	ZL201910997935.4	June 29, 2021
33.	Hysteresis comparator circuit (遲滯比較器電路)	Inventory patent	Our Company	PRC	ZL201911300369.3	May 5, 2020
34.	Hysteresis comparator circuit (遲滯比較器電路)	Inventory patent	Our Company	PRC	ZL201911292690.1	April 24, 2020
35.	Motor out-of-phase detection method, device and storage medium (電機缺相檢測方法、裝置及存儲介質)	Inventory patent	Our Company	PRC	ZL201911308201.7	April 24, 2020
36.	Absolute electrical angle detection method, system and computer-readable storage medium (絕對電角度檢測方法、系統及電腦可讀存儲介質)	Inventory patent	Our Company	PRC	ZL201911338800.3	May 5, 2020
37.	Magnetic encoder, absolute electrical angle detection method, system and readable storage medium (磁編碼器、絕對電角度檢測方法、系統及可讀存儲介質)	Inventory patent	Our Company	PRC	ZL201911340528.2	August 3, 2021
38.	Data transmission circuit, data transmission method, and electronic device (數據傳輸電路、數據傳輸方法以及電子設備)	Inventory patent	Our Company	PRC	ZL201911335195.4	July 21, 2023

No.	Patent	Patent type	Patentee	Place of registration	Patent number	Registration date
39.	Starting control method and device for motors (電機的啟動控制方法及裝置)	Inventory patent	Our Company	PRC	ZL201911399233.2	June 29, 2021
40.	Data transfer method, apparatus, device, and computer-readable storage medium (數據傳輸方法、裝置、設備及計算機可讀存儲介質)	Inventory patent	Our Company	PRC	ZL201911306913.5	December 3, 2021
41.	Position sensor-less motor drive method, permanent magnet synchronous motor and storage medium (無位置傳感器電機驅動方法、永磁同步電機和存儲介質)	Inventory patent	Our Company	PRC	ZL202010460938.7	December 15, 2020
42.	Motor starting state detection device, method and medium based on magnetic field directional control (基於磁場定向控制的電機啟動狀態檢測裝置、方法及介質)	Inventory patent	Our Company	PRC	ZL202110702886.4	October 15, 2021
43.	Coprocessor, coprocessor control method, terminal and storage medium (協處理器、協處理器控制方法、終端及存儲介質)	Inventory patent	Our Company	PRC	ZL202110748820.9	October 15, 2021
44.	Linear AC permanent magnet synchronous motor (直線交流永磁同步電機)	Inventory patent	Our Company	PRC	ZL202110782666.7	October 15, 2021
45.	Single edge delay circuit (單邊沿延時電路)	Inventory patent	Our Company	PRC	ZL202111655682.6	May 10, 2022
46.	Single resistor three-phase current reconstruction method, apparatus and computer-readable storage medium (單電阻三相電流重構方法、設備及計算機可讀存儲介質)	Inventory patent	Our Company	PRC	ZL202210214144.1	July 29, 2022
47.	Driver control circuit for LDO circuit, LDO circuit and its chip (用於LDO電路的驅動控制電路、LDO電路及其芯片)	Inventory patent	Our Company	PRC	ZL202210560618.8	August 8, 2023

