Application Proof of

Suzhou Novosense Microelectronics Co., Ltd.
蘇州納芯微電子股份有限公司

(the "Company")

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

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Suzhou Novosense Microelectronics Co., Ltd.
蘇州納芯微電子股份有限公司

(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]**

Joint Sponsors, **[REDACTED]**

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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 **[REDACTED]** *in the* **[REDACTED]**. *There are risks associated with any* **[REDACTED]**. *Some of the particular risks in* **[REDACTED]** *in the* **[REDACTED]** *are set forth in "Risk Factors" in this document. You should read that section carefully before you decide to* **[REDACTED]** *in the* **[REDACTED]**.

OVERVIEW

We are a leading analog chip provider in China. As a fabless company, we offer a comprehensive portfolio of high-performance and reliable products and solutions for application sectors such as (i) automotive electronics, (ii) energy and industrial automation and (iii) consumer electronics. Our three core product categories – sensor products, signal chain chips and power management chips – form a complete chain that covers (i) sensing, (ii) signal processing and (iii) system power supply and power drive. These products play a critical role in enabling the connection and interaction between the physical and digital worlds.

According to Frost & Sullivan:

- In terms of revenue from analog chips in 2024, we ranked fifth among Chinese analog chip companies in the Chinese analog chip market;

- As of December 31, 2024, among the top ten Chinese analog chip companies in terms of revenue in 2024, we were the only company with substantial focus on all three categories: sensor products, signal chain chips, and power management chips;

- In terms of revenue from automotive analog chips in 2024, in the Chinese automotive analog chip market, we ranked first among Chinese companies and second among all fabless companies, respectively;

- In terms of revenue from digital isolator chips in 2024, in the Chinese digital isolator chip market, we ranked first among Chinese companies and second among all companies, respectively, with a market share of 15.6%. A digital isolator chip is a type of safety chip that ensures the secure transmission of signals between high and low voltage domains;

- In terms of revenue from magnetic sensors in 2024, in the Chinese magnetic sensor market, we ranked first among Chinese companies, with a market share of 7.1%. Driven by the growing demand in automotive and industrial control applications, magnetic sensors have become one of the fastest-growing sensor products in terms of sales volume.

Our products enable the connection and interaction between the physical and digital worlds:

- Sensor products serve as the starting point of the connection and interaction between the physical world and the digital world. Sensor products detect physical quantities or changes in the surrounding environment (such as temperature, pressure or current) and convert these inputs into electronic signals for processing by the back-end of the electronic systems;

- Signal chain chips collect, amplify, transmit and process electronic signals along the signal input-to-output path. These chips ensure the accuracy and integrity of electronic signals to meet the functional requirements of electronic systems; and

- Power management chips are primarily used for the power supply and power drive of the electronic system. They ensure the stable power supply and efficient operation of the electronic systems.

To better serve the end customers in various application sectors, we develop products to meet specific functional requirements of electronic systems. Through the application of sensor products, signal chain chips and power management chips collectively, we are able to provide specific solutions that help our end customers meet their desired functionalities and requirements.

Leveraging our continued R&D and our understanding of market demands, our products have been widely applied across various application sectors such as automotive electronics, energy and industrial automation, consumer electronics, and certain emerging sectors.

OUR COMPETITIVE STRENGTHS

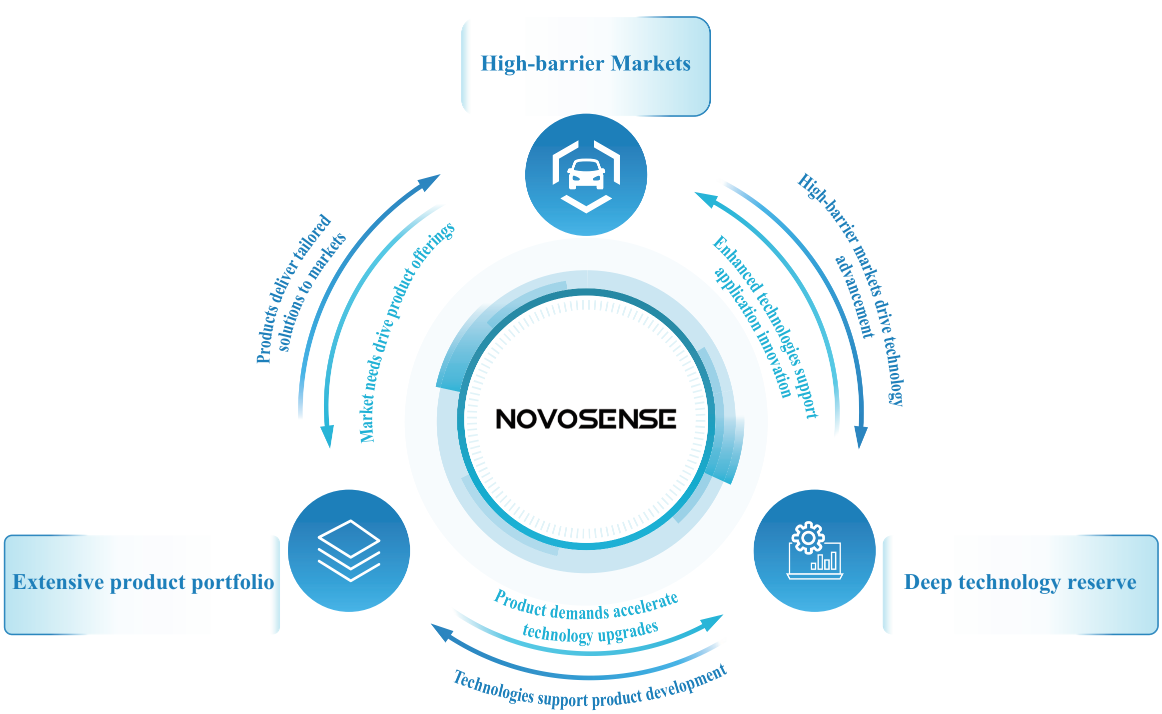
We believe the following strengths position us well to capitalize on future opportunities and deliver continued growth: (i) leading analog chip company in China with an extensive product portfolio driven by key applications; (ii) leader in the high-barrier automotive chip sector in China; (iii) industry-leading product capabilities empowered by robust technology; (iv) rigorous quality control system to ensure product reliability and (v) visionary and experienced management team and high-quality talent base.