No.	Patent	Patent type	Patentee	Place of registration	Patent number	Registration date
48.	Drive circuit, motor driver chip, motor controller and electrical equipment (驅動電路、電機驅動芯片、電機控制器及電氣設備)	Inventory patent	Our Company	PRC	ZL202211050926.2	December 9, 2022
49.	Voltage loop dynamic threshold control method, apparatus, electronic device and storage medium (電壓環動態閾值控制方法、裝置、電子設備及存儲介質)	Inventory patent	Our Company	PRC	ZL202310591480.2	August 18, 2023
50.	An electromagnetic structure for an angle sensor and an angle sensor (一種用於角度傳感器的電磁結構及角度傳感器)	Inventory patent	Our Company	PRC	ZL202311812873.8	April 9, 2024
51.	Three-phase claw-pole stepper motor driving method and system (三相爪極步進電機驅動方法及系統)	Inventory patent	Our Company	PRC	ZL202410205759.7	May 14, 2024
52.	Permanent magnet synchronous motor control device and its control method (永磁同步電機控制裝置及其控制方法)	Inventory patent	Our Company	PRC	ZL202410438686.6	July 16, 2024
53.	Sensorless three-phase motor control device and ice chiseling machine (無感三相電機控制裝置及鑿冰機)	Inventory patent	Fortior Shanghai	PRC	ZL201910998623.5	September 24, 2021
54.	Motor no-load detection method, system, device and storage medium (電機空載檢測方法、系統、設備及存儲介質)	Inventory patent	Fortior Shanghai	PRC	ZL201911057222.6	December 10, 2021
55.	Protection method for missing power supply to motor driver and motor driver (電機驅動器供電缺失的保護方法和電機驅動器)	Inventory patent	Fortior Shanghai	PRC	ZL201911003277.9	May 25, 2021
56.	Analog-to-digital conversion method, apparatus, circuit, and computer-readable storage medium (模數轉換方法、裝置、電路及計算機可讀存儲介質)	Inventory patent	Fortior Shanghai	PRC	ZL202011479867.1	April 18, 2023

No.	Patent	Patent type	Patentee	Place of registration	Patent number	Registration date
57.	Motor start state detection method, device, motor and readable storage medium (電機啟動狀態檢測方法、裝置、電機及可讀存儲介質)	Inventory patent	Fortior Shanghai	PRC	ZL202110574891.1	May 13, 2022
58.	Motor initial state detection device and motor initial state detection method (電機初始狀態檢測裝置及電機初始狀態檢測方法)	Inventory patent	Fortior Shanghai	PRC	ZL202110722783.4	October 28, 2022
59.	Synchronous motor starting state detection device and method (同步電機啟動狀態檢測裝置及方法)	Inventory patent	Fortior Shanghai	PRC	ZL202111179375.5	August 8, 2023
60.	Sensorless drive method for permanent magnet AC motors (永磁交流電動機的無傳感器驅動方法)	Inventory patent	Our Company	Japan	License No. 5627053 (特許第5627053號)	October 10, 2014
61.	Sensorless drive method for permanent magnet AC motors (永磁交流電動機的無傳感器驅動方法)	Inventory patent	Our Company	The U.S.	US8847530B2	September 30, 2014
62.	A sensorless dynamic drive method and system for single-phase AC permanent magnet motor (一種單相交流永磁電動機的無傳感器動態驅動方法及系統)	Inventory patent	Our Company	Japan	License No. 5843955 (特許第5843955號)	November 27, 2015
63.	A sensorless dynamic drive method and system for single-phase AC permanent magnet motor (一種單相交流永磁電動機的無傳感器動態驅動方法及系統)	Inventory patent	Our Company	The U.S.	US9112440B2	August 18, 2015
64.	An inductive brushless DC motor driving method (一種有感無刷直流電機驅動方法)	Inventory patent	Our Company	Taiwan, China	Inventory No. I497900 (發明第I497900號)	August 21, 2015
65.	Winding structure with high power density, method and motor with axial magnetic field (高功率密度的繞組結構、方法及具有軸向磁場的電機)	Inventory patent	Our Company	The U.S.	US10461597B2	October 29, 2019

No.	Patent	Patent type	Patentee	Place of registration	Patent number	Registration date
66.	Induction motor drive system (感應電機驅動系統)	Inventory patent	Our Company	The U.S.	US9866154B2	January 9, 2018
67.	Absolute electrical angle detection method, system and computer-readable storage medium (絕對電角度檢測方法、系統及電腦可讀存儲介質)	Inventory patent	Our Company	The U.S.	US11060842B1	July 13, 2021
68.	An electromagnetic structure and signal processing technology of a magnetic encoder for detecting absolute electrical angle position (一種檢測絕對電角度位置的磁編碼器的電磁結構及信號處理技術)	Inventory patent	Our Company	The U.S.	US11448527B2	September 20, 2022

(c) Domain Name

As of the Latest Practicable Date, we had registered the following domain name which we consider to be material in relation to our business:

No.	Domain name	Registrant	Expiry date
1.	fortiortech.com	Our Company	February 9, 2027

Save as aforesaid, as of the Latest Practicable Date, there were no other trademarks, patents or other intellectual or industrial property rights which we consider to be material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of our Directors, Supervisors and chief executive

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no additional Shares are issued pursuant to our Restricted Share Incentive Plans), the interests or short positions of our Directors, Supervisors and chief executive in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the H Shares are **[REDACTED]**, are set out below:

(i) Interest in our Company

Name of Director, Supervisor or chief executive	Nature of interest(1)	Number and class of Shares or underlying Shares held	Shareholding in relevant class of Shares upon completion of the [REDACTED](2)	Shareholding in total issued share capital upon completion of the [REDACTED](2)
Mr. Bi Lei (畢磊)(3)(4)(6)(7)	Beneficial owner Interest in controlled corporation Interest of spouse Interest held jointly with other persons	36,585,147 A Shares	**[REDACTED]**%	**[REDACTED]**%
Dr. Bi Chao (畢超)(5)(7)	Beneficial owner Interest held jointly with other persons	36,585,147 A Shares	**[REDACTED]**%	**[REDACTED]**%
Ms. Wang Yuhong (汪鈺紅)(8)	Interest in controlled corporation	2,584,007 A Shares	**[REDACTED]**%	**[REDACTED]**%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no additional Shares are issued pursuant to our Restricted Share Incentive Plans).

(3) As of the Latest Practicable Date, Fortior HK was held as to 35.25% by Mr. Bi Lei. By virtue of the SFO, Mr. Bi Lei is deemed to be interested in the Shares held by Fortior HK. For details of interests of Fortior HK in our Company, see "Substantial Shareholders" in this document.

(4) As of the Latest Practicable Date, Mr. Bi Lei was interested in 60,000 restricted Shares granted to him under the 2024 Restricted Share Incentive Plan entitling him to receive 60,000 A Shares subject to vesting.

(5) As of the Latest Practicable Date, Dr. Bi Chao was interested in 20,000 restricted Shares granted to him under the 2024 Restricted Share Incentive Plan entitling him to receive 20,000 A Shares subject to vesting.

(6) Mr. Bi Lei and Ms. Gao Shuai are spouses. By virtue of the SFO, Mr. Bi Lei is deemed to be interested in the Shares held by Ms. Gao Shuai. For details of interests of Ms. Gao Shuai in our Company, see "Substantial Shareholders" in this document.

(7) Mr. Bi Lei, Dr. Bi Chao and Ms. Gao Shuai have entered into the Acting-in-Concert Agreement. By virtue of the SFO, they are deemed to be interested in the Shares and underlying Shares held by each other.

(8) As of the Latest Practicable Date, Shenzhen Xinqi Investment Enterprise (Limited Partnership) (深圳市芯齊投資企業(有限合夥), "**Xinqi Investment**") and Shenzhen Xinsheng Investment Enterprise (Limited Partnership) (深圳市芯晟投資企業(有限合夥), "**Xinsheng Investment**") held 2,434,766 and 149,241 A Shares in our Company, respectively. Ms. Wang Yuhong is the general partner of Xinqi Investment and Xinsheng Investment. By virtue of the SFO, Ms. Wang Yuhong is deemed to be interested in the Shares held by Xinqi Investment and Xinsheng Investment.

(ii) Interest in our associated corporations

So far as our Directors are aware, immediately following the completion of the **[REDACTED]**, no Directors or the chief executive will, directly or indirectly, be interested in the shares or underlying shares of the associated corporations of our Company.

(b) Interests of our substantial Shareholders

Save as disclosed in "Substantial Shareholders" in this document and "– C. Further Information about Our Directors, Supervisors and Substantial Shareholders – 1. Disclosure of Interests – (a) Interests of our Directors, Supervisors and chief executive – (ii) Interest in our associated corporations" in this section, our Directors are not aware of any person (other than a Director, Supervisor or chief executive of our Company) who will have an interest or a short position in the shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group any other member of our Group.