OUR GROWTH STRATEGIES

We plan to pursue the following strategies: (i) increasing investment in R&D to drive technological innovation across various sectors and maintaining leading technological capabilities; (ii) continuing product development, with a focus to expand automotive-grade product portfolio to strengthen our industry leadership; (iii) expanding global market operations and accelerating international presence; (iv) maintaining an industry-focused strategy and deepening collaboration with key customers and (v) pursuing industry consolidation to expand product offerings and market reach.

OUR MARKET-ORIENTED APPROACH

We are committed to expanding our product portfolio in high-barrier markets such as automotive electronics and energy and industrial automation, and continuously build our foundational technical capabilities to support product development and innovation in product application. This approach allows us to establish a business model centered on the deep integration of (i) market focus, (ii) product development and (iii) technology accumulation, as further illustrated in the diagram below:



Market ➡ Product ➡ Technology ➡ Market: Driven by high-barrier markets such as automotive electronics and energy and industrial automation and leveraging our deep understanding of the application scenarios in these markets, we develop and expand our product portfolio targeted to these application scenarios to quickly address the specific product demands desired by our end customers. These product demands in turn drive the upgrade and enhancement of our underlying technologies. As a result, through this process, we not only meet current market demands but also build technical capabilities to support future application innovations in high-barrier markets.

Market ➡ Technology ➡ Products ➡ Market: At the same time, to meet the stringent technical requirements of high-barrier markets, we focus on technology accumulation, through which we have developed robust foundational technical capabilities, platform-based IPs, enhanced engineering and manufacturing process capabilities and a comprehensive quality management system. These allow us to better support the development of our products and customized solutions, ensuring they meet the complex demands of various application scenarios and lay a solid foundation for broader market applications in the future.

OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers primarily consisted of distributors and direct customers. In 2022, 2023 and 2024, our five largest customers together generated RMB730.8 million, RMB563.5 million and RMB722.5 million of revenues, respectively, accounting for 43.8%, 43.0% and 36.9% of our total revenue, respectively. In addition, revenues generated from our largest customer accounted for 13.0%, 16.6% and 9.7% of our total revenues in 2022, 2023 and 2024, 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 chip packaging and testing services. We typically engage reputable suppliers to ensure the quality of our products. In 2022, 2023 and 2024, purchases from our five largest suppliers amounted to RMB1,049.0 million, RMB854.9 million and RMB952.5 million, respectively, representing 90.5%, 86.8% and 82.3% of our total purchases, respectively. In addition, purchases from our largest supplier accounted for 40.1%, 39.9% and 32.8% of our total purchases in 2022, 2023 and 2024, respectively. See "Business – Procurement and Suppliers – Our Suppliers" for more details.

COMPETITIVE LANDSCAPE

The analog IC industry is characterized by its extensive applications and diverse product portfolio, resulting in a competitive landscape with numerous market players. We compete primarily on product quality, our ability to meet end customers' demands, industry experience and brand and reputation.

We believe the analog IC market presents high entry barriers for competitors, including technological expertise, first-mover advantages, an extensive product portfolio, strong customer recognition, and established collaborations with foundries. We remain focused on leveraging our innovation capability, 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 set out 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

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

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Revenue	**1,670,393**	**100.0**	**1,310,927**	**100.0**	**1,960,274**	**100.0**
Cost of sales	(860,119)	(51.5)	(866,865)	(66.1)	(1,410,928)	(72.0)
Gross profit	**810,274**	**48.5**	**444,062**	**33.9**	**549,346**	**28.0**
Other net income	119,944	7.2	158,195	12.1	98,529	5.0
Selling and marketing expenses	(69,980)	(4.2)	(117,444)	(9.0)	(188,942)	(9.6)
Administrative expenses	(169,111)	(10.1)	(245,083)	(18.7)	(286,872)	(14.6)
Research and development expenses	(403,812)	(24.2)	(521,614)	(39.8)	(539,992)	(27.5)
Impairment loss on trade receivables	(6,711)	(0.4)	(574)	–	(13,466)	(0.7)
Profit/(loss) from operations	**280,604**	**16.8**	**(282,458)**	**(21.5)**	**(381,397)**	**(19.4)**
Finance costs	(7,454)	(0.4)	(6,383)	(0.5)	(16,435)	(0.8)
Share of losses and provision for impairment of associates and joint ventures	(20,002)	(1.2)	(8,219)	(0.6)	(6,323)	(0.3)
Profit/(loss) before taxation	**253,148**	**15.2**	**(297,060)**	**(22.6)**	**(404,155)**	**(20.5)**
Income tax	(3,027)	(0.2)	(8,275)	(0.6)	1,277	0.1
Profit/(loss) for the year	**250,121**	**15.0**	**(305,335)**	**(23.2)**	**(402,878)**	**(20.4)**
Other comprehensive income for the year	–	–	106	–	(749)	–
Total comprehensive income for the year	**250,121**	**15.0**	**(305,229)**	**(23.2)**	**(403,627)**	**(20.4)**

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 years indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Sensor Products	111,110	6.7	165,754	12.6	273,981	14.0
Signal Chain Chips	1,045,665	62.6	705,306	53.8	963,251	49.1
Power Management Chips	509,762	30.5	427,808	32.6	703,171	35.9
Others[(1)]	3,856	0.2	12,059	1.0	19,871	1.0
Total	**1,670,393**	**100.0**	**1,310,927**	**100.0**	**1,960,274**	**100.0**

Note:

(1) Others primarily included our revenue from customization services and sales of ancillary components.

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

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Automotive Electronics	386,327	23.1	404,053	30.8	718,906	36.7
Energy and Industrial Automation	1,157,432	69.3	771,141	58.8	975,539	49.8
Consumer Electronics	126,634	7.6	135,733	10.4	265,829	13.5
Total	**1,670,393**	**100.0**	**1,310,927**	**100.0**	**1,960,274**	**100.0**

Gross Profit and Gross Profit Margin

The table below sets forth our gross profit and gross profit margin for the years indicated:

	Year ended December 31,					
	2022		**2023**		**2024**	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Before impairment loss of inventories						
Sensor Products	61,604	55.4	86,245	52.0	119,994	43.8
Signal Chain Chips	552,990	52.9	285,460	40.5	362,126	37.6
Power Management Chips	218,835	42.9	126,398	29.5	157,636	22.4
Others[(1)]	1,921	49.8	7,760	64.4	1,226	6.2
Subtotal	**835,350**	**50.0**	**505,863**	**38.6**	**640,982**	**32.7**
Impairment Loss of Inventories	(25,076)		(61,801)		(91,636)	
Gross profit and gross profit margin	**810,274**	**48.5**	**444,062**	**33.9**	**549,346**	**28.0**

Note:

(1) Others primarily included our revenue from customization services and sales of ancillary components.

Summary of Consolidated Statements of Financial Position

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	1,126,500	1,857,459	2,985,423
Total current assets	5,723,953	5,298,855	4,688,153
Total assets	**6,850,453**	**7,156,314**	**7,673,576**
Total non-current liabilities	25,265	365,255	969,400
Total current liabilities	326,674	583,537	757,062
Total liabilities	**351,939**	**948,792**	**1,726,462**
Net current assets	5,397,279	4,715,318	3,931,091
Net assets	**6,498,514**	**6,207,522**	**5,947,114**
Share capital	101,064	142,529	142,529
Treasury shares	–	(200,106)	(14,907)
Reserves	6,396,430	6,264,079	5,814,722
Total equity attributable to equity shareholders of the company	6,497,494	6,206,502	5,942,344
Non-controlling interests	1,020	1,020	4,770
Total equity	**6,498,514**	**6,207,522**	**5,947,114**

Our net current assets decreased from RMB5,397.3 million as of December 31, 2022 to RMB4,715.3 million as of December 31, 2023, primarily due to the decrease in financial assets measured at FVPL of RMB1,214.0 million, partially offset by increase in cash and cash equivalents of RMB486.6 million.

Our net current assets decreased from RMB4,715.3 million as of December 31, 2023 to RMB3,931.1 million as of December 31, 2024, primarily due to the decrease in cash and cash equivalents of RMB738.1 million, partially offset by the decrease in interest-bearing borrowings of RMB201.7 million.

As of December 31, 2022, we had total equity of RMB6,498.5 million. Our total equity decreased to RMB6,207.5 million as of December 31, 2023, primarily due to decrease in our retained profits attributable to our loss for the year of RMB305.3 million in 2023. Our total equity decreased to RMB5,947.1 million as of December 31, 2024, primarily attributable to the decrease in our retained profits attributable to our loss for the year of RMB402.9 million. See the Consolidated Statements of Changes in Equity to the Accountants' Report set out in Appendix I to this document for more details.

Summary of Consolidated Statements of Cash Flows

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

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Net cash (used in)/generated from operating activities	(228,831)	(139,409)	95,054
Net cash (used in)/generated from investing activities	(3,971,619)	296,008	(1,099,795)
Net cash generated from financing activities	5,389,880	332,157	266,812
Net increase/(decrease) in cash and cash equivalents	**1,189,430**	**488,756**	**(737,929)**
Cash and cash equivalents at the beginning of the year	77,738	1,264,617	1,751,191
Effect of foreign exchange rate changes	(2,551)	(2,182)	(1,047)
Cash and cash equivalents at the end of the year	**1,264,617**	**1,751,191**	**1,012,215**

NON-IFRS MEASURE

To supplement our consolidated financial statements, which are presented in accordance with IFRS Accounting Standards, we also use adjusted profit/(loss) before taxation (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS Accounting Standards.

The following table reconciles our profit/(loss) before taxation for the years presented in accordance with IFRS Accounting Standards to adjusted profit/(loss) before taxation (non-IFRS measure).

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before taxation	253,148	(297,060)	(404,155)
Add:			
Equity-settled share-based transactions	196,705	221,073	70,895
Adjusted profit/(loss) before taxation (non-IFRS measure)	449,853	(75,987)	(333,260)

We define adjusted profit/(loss) before taxation (non-IFRS measure) as profit/(loss) before taxation, excluding equity-settled share-based transactions. We have made the following adjustment consistently during the Track Record Period.

- Equity-settled share-based transactions represent the non-cash employee benefit expenses incurred in connection with our award to key employees. Such expenses in any specific period are not expected to result in future cash payments.

We believe that adjusted profit/(loss) before taxation (non-IFRS measure) provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our non-IFRS measure does not have a standardized meaning prescribed by IFRS Accounting Standards, and our presentation of adjusted profit/(loss) before taxation (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted profit/(loss) before taxation (non-IFRS measure) has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

KEY FINANCIAL RATIOS

	As of or for the year ended December 31,		
	2022	**2023**	**2024**
Revenue growth rate	N/A	(21.5)%	49.5%
– Automotive electronics	N/A	4.6%	77.9%
– Energy and industrial automation	N/A	(33.4)%	26.5%
– Consumer electronics	N/A	7.2%	95.8%
Current ratio[1]	17.5 times	9.1 times	6.2 times
Liability-to-asset ratio[2]	5.1%	13.3%	22.5%

Notes:

(1) Current ratio was calculated by dividing current assets by current liabilities.

(2) Liability-to-asset ratio was calculated by dividing total liabilities by total assets.

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

CHALLENGES TO OUR INDUSTRY AND BUSINESS

According to Frost & Sullivan, the analog IC industry remains dominated by leading international companies as a result of their longer industry experiences, extensive product portfolios and economies of scale. These international companies exert considerable competitive pressure, for instance, in terms of product pricing, which can materially affect the pricing strategies and gross margins of Chinese companies, including us. According to Frost & Sullivan, in recent years, intensified price competition from leading international companies has created challenges for the business of Chinese companies, requiring them to adjust pricing and impacting their profitability. However, according to Frost & Sullivan, despite the competitive pressure, Chinese companies, including us, have demonstrated notable growth by delivering tailored products that address specific industry requirements and customer needs.

During the Track Record Period, we recorded net profit of RMB250.1 million in 2022 but subsequently incurred net losses of RMB305.3 million and RMB402.9 million in 2023 and 2024, respectively. Our losses in 2023 and 2024 were primarily due to:

- *Intensified market competition*. Our gross profit margin decreased from 48.5% in 2022 to 33.9% in 2023, and further decreased to 28.0% in 2024, primarily due to increasing pricing pressure and evolving competitive dynamics. Leading international companies exerted considerable competitive pressure, for instance, in terms of product pricing, which materially affected both Chinese companies' and their own profit margins;

- *Substantial investment in R&D and other business aspects*. We made investments in R&D and other aspects, such as business development, supply chain infrastructure, product quality management and talent development. These expenditures, while aimed at strengthening our long-term growth, resulted in higher expenses during the Track Record Period;

- *Equity-settled share-based transactions*. We implemented a restricted share incentive plan following our A Share listing.

We aim to achieve profitability in the coming years by driving sustained revenue growth, optimizing our gross profit profile, and enhancing operating efficiency.