2. Directors' and Supervisors' Service Contracts and Letters of Appointment

We [have entered] into a service contract or appointment letter with each of our Directors and Supervisors. The principal particulars of these service contracts and appointment letters comprise (a) the term of the service; (b) termination provisions; and (c) dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of our Directors or Supervisors have entered, or have proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' and Supervisors' Remuneration

The aggregate remuneration paid and benefits in kind granted to our Directors and Supervisors by our Group in respect of the last completed financial year, being year ended December 31, 2023, was RMB6.6 million. For details of our Directors' and Supervisors' emoluments during the Track Record Period, see Note 9 to the Accountants' Report in Appendix I to this document.

Under the arrangements in force at the date of this document, we estimate the aggregate remuneration payable to, and benefits in kind receivable by, our Directors and Supervisors by our Group in respect of the year ending December 31, 2025 to be approximately RMB9.8 million.

D. RESTRICTED SHARE INCENTIVE PLANS

The following is a summary of the principal terms of our Restricted Share Incentive Plans comprising the 2022 Restricted Share Incentive Plan and the 2024 Restricted Share Incentive Plan. The terms of Restricted Share Incentive Plans are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve any grant of restricted Shares by our Company after our **[REDACTED]**. Save as otherwise disclosed, the terms of each of the Restricted Share Incentive Plans are substantially similar and are summarized below.

(a) Purpose

The purpose of the Restricted Share Incentive Plans is to improve our Group's incentive mechanism and to attract and retain talents to achieve a sustained and healthy development of our Group in order to realize our Group's long-term objectives. The Restricted Share Incentive Plans are implemented to align the interests of our Shareholders with the interests of our Group and employees.

(b) Administration

The Restricted Share Incentive Plans are subject to the approval of the Shareholders' meeting, the administration of our Board and the supervision of the Board of Supervisors and independent Directors of our Company.

(c) Participants

The participants of our 2022 Restricted Share Incentive Plan include our senior management and key technical or business staff. The participants of our 2024 Restricted Share Incentive Plan include our Directors, senior management, core technical personnel and key technical or business staff. The scope of participants of our Restricted Share Incentive Plans excludes our independent Directors and Supervisors.

(d) Source and Maximum Number of Shares

For our 2022 Restricted Share Incentive Plan, the underlying A Shares are the A Shares to be issued by our Company. For our 2024 Restricted Share Incentive Plan, the underlying A Shares are the A Shares to be issued by our Company and/or repurchased by our Company from the secondary market. Each restricted Share granted represents the right to purchase one A Share within the agreed period at the grant price. The restricted Shares are subject to a vesting period and will only be vested upon fulfilling the vesting conditions stipulated. The maximum number of restricted Shares that can be granted under each of the Restricted Share Incentive Plans is as follows:

Restricted Share Incentive Plan	Maximum number of restricted Shares to be granted under the Plan
2022 Restricted Share Incentive Plan	2,471,000[(1)]
2024 Restricted Share Incentive Plan	1,629,000[(2)]

Notes:

(1) 2,471,000 restricted Shares under the 2022 Restricted Share Incentive Plan include 110,000 retained restricted Shares, the grantees of which shall be determined within 12 months after the approval of the 2022 Restricted Share Incentive Plan by the Shareholders' meeting (the "**2022 Retained Restricted Shares**").

(2) 1,629,000 restricted Shares under the 2024 Restricted Share Incentive Plan include 30,000 retained restricted Shares, the grantees of which shall be determined within 12 months after the approval of the 2024 Restricted Share Incentive Plan by the Shareholders' meeting (the "**2024 Retained Restricted Shares**," together with the 2022 Retained Restricted Shares, the "**Retained Restricted Shares**").