- *Achieving sustained growth in revenue.* We plan to increase the penetration of our products across automotive electronics, energy, industrial automation and consumer electronics sectors while expanding our product portfolio to capture opportunities from the rising localization of analog ICs in China, and advance global expansion efforts to grow overseas revenue. We also strive to strengthen our technological and R&D advantages;

- *Managing Gross Profit Profile*. We focus on developing high-value, differentiated products tailored to specific high-value, high-barrier application sectors like automotive electronics. We aim to improve cost efficiency through process innovations, in-house packaging and testing capabilities, and refined supply chain efficiency;

- *Enhancing operating efficiency*. We expect to efficiently manage expenses by optimizing our selling and marketing expenses, R&D expenses and administrative expenses.

See "Business – Challenges to our Industry and Business" 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 conducting business in China and other jurisdictions 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 contributions of our founders, Directors, senior management and other key employees, including senior R&D personnel and skilled engineers.

- 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 have incurred net losses during the Track Record Period, and we may continue to incur net losses in future.

- Our products are primarily used by end customers of downstream industries and sectors, and our end customer coverage in these industries and sectors may be limited. Factors that adversely affect these industries and sectors or our end customer base therein 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.

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

- 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.

- Acquisitions, investments or strategic alliances may fail and materially and adversely affect our reputation, business and results of operations. We may not be able to effectively integrate or manage our acquired business.

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 SINGLE LARGEST SHAREHOLDER GROUP

As of the Latest Practicable Date, by virtue of the Acting-in-Concert Agreement and Mr. Wang Shengyang's role as the general partner of Ruixi Information Consulting, Naxin No.1, Naxin No.2 and Naxin No.3, Mr. Wang Shengyang, Mr. Sheng Yun, Mr. Wang Yifeng, Ruixi Information Consulting, Naxin No.1, Naxin No.2 and Naxin No.3 constitute a Single Largest Shareholder Group under the Listing Rules and our Single Largest Shareholder Group in aggregate, was interested in 49,187,880 Shares of our Company, representing approximately 34.54% of the voting power of our Company (excluding the 118,216 A Shares held by our Company as treasury Shares).

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 Single Largest Shareholder Group will collectively be entitled to exercise **[REDACTED]** of the voting power at general meetings of our Company. Upon **[REDACTED]**, they will become our Single Largest Shareholder Group and the Company will not have any controlling shareholders as defined under the Listing Rules. See "Relationship with Our Single Largest Shareholder Group" in this document for further details.

[REDACTED]

OUR LISTING ON THE STAR MARKET OF THE SHANGHAI STOCK EXCHANGE

In April 2022, our A Shares were listed on the STAR Market of the Shanghai Stock Exchange with the stock code of 688052. Our Directors confirm that, as of the Latest Practicable Date, there had been no instances of any material non-compliance with the applicable rules of the STAR Market of the Shanghai Stock Exchange and other applicable PRC securities laws and regulations. To the best knowledge of our Directors, as of the Latest Practicable Date, there are no material matters in relation to our compliance record on the STAR Market of the Shanghai Stock Exchange 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 any material non-compliance with the applicable rules of the STAR Market of the Shanghai Stock Exchange and other applicable PRC securities laws and regulations.

DIVIDENDS AND DIVIDENDS 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 paid dividends of RMB80.9 million, RMB80.9 million and nil in 2022 and 2023 and 2024, respectively.

Pursuant to our Articles of Association and in accordance with 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 (2025 Revision) (《上市公司監管指引第3號 －上市公司現金分紅(2025年修訂》), we shall, where specific conditions are met, distribute cash dividends in an amount not less than 10% of the distributable profit realized for that year after making the required appropriations to statutory reserves. 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$**[REDACTED]** per Share (being the mid-point of the **[REDACTED]** Range stated in this document), we estimate that we will receive **[REDACTED]** of approximately HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million) 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 proceeds from the **[REDACTED]** for the purposes and in the amounts set forth below:

- approximately **[REDACTED]** of the **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), is expected to be used for enhancing our foundational R&D capabilities and manufacturing process platforms.

- approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), is expected to be used to further enrich our product portfolio, with a focus on expanding products in automotive electronics applications.

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

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

See "Future Plans and Use of **[REDACTED]**" for more details.

[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 **[REDACTED]** (or **[REDACTED]**, representing **[REDACTED]** of the **[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 **[REDACTED]**, directly attributable to the **[REDACTED]** of our **[REDACTED]**, will be subsequently charged to equity upon completion of the **[REDACTED]**, (ii) approximately **[REDACTED]** will be expensed in our consolidated statements of profit or loss for the year ended December 31, 2025.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Recent Regulatory and Industry Development in Relation to Tariffs

In 2025, the United States government announced a series of tariff increases on imports from China. Beginning in February 2025, a baseline 10% tariff was imposed on all imports from China, followed by successive adjustments in March and April 2025. As of April 11, 2025, the tariff rate on imports from China introduced by the U. S. government had increased to 145%.

In response to the tariff tensions initiated by the United States, China implemented a series of measures, including raising additional tariffs on U.S. goods to as high as 125%. In addition, there are recent developments in the semiconductor industry relating to the application or interpretation of these tariffs. On April 11, 2025, the China Semiconductor Industry Association issued a notice clarifying the rules for determining the country of origin for semiconductors in connection with import declarations and tariff charges. According to the notice, the country where the wafer was fabricated will be deemed the country of origin, regardless of where the chip is packaged.

As of the date of this document, the abovementioned tariff policies might remain subject to further adjustments. See "Risk Factors – 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" for more details.