(e) Date of Grant and Term of the Restricted Share Incentive Plans

The date on which the restricted Shares are granted shall be determined by the Board after the approval of the Restricted Share Incentive Plans by the Shareholders' meeting. Under our 2024 Restricted Share Incentive Plan, the initial grant of restricted Shares shall be announced within 60 days after the approval of such plan by the Shareholders' meeting. The Restricted Share Incentive Plans shall be effective from the date of the initial grant of restricted Shares under the plans up to the date when all of the restricted Shares granted under the plans have been vested or void and lapsed, provided that the term of the plans shall not exceed 60 months.

(f) Lock-up for Directors and Senior Management

If the grantee is a Director or a member of senior management of our Company,

(i) during their employment with our Company, the Shares to be transferred in each year shall not exceed 25% of the total Shares he or she holds;

(ii) no Share held by such Director or senior management can be transferred within six months after termination of his or her employment with our Company;

(iii) income gained through sale of Shares within six months of the purchase or purchase of Shares within six months of the sale shall belong to our Company and will be forfeited by the Board; and

(iv) if there is any change in the applicable laws and regulations on the foregoing lock-up requirements, the grantee shall comply with the amended laws and regulations.

(g) Conditions to the Grant of Restricted Shares

The restricted Shares under the Restricted Share Incentive Plans will only be granted to selected participants if the following conditions are fulfilled:

(i) with respect to our Company, none of the following circumstances having occurred:

(1) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to our Company's accountant's report for the most recent fiscal year;

(2) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to the internal control of the financial report for the most recent fiscal year;

(3) our Company has not distributed dividends in accordance with the laws and regulations, our Articles of Association or our public commitment within the last 36 months after its listing;

(4) applicable laws and regulations prohibit the implementation of share incentive; or

(5) other circumstances determined by the CSRC; and

(ii) with respect to a grantee, none of the following circumstances having occurred:

(1) the grantee has been regarded as an inappropriate person by the stock exchange within the last 12 months;

(2) the grantee has been regarded as an inappropriate person by the CSRC and its local office within the last 12 months;

(3) the grantee has received administrative penalty or been prohibited from entering into the securities market by the CSRC and its local office due to material non-compliance with applicable laws and regulations within the last 12 months;

(4) the grantee is not qualified to serve as a director or senior management according to the PRC Company Law;

(5) the grantee is prohibited from participating in any share incentive of listed companies according to applicable laws and regulations; or

(6) other circumstances determined by the CSRC.

(h) Vesting of Restricted Shares

The restricted Shares will only be vested when (i) the conditions set out under paragraph (g) above are fulfilled; (ii) the grantee has served our Group for more than 12 months; and (iii) the annual assessment and performance targets as set out under the respective Restricted Share Incentive Plan are achieved.

The restricted Shares (other than the Retained Restricted Shares) will be vested in accordance with the vesting schedule as set out under the Restricted Share Incentive Plans as follows:

(i) under the 2022 Restricted Share Incentive Plan, vested in tranches of 20%, 40% and 40% in each of the three vesting periods that occur between the first trading date after 12 months from the date of grant and the last trading day up to 48 months from the date of grant, respectively; and

(ii) under the 2024 Restricted Share Incentive Plan, vested in tranches of 30%, 30% and 40% in each of the three vesting periods that occur between the first trading date after 12 months from the date of grant and the last trading day up to 48 months from the date of grant, respectively.

The Retained Restricted Shares will be vested in accordance with the vesting schedule as set out under the Restricted Share Incentive Plans as follows:

(i) if the 2022 Retained Restricted Shares are granted before the release of our Company's 2022 third quarterly report, the vesting schedule is the same as that of the other restricted Shares as described above. Otherwise, the 2022 Retained Restricted Shares shall be vested in tranches of 50% in each of the two vesting periods that occur between the first trading date after 12 months from the date of grant and the last trading day up to 36 months from the date of grant; and

(ii) if the 2024 Retained Restricted Shares are granted before the release of our Company's 2024 third quarterly report, the vesting schedule is the same as that of the other restricted Shares as described above. Otherwise, the 2024 Retained Restricted Shares shall be vested in tranches of 50% in each of the two vesting periods that occur between the first trading date after 12 months from the date of grant and the last trading day up to 36 months from the date of grant.