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 December 31, 2024, being the end date of our latest consolidated financial statements, and there has been no event since December 31, 2024 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

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 May 30, 2022, the principal terms of which are set out in "Statutory and General Information – D. Restricted Share Incentive Plans" in Appendix VI to this document
"2023 Restricted Share Incentive Plan"	our restricted share incentive plan approved by our Shareholders on August 31, 2023, the principal terms of which are set out in "Statutory and General Information – D. Restricted Share Incentive Plans" in Appendix VI to this document
"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 of the Shanghai Stock Exchange
"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 8, 2016, as supplemented on September 30, 2020, entered into among Mr. Wang Shengyang, Mr. Sheng Yun and Mr. Wang Yifeng, details of which are set out in "Relationship with Our Single Largest Shareholder Group – Overview" in this document
"AFRC"	Accounting and Financial Reporting Council of Hong Kong
"Articles of Association" or "Articles"	the articles of association of our Company, conditionally adopted on April 11, 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"	Suzhou Novosense Microelectronics Co., Ltd. (蘇州納芯微電子股份有限公司), a company established under the laws of the PRC on May 17, 2013, and converted into a joint stock company with limited liability on April 13, 2016, whose A Shares have been listed on the STAR Market of the Shanghai Stock Exchange (stock code: 688052)
"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

[REDACTED]

"Director(s)"	the director(s) of our Company
"EIT"	enterprise income tax

DEFINITIONS

"Extreme Conditions" the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below

[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 **[REDACTED]** for and **[REDACTED]** in Hong Kong dollars and **[REDACTED]** on the Stock Exchange

"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]

"Latest Practicable Date"	April 20, 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
"MagnTek"	Shanghai MagnTek Microelectronics Inc. (上海麥歌恩微電子股份有限公司), a joint stock company with limited liability established in the PRC on September 23, 2009, and a wholly-owned subsidiary of our Company
"NEEQ"	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
"Naxin Information Consulting"	Suzhou Naxin Information Consulting Partnership Enterprise (Limited Partnership) (蘇州納芯信息諮詢合夥企業 (有限合夥)) (formerly known as Suzhou Naxin Investment Management Enterprise (Limited Partnership) (蘇州納芯投資管理企業 (有限合夥))), a limited partnership established in the PRC on November 4, 2015, and a member of our Single Largest Shareholder Group
"Naxin No.1"	Suzhou Naxin No.1 Information Consulting Partnership Enterprise (Limited Partnership) (蘇州納芯壹號信息諮詢合夥企業 (有限合夥)), a limited partnership established in the PRC on September 27, 2020, and a member of our Single Largest Shareholder Group
"Naxin No.2"	Suzhou Naxin No.2 Information Consulting Partnership Enterprise (Limited Partnership) (蘇州納芯貳號信息諮詢合夥企業 (有限合夥)), a limited partnership established in the PRC on September 17, 2020, and a member of our Single Largest Shareholder Group
"Naxin No.3"	Suzhou Naxin No.3 Information Consulting Partnership Enterprise (Limited Partnership) (蘇州納芯三號信息諮詢合夥企業 (有限合夥)), a limited partnership established in the PRC on September 25, 2020, and a member of our Single Largest Shareholder Group
"Nomination Committee"	the nomination committee of the Board

DEFINITIONS

[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"	Jia Yuan 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

"Relevant Persons"	the Joint Sponsors, **[REDACTED]**, any of their or our Company's respective directors, advisors, officers, employees, agents or representatives or any other person or party involved in the **[REDACTED]**
"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 2023 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
"Ruixi Information Consulting"	Suzhou Ruixi Information Consulting Partnership Enterprise (Limited Partnership) (蘇州瑞矽信息諮詢合夥企業 (有限合夥)), a limited partnership established in the PRC on December 2, 2019, and a member of our Single Largest Shareholder Group
"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 Naxi"	Shanghai Naxi Microelectronics Co., Ltd. (上海納矽微電子有限公司), a limited liability company established in the PRC on June 24, 2016, and a wholly-owned subsidiary of our Company
"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)
"Shenzhen MagnTek"	Shenzhen MagnTek Microelectronics Co., Ltd. (深圳麥歌恩微電子有限公司), a limited liability company established in the PRC on August 2, 2023, and a wholly-owned subsidiary of our Company

"Single Largest Shareholder Group"	refers to the group of person(s) named in "Relationship with Single Largest Shareholder Group" 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 of the Shanghai Stock Exchange"	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 environmental, social and governance committee of the Board
"Supervisor(s)"	the supervisor(s) of our Company
"Suzhou Nashwey"	Suzhou Nashwey Semiconductor Co., Ltd. (蘇州納希微半導體有限公司), a limited liability company established in the PRC on December 30, 2021, and a wholly-owned subsidiary of our Company
"Suzhou Naxing"	Suzhou Naxing Venture Capital Management Co., Ltd. (蘇州納星創業投資管理有限公司), a limited liability company established in the PRC on February 14, 2022, and a wholly-owned subsidiary of our Company
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC
"Tele-Sight Technology"	Tele-Sight Technology International Limited (遠景科技國際有限公司), a limited liability company incorporated in Hong Kong on July 23, 2015, and a wholly-owned subsidiary of our Company
"Track Record Period"	the years ended December 31, 2022, 2023 and 2024

[REDACTED]

"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	United States Securities Act of 1933 and the rules and regulations promulgated thereunder
"VAT"	value-added tax

[REDACTED]

"%"	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.

"AC"	alternating current
"ADC"	analog-to-digital converter, a device used to convert continuous analog signals into discrete digital signals
"AEC-Q"	standards established by the Automotive Electronics Council
"AMR"	anisotropic magneto-resistance, a magnetic field detection technology based on resistance changes due to electron alignment
"analog"	an analog signal is a voltage, current or physical quantity that continuously and infinitely varies in accordance with some time-varying parameter
"ASIC"	application-specific IC, a type of integrated circuit 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
"BDC motor"	brushed direct current motor
"BLDC motor"	brushless direct current motor
"BMS"	battery management system
"CAGR"	compound annual growth rate
"CAN"	controller area network, a communication protocol
"CMOS"	complementary metal-oxide semiconductor
"CMTI"	common mode transient immunity, the maximum tolerable rate of rise or fall of the common mode voltage applied between two isolated circuits
"CQC"	China quality certification center

"DAC"	digital-to-analog, a device used to convert digital signals into analog signals
"DC"	direct current
"digital"	a signal that represents data as a sequence of discrete values
"ESD"	electro static discharge, a sudden and momentary flow of electric current between two differently-charged objects when brought close together or when the dielectric between them breaks down, often creating a visible spark associated with the static electricity between the objects
"eVTOL"	Electric vertical take-off and landing
"fabless"	a business model where the entity focuses on R&D and design of ICs and outsources manufacturing to external parties
"GaN"	gallium nitride, a binary III/V direct bandgap semiconductor well-suited for high-power transistors capable of operating at high temperatures
"Hall effect"	refers to the generation of a voltage difference across an electrical conductor when a magnetic field is applied perpendicular to the current, the foundation of many magnetic sensing technologies
"Hz"	hertz, a measurement of frequency
"IC" or "integrated circuit"	a set of electronic circuits on one small plate of semiconductor material (a chip)
"I^{2}C"	a synchronous, multi-master/multi-slave, single-ended, serial communication protocol
"IGBT"	insulated gate bipolar transistor, a three-terminal power semiconductor device primarily forming an electronic switch
"LDO"	low dropout regulator, a type of voltage regulator that can operate with a very small input-output differential voltage
"LED"	light-emitting diode, a semiconductor diode that emits light when conducting current and is used in electronic equipment
"LIN"	a network protocol used for communication between components in modern vehicles