The number of restricted Shares granted and/or vested and/or the grant prices shall be adjusted upon the occurrence of certain events, including increase in the share capital by way of capitalization of capital reserves, distribution of dividends, subdivision of shares, placing and share reduction. Our Company may void the granted but unvested restricted Shares upon occurrence of certain events as set out in the Restricted Share Incentive Plans, including but not limited to the termination of employment of the grantees with our Company.

(i) Outstanding restricted Shares

As of the Latest Practicable Date, the number of outstanding restricted Shares granted under the Restricted Share Incentive Plans as resolved by our Board was 2,519,600, representing approximately **[REDACTED]**% of the total issued Shares immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no additional Shares are issued pursuant to our Restricted Share Incentive Plans). Assuming full vesting of all outstanding restricted Shares granted under the Restricted Share Incentive Plans, the shareholding of our Shareholders and our earning per Share immediately following completion of the **[REDACTED]** will be diluted by approximately **[REDACTED]**% (assuming (i) the underlying A Shares of all outstanding restricted Shares are A Shares issued by our Company, instead of repurchased from secondary market and (ii) the **[REDACTED]** is not exercised).

The following table sets forth the number of outstanding restricted Shares granted to Directors and senior management of our Company under our Restricted Share Incentive Plans as of the Latest Practicable Date:

Name	Position in our Group	Restricted Share Incentive Plan	Date of grant	Vesting period	Grant price	Number of outstanding restricted Shares	As an approximate percentage of issued share capital upon completion of the [REDACTED][1]
Mr. Bi Lei (畢磊)	Executive Director, chairman of the Board, general manager and chief executive officer	2024 Restricted Share Incentive Plan	November 22, 2024	Note 2	RMB70.00	60,000	**[REDACTED]**%
Dr. Bi Chao (畢超)	Executive Director and chief technology officer	2024 Restricted Share Incentive Plan	November 22, 2024	Note 2	RMB70.00	20,000	**[REDACTED]**%
Ms. Zhang Hongmei (張紅梅)	Chief financial officer	2024 Restricted Share Incentive Plan	November 22, 2024	Note 2	RMB70.00	10,000	**[REDACTED]**%
Ms. Jiao Qianqian (焦倩倩)	Secretary of the Board and joint company secretary	2022 Restricted Share Incentive Plan	September 2, 2022	Note 3	RMB54.91[4]	2,000	**[REDACTED]**%
		2024 Restricted Share Incentive Plan	November 22, 2024	Note 2	RMB70.00	10,000	**[REDACTED]**%

Notes:

(1) The calculation is based on the assumption that the **[REDACTED]** is not exercised and no additional Shares are issued pursuant to our Restricted Share Incentive Plans.

(2) 30%, 30% and 40% restricted Shares (other than the 2024 Retained Restricted Shares) are vested in each of the three vesting periods that occur between the first trading date after 12 months from the date of grant and the last trading day up to 48 months from the date of grant, respectively, under the 2024 Restricted Share Incentive Plan.

(3) 20%, 40% and 40% restricted Shares (other than the 2022 Retained Restricted Shares) are vested in each of the three vesting periods that occur between the first trading date after 12 months from the date of grant and the last trading day up to 48 months from the date of grant, respectively, under the 2022 Restricted Share Incentive Plan.

(4) The grant price under the 2022 Restricted Share Incentive Plan takes into account the adjustment due to our dividends distributions, including (i) our Company's distribution of cash dividends of RMB4.8 (tax inclusive) per 10 Shares to our then existing Shareholders on June 7, 2023; and (ii) our Company's distribution of cash dividends of RMB6.1 (tax inclusive) per 10 Shares to our then existing Shareholders on June 24, 2024.