"localization rate"	refers to the percentage of the total market revenue within a given year that is generated by Chinese companies. Total market revenue refers to the aggregate revenue of all market participants, including Chinese and international companies
"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
"MEMS"	micro-electro-mechanical-system, the technology of microscopic devices that made up of components between 1 and 100 micrometres in size
"MOSFET"	metal-oxide-semiconductor field-effect transistor, a type of transistor used to amplify or switch electronic signals
"NEV"	new energy vehicles
"OBC"	on-board charger
"OEM"	acronym for "original equipment manufacturing", whereby products are manufactured in accordance with a customer's specifications for sale under the customer's brand
"OOK"	on-off keying modulation, a form of amplitude-shift keying modulation that represents digital data as the presence or absence of a carrier wave
"op-amp"	an analog circuit block that takes a differential voltage input and produces a single-ended voltage output
"PDU"	power distribution unit
"PV"	photovoltaics
"R&D"	research and development
"sensor"	a device that measures or detects physical world conditions, such as motion, heat or light, and converts the conditions into analog or digital representations
"SiC"	silicon carbide, a semiconductor material used in various electronic applications
"surge"	transient increase of voltage in electrical circuits

"Tier-1"	automotive system integrator(s), company(ies) that supply(ies) assembled components or systems directly to OEMs. Tier-1 suppliers need to work closely with OEMs during the design and development stages of vehicles, ensuring the integration of their components into the final product
"TMR"	tunneling magneto-resistance technology
"UL"	a product safety and certification organization headquartered in Illinois, U.S.
"μs"	microsecond
"V"	volt, a unit for voltage
"VDE"	a technology testing, certification and inspection organization headquartered in Europe
"VHS"	vertical Hall sensor, a Hall sensor structure optimized for detecting vertical magnetic fields

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.

FORWARD-LOOKING STATEMENTS

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* **[REDACTED]** *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 technologies to support our products. To remain competitive, we must maintain and enhance our technologies to meet the latest downstream market needs, technological advancement and industry standards. The development activities related to our technologies may involve significant time, risks and uncertainties: for instance, 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, leading industry competitors continuously upgrade their product portfolios, which may render our products less attractive or even obsolete. Therefore, to mitigate this risk, we must continuously enhance our technologies, to meet the latest downstream market needs, technological advancement and industry standards. However, we cannot guarantee that we will be successful in matching all, or any, of the above, or that our 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 founders, Directors, 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 founders, 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 sensor technology, signal chain technology, isolation and interface technology, and power and driver technology. 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.

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 analog IC industry in which we operate is highly competitive. We primarily compete with other companies that focus on developing and commercializing analog 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 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 have incurred net losses during the Track Record Period, and we may continue to incur net losses in future.

For the year ended December 31, 2022, we recorded net profit of RMB250.1 million. For the years ended December 31, 2023 and 2024, we incurred net loss of RMB305.3 million and RMB402.9 million, respectively. Our net losses for the years ended December 31, 2023 and 2024 were primarily due to (i) our significant investment in R&D and market expansion, (ii) intensified market competition, which led us to adjust our product prices to remain competitive price-wise, and (iii) payment in relation to the implementation of a restricted share incentive plan following our A-share listing. We anticipate that our cost of sales and operating expenses will further increase in the foreseeable future as we continue to grow our business, expand geographically, invest and innovate our technology infrastructure, and further broaden our service offerings.

We plan to improve our profitability by implementing business initiatives of achieving sustained growth in revenue, managing gross profit profile and enhancing operating efficiency. However, our future profitability will depend on a variety of factors, including the expansion and performances of our existing business, competitive landscape, customer preference and macroeconomic and regulatory environment. Our revenue may not grow at the rate we expect and it may not increase sufficiently to offset the increase in our costs and expenses. We may continue to incur losses in the future and we cannot assure you that we will eventually achieve our intended profitability.

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

Our products are primarily offered to end customers across key industries and sectors, including automotive electronics (such as electrification scenarios as well as thermal management), pan-energy sector (such as industrial control, photovoltaic and wind power systems, smart grid infrastructure, energy storage systems, data centers and servers), and consumer electronics (such as white goods, smartphones, and computing devices). Therefore, factors that adversely affect these industries and sectors or our end customer base therein 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 analog 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 or major countries and regions that import products of these industries;

- increasing level of competition from analog chip providers in these industries in other countries and regions; and

- any financial difficulties, market share loss, or reputational harm to end customers that use our products.

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 primarily in the analog IC market 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 automotive electronics, energy and industrial automation, and consumer electronics. 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 planned 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 or develop new products. 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 for more details. 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 long-term 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.

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 which may have greater resources 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.

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.

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 product 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 206 granted patents in China and overseas, including 129 invention related patents, as well as several other intellectual properties including but not limited to integrated circuit layout design registrations, software copyrights and registered trademarks in China and overseas. See "Business – Intellectual Property" for more details. 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 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 analog 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 or solutions even if we successfully obtain patent protection once the patent life has expired for the product or solution.

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.

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

Acquisitions, investments or strategic alliances may fail and materially and adversely affect our reputation, business and results of operations. We may not be able to effectively integrate or manage our acquired business.

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.

We acquired MagnTek in 2024. See "History and Corporate Structure – Major Acquisitions, Disposals and Mergers – Acquisition of MagnTek" for more details. The integration of the businesses of MagnTek or the business of future acquisition targets into our business landscape requires significant attention from our management to ensure that the expansion does not disrupt any existing operations and to unify and execute our internal control policy over these acquisition targets. Integration of MagnTek, along with future expansion, may require significant time and commitment from our management, as well as substantial operational, financial and other resources to monitor the operation and development of MagnTek. We cannot guarantee that we will be able to successfully integrate the businesses of MagnTek, whose integration work remains in its early stages, or be able to realize anticipated benefits or synergies, and we may incur costs in excess of what we anticipate.

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 are exposed to concentration risk of reliance on our major suppliers.

During the Track Record Period, we rely on our suppliers, primarily including suppliers of wafer production, chip packaging and chip testing services. Purchases from our five largest suppliers in each year or period during the Track Record Period accounted for 90.5%, 86.8% and 82.3% of our total purchase amount for the year ended December 31, 2022, 2023 and 2024, respectively. We depended on Supplier A to provide a substantial portion of our wafer supplies and Supplier B to provide a substantial portion of packaging and testing services during the Track Record Period. Purchases from Supplier A accounted for 40.1%, 39.9% and 25.8% of our total purchase amount for the years ended December 31, 2022, 2023 and 2024, respectively. Purchases from Supplier B accounted for 34.1%, 28.1% and 32.8% of our total purchase amount for the years ended December 31, 2022, 2023 and 2024, respectively. See "Business – Procurement and Suppliers – Our Suppliers – Our Major suppliers" for more details.

Our reliance on these major suppliers subjects us to the concentration and counterparty risk from these suppliers. We cannot assure you that we will be able to maintain our relationships with our major suppliers in the future. Moreover, we cannot guarantee that our major suppliers will not have a change of business scope or business model or will continue to maintain their market position and reputation. Any material adverse change to the operation, financial performance, or financial condition of our major suppliers may result in material adverse impact on their business with us. For example, if the supply of wafers or packaging and testing services is disrupted or delayed, there can be no assurance that we will be able to find new suppliers with similar supply capacity on comparable commercial terms within a reasonable period of time, or at all. Should any of these occur, our business, financial condition, results of operations, and profitability may be adversely affected.

Because of the complex proprietary nature of our products, if there was a disaster or other business disruption at any of our foundry and packaging and testing services partners' facilities, procurement of and transition to new 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 and packaging and testing services 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 and packaging and testing services partners may result in shortage in their supply of our products and delay in their packaging and testing process. Therefore, we are vulnerable to the risk that our current wafer foundry and packaging and testing services 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. 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 for more details.

Moreover, increased regulation or heightened societal and industrial expectations regarding responsible sourcing practices could increase our compliance costs. Any failure to comply with such regulations or meet such expectations as a result of misconduct by our suppliers 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 and packaging and testing services 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, 2023 and 2024, our R&D expenses amounted to RMB403.8 million, RMB521.6 million and RMB540.0 million, respectively, accounting for 24.2%, 39.8% and 27.5% of our total revenue for the respective years. The industry in which we operate is subject to rapid technological innovations. To expand our product and solution 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 and solution 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 be unable 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. We protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements, non-compete covenants or include such undertakings in the agreements with parties that have access to them. We also enter into employment agreements with our employees that include undertakings regarding assignment of inventions and discoveries. 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. In the case where our employees are obligated to assign any inventions created during their work to us under assignment agreement, such employees may breach or violate the terms of these agreements. 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 provoke these parties to assert 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 and solution 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 and solution candidates. Such a loss of patent protection could 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 and solution designs. Some of our competitors have large patent portfolios with broad rights and may claim that our expected commercial use of our products or solutions has infringed their patents. Specifically, these competitors may allege that certain features of our products or solutions 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 or solutions.

Whether a product or solution 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 infringing 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 or solution 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.

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 may be subject to inventory obsolescence risk.

Our inventories were RMB593.1 million, RMB805.4 million and RMB822.9 million as of December 31, 2022, 2023 and 2024, respectively. For the same years, our inventory turnover days were 172 days, 294 days and 211 days, respectively. As our business expands, our inventory obsolescence risk may also increase with the increase in our inventories and our inventory turnover days. 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.

We generated a substantial portion of 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, a substantial portion of our revenue was derived from sales to our distributors. For the years ended December 31, 2022, 2023 and 2024, our total sales to distributors amounted to RMB1,401.0 million, RMB976.7 million and RMB1,402.3 million, respectively, accounting for 83.9%, 74.5% and 71.5% of our revenue for the corresponding years, respectively. See "Business – Sales and Marketing " for more details. 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 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 subject to the EAR 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. On October 28, 2024, the 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 an outbound investment program that restricts investments by U.S. persons and U.S.-controlled entities imposed by Executive Order 14105, "Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern". The Final Rule has become effective on January 2, 2025. The Final Rule targets investments by U.S. persons involving persons and entities associated with "countries of concern," currently including China, that 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**"). The persons and entities from countries of concern engaged in covered activities defined as "**covered foreign persons**". The Final Rule imposes prohibition or notification requirements on a wide range of 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 or contingent equity), certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. See "Regulatory Overview – Final Rule by the U.S. Department of the Treasury" for details of the Final Rule. We would likely be deemed a covered foreign person and investments by U.S. persons in us would likely constitute "notifiable transactions" under the Final Rule because we engage in activities involving semiconductors, a covered activity of the Final Rule. Following the completion of the **[REDACTED]**, upon effectiveness of the Final Rule, it is expected that U.S. persons will be able to invest in our H Shares based on the publicly traded securities exception under the Final Rule as long as the investment made do 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. investors and may cause certain U.S. investors to adopt a more cautious approach in their investments, affecting the investor sentiment towards us, and therefore negatively impacting our ability to raise capital.

In 2025, the United States government announced a series of tariff increases on imports from China. Beginning in February, 2025, a baseline 10% tariff was imposed on all imports from China, followed by successive adjustments in March and April 2025. As of April 11, 2025, the tariff rate on imports from China introduced by the U. S. government had increased to 145%. In response to the tariff tensions initiated by the United States, China implemented a series of measures, including raising additional tariffs on U.S. goods to as high as 125%. As of the Latest Practicable Date, it remained uncertain how the Sino-U.S. and the global trade tension will develop. In the event that our customers reduce their orders, be such due to a decrease in overall demand of our products, replacing us with other suppliers, downturn of the macro-economy or other reasons, our business, financial conditions and results of operation will be adversely affected. Also, in the event that we are required to adjust our pricing strategies due to the changes of competition dynamics, our business, financial conditions and results of operation will be adversely affected. We cannot assure you that our sales to the U.S. in the future will remain unaffected or how our sales will be affected in light of the uncertainties relating to the geopolitical landscape and the development of the trade tension and tariff imposition. Any trade restrictions imposed by the U.S. on our products may increase our U.S. customers' purchase costs of our products and hence lower our competitiveness.

During the Track Record Period, our products were offered to our end customers in China and overseas. We cannot assure you that our end customers will not engage in the export of their goods incorporating our products or solutions 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 jurisdictions. If the export sales of the end 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 end 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.

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 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 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 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 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 our wafer foundry partners or services provided by our packaging and testing service providers 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 may have limited control over the quality, availability and costs of our wafer foundry and packaging and testing service providers.

We primarily partner with third-party water foundry providers for manufacturing our wafer products and third parties 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 providers are beyond our control. The lack of necessary materials, equipment, or services can disrupt the supply of wafer foundry as well as 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 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 wafer foundry and 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.

Our historical results may not be indicative of our future performance, and we may not be successful in expanding our operations or managing our growth.

In 2022, 2023, and 2024, our revenue was RMB1,670.4 million, RMB1,310.9 million, and RMB1,960.3 million, respectively. There can be no assurance that we will be able to maintain our historical growth rates in future periods. We may encounter risks and difficulties frequently experienced by rapidly growing companies in constantly evolving industries, and any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable industry. Our business, results of operations, and financial condition depend in part on our ability to effectively manage our growth or implement our growth strategies. See "Business – Our Strategies" for more details. We intend to grow by expanding our business, increasing market penetration of our existing products, and developing new ones. The management of our growth may place significant demands on our managerial, administrative, operational, financial, and other resources. Moreover, our growth depends on the ability to maintain stable production capacity and offer reliable products to our customers. Our efforts to grow our business may be more costly than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described herein, and unforeseen expenses, difficulties, complications, delays, and other unknown events. If we are unable to achieve and sustain profitability, our business may be harmed. If we fail to achieve the necessary level of efficiency as we grow, our growth rate may decline, investors' perceptions of our business and prospects may be adversely affected, and the market price of our Shares could decline.

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 2024, the government grants we recognized as other net income amounted to RMB15.7 million, RMB17.1 million and RMB11.3 million, respectively. In addition, we and certain Subsidiaries of ours are subject to preferential income tax treatments. See "Financial Information – Principal Components of Consolidated Statements of Profit or Loss – Income Tax" for more 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 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.

We have granted, and may continue to grant, certain awards under our share incentive plans, which may result in increased share-based compensation expenses, affect our financial condition and results of operations, and potentially dilute the shareholding of our existing shareholders.

We adopted share incentive plans including share-based compensation for the benefit of our Directors, Supervisors and employees to incentivize and reward the eligible persons who have contributed to our success. In 2022, 2023 and 2024, we incurred equity-settled share-based transactions of RMB196.7 million, RMB221.1 million and RMB70.9 million, respectively. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees. Nevertheless, share-based compensation expenses would potentially dilute the shareholding of existing shareholders. We may continue to grant share-based compensation awards to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may affect our financial condition and results of operations. We may re-evaluate the vesting schedules, lock-up period, or other key terms applicable to the grants under the share incentive plan from time to time. If we choose to do so, we may experience a substantial change in our share-based compensation expenses in the reporting periods following this **[REDACTED]**.

Fair value change for financial assets measured 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 measured at fair value through profit or loss ("**FVPL**") (current) of RMB3,463.6 million, RMB2,249.6 million and RMB2,080.1 million as of December 31, 2022, 2023 and 2024, respectively. Our financial assets primarily consist of structured deposits with low risks issued by banks in China. See Note 17 to the Accountants' Report set out in Appendix I to this document for more details.

We face exposure to fair value change for the financial assets at FVPL. 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, 2023 and 2024, our trade receivables amounted to RMB188.5 million, RMB179.2 million and RMB392.6 million, respectively, and our bills receivables amounted to RMB9.1 million, RMB7.3 million and RMB30.1 million, respectively. We may not be able to collect any, if not all, such trade 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 recorded a significant amount of goodwill. If we determine our goodwill to be impaired, our results of operations and financial condition may be adversely affected.

As of December 31, 2024, we recorded goodwill of RMB504.1 million, which primarily arose from the acquisition of MagnTek completed in October 2024. See "History and Corporate Structure – Major Acquisitions, Disposals and Mergers – Acquisition of MagnTek" for more details about the acquisition of MagnTek. Goodwill represented a significant portion of the assets on our consolidated balance sheet as of December 31, 2024. The value of goodwill is based on a number of assumptions made by the management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and record a significant impairment loss, which could in turn adversely affect our results of operations. Any significant impairment of goodwill or other intangible assets could have a material adverse effect on our business, financial condition and results of operations. See Note 14 to the Accountants' Report set out in Appendix I to this document for more details regarding our impairment policy in relation to goodwill.

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. 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 vast majority 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 favorable policies to, 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.

If we are unable to ensure the manufacturing or delivery of high quality products on schedule and on a large scale, our business may be materially and adversely affected.

Mass production of our products is crucial to our future financial prospects. As an analog IC company, we operate under the fabless model, focusing on the R&D and design of ICs while outsourcing wafer fabrication to trusted third-party partners. We may face difficulties meeting our delivery deadlines when there is a surge in customer demand. If any of our third-party partners' production facilities experiences interruptions, delays or disruptions in supplying products, our ability to deliver products to customers would be impeded. Failure to fulfill customers' requirements and quality control problems that occur in the manufacturing process could prevent us from meeting the stipulated delivery deadline. For example, a decline in yield rates would adversely affect our third-party partners' production efficiency and product quality. We may also experience delays in shipments caused by our third-party logistic service providers. These delays or product quality issues could have an immediate and material adverse effect on our ability to fulfill orders and damage our reputation and brand, affecting our business, results of operations and financial condition.

Further, if our third-party partners' production facilities or suppliers experience any difficulties or shortages of raw materials, or if our suppliers are otherwise unable or unwilling to continue to supply in required volumes or at all, our supply may be disrupted, and we may be required to seek alternate sources of supply. The process would be time-consuming and could be costly and impracticable. Interruptions to supply will have an adverse effect on our ability to meet scheduled product deliveries and subsequently lead to the loss of sales.

We may be subject to product liability claims if our products or solutions 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.

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 RMB22.3 million, RMB16.5 million and RMB16.1 million as of December 31, 2022, 2023 and 2024. See "Financial Information – Selected Balance Sheet Items – Net Current Assets – Contract Liabilities" for more details. 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.

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 industries we operate in are highly regulated. For example, under the current PRC regulatory scheme, a number of governmental authorities jointly regulate major aspects of our industries. We are required to obtain and maintain the requisite licenses and approvals required in China and in other jurisdictions where we operate. 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. In the past, we have experienced instances of non-compliance in this regard. For example, we established a subsidiary in Hong Kong in 2015, which qualified as an "outbound investment with an investment amount of less than RMB300 million" under relevant regulations, but we did not complete the required registration procedures with the relevant provincial development and reform commission. 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 positive 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 end 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 product liability