The table below sets forth the details of outstanding restricted Shares granted to other grantees (excluding Directors and senior management of our Company) under the Restricted Share Incentive Plans as of the Latest Practicable Date:

Restricted Share Incentive Plan	Number of grantees	Date of grant	Vesting period	Grant price	Number of outstanding restricted Shares	As an approximate percentage of issued share capital upon completion of [REDACTED][1]
2022 Restricted Share Incentive Plan	120[2]	September 2, 2022	Note 2	RMB54.91[5]	863,600[2]	**[REDACTED]**%
	4[3]	August 3, 2023	Note 3	RMB54.91[5]	55,000[3]	**[REDACTED]**%
2024 Restricted Share Incentive Plan	217[4]	November 22, 2024	Note 4	RMB70.00	1,499,000[4]	**[REDACTED]**%

Notes:

(1) The calculation is based on the assumption that the **[REDACTED]** is not exercised and no additional Shares are issued pursuant to our Restricted Share Incentive Plans.

(2) Represent the outstanding restricted Shares granted to 120 grantees who are not Directors or senior management of our Company under the 2022 Restricted Share Incentive Plan excluding the outstanding 2022 Retained Restricted Shares as resolved by our Board. 20%, 40% and 40% restricted Shares (other than the 2022 Retained Restricted Shares) are vested in each of the three vesting periods that occur between the first trading date after 12 months from the date of grant and the last trading day up to 48 months from the date of grant, respectively.

(3) Represent the outstanding 2022 Retained Restricted Shares granted to four grantees who are not Directors or senior management of our Company as resolved by our Board. As the 2022 Retained Restricted Shares was granted on August 3, 2023, after the release of our Company's 2022 third quarterly report, 50% and 50% of the Retained Restricted Shares are vested in each of the two vesting periods that occur between the first trading date after 12 months from the date of grant and the last trading day up to 36 months from the date of grant, respectively.

(4) Represent the outstanding restricted Shares granted to 217 grantees who are not Directors or senior management of our Company under the 2024 Restricted Share Incentive Plan excluding the 2024 Retained Restricted Shares as resolved by our Board. 30%, 30% and 40% restricted Shares (other than the 2024 Retained Restricted Shares) are vested in each of the three vesting periods that occur between the first trading date after 12 months from the date of grant and the last trading day up to 48 months from the date of grant, respectively.

(5) The grant price under the 2022 Restricted Share Incentive Plan takes into account the adjustment due to our dividends distributions, including (i) our Company's distribution of cash dividends of RMB4.8 (tax inclusive) per 10 Shares to our then existing Shareholders on June 7, 2023; and (ii) our Company's distribution of cash dividends of RMB6.1 (tax inclusive) per 10 Shares to our then existing Shareholders on June 24, 2024.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty would be likely to fall upon any member of our Group.

2. Litigation

Save as disclosed in this document and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an **[REDACTED]** on our behalf to the Listing Committee for the **[REDACTED]** of, and permission to **[REDACTED]**, the H Shares in issue and to be issued pursuant to the **[REDACTED]** (including any additional H Shares which may be issued pursuant to the exercise of the **[REDACTED]**).

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive a fee of US$500,000 for acting as a sponsor for the **[REDACTED]**.

4. No Material Adverse Change

Save as disclosed in this document, our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since September 30, 2024, being the end of the period reported on in the Accountants' Report set out in Appendix I to this document.

5. Qualification and Consent of Experts

This document contains statements made by the following experts:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
AllBright Law Offices	Qualified PRC lawyers
Ernst & Young	Certified public accountants and public interest entity auditor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

As of the Latest Practicable Date, none of the experts named above had any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

The experts named above have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case maybe) and references to their names included in the form and context in which they are respectively included.

6. Promoter

The promoters of our Company are Fortior HK, Shanghai Huaxin, Xinqi Investment, Shenzhen Weihe Investment Co., Ltd. (深圳微禾投資有限公司, now known as Weihe Venture Capital (Zhuhai Hengqin) Co., Ltd. (微禾創業投資(珠海橫琴)有限公司)), Shanghai Juyuan Juxin Integrated Circuit Industry Equity Investment Fund Center (Limited Partnership) (上海聚源聚芯集成電路產業股權投資基金中心(有限合夥)), Hubei Xiaomi Yangtze River Industry Fund Partnership (Limited Partnership) (湖北小米長江產業基金合夥企業(有限合夥)), Xinyun Technology, Nanjing Jucheng Qiushi Equity Investment Partnership (Limited Partnership) (南京俱成秋實股權投資合夥企業(有限合夥)), Qingdao Kangrun Huachuang Investment Management Center (Limited Partnership) (青島康潤華創投資管理中心(有限合夥)), Shanghai Junlian Shenghao Venture Capital Partnership (Limited Partnership) (上海君聯晟灝創業投資合夥企業(有限合夥)), Ms. Peng Ruitao (彭瑞濤), Shenzhen Talent Innovation and Entrepreneurship No. 1 Equity Investment Fund (Limited Partnership) (深圳市人才創新創業一號股權投資基金(有限合夥)), Mr. Yin Yimin (殷一民), Jiangsu Wanquan Yuanhe Puhua Equity Investment Partnership (Limited Partnership) (江蘇疌泉元禾璞華股權投資合夥企業(有限合夥)), Beijing Junlian Shengyuan Equity Investment Partnership (Limited Partnership) (北京君聯晟源股權投資合夥企業(有限合夥)), Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), Rizhao Yifeng Equity Investment Fund Partnership (Limited Partnership) (日照益峰股權投資基金合夥企業(有限合夥)), Xinsheng Investment, Tibet Jinsheng Teda Venture Capital Co., Ltd. (西藏津盛泰達創業投資有限公司) and Nanjing Jucheng Equity Investment Management Co., Ltd. (南京俱成股權投資管理有限公司).

Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to the above promoters in connection with the **[REDACTED]** and the related transactions described in this document.

7. Preliminary Expenses

We have not incurred any material preliminary expenses.

8. Binding Effect

This document shall have the effect, where an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

  (i) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in "– E. Other Information – 5. Qualification and Consent of Experts" in this section have received any such payment or benefit;

  (ii) no capital of any member of our Group has been issued or is proposed to be issued for cash or issued as fully or partly paid up otherwise than in cash;

  (iii) none of our Directors, Supervisors or the experts named in "– E. Other Information – 5. Qualification and Consent of Experts" in this section have any interest, direct or indirect, in the promotion of, or in any assets which have been, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group; and

  (iv) no commissions (but not including commissions to sub-underwriters) have been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares or debentures of our Company.

(b) Save as disclosed in this document:

(i) there is no arrangement under which future dividends are waived or agreed to be waived;

(ii) our Company has no outstanding convertible debt securities or debentures;

(iii) there are no founder, management or deferred shares in our Company or any of our subsidiaries;

(iv) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option;

(v) there has not been any interruption in the business of our Group which may have or have had a significant effect on our financial position in the 12 months immediately preceding the date of this document; and

(vi) none of our Directors or Supervisors are materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to in "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix VI to this document; and

(b) the written consents referred to in "Statutory and General Information – E. Other Information – 5. Qualification and Consent of Experts" in Appendix VI to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.fortiortech.com** for a period of 14 days from the date of this document:

(a) the Articles of Association;

(b) the audited consolidated financial statements of our Group for the years ended December 31, 2022, 2023 and [2024];

(c) the Accountants' Report issued by Ernst & Young, the text of which is set out in Appendix I to this document;

(d) the report on the unaudited **[REDACTED]** financial information of our Group issued by Ernst & Young, the text of which is set out in Appendix II to this document;

(e) the legal opinions issued by AllBright Law Offices, our PRC Legal Advisor, in respect of certain aspects and the property interests of the Group in the PRC;

(f) the industry report issued by Frost & Sullivan;

(g) each of the material contracts referred to in "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix VI to this document;

(h) the service contracts and letters of appointment referred to in "Statutory and General Information – C. Further Information about Our Directors, Supervisors and Substantial Shareholders – 2. Directors' and Supervisors' Service Contracts and Letters of Appointment" in Appendix VI to this document;

(i) the written consents referred to in "Statutory and General Information – E. Other Information – 5. Qualification and Consent of Experts" in Appendix VI to this document; and

(j) the PRC Company Law, Securities Law, and the Trial Measures for the Administration Related to the Overseas Securities Offering and Listing by Domestic Companies, together with unofficial English translations thereof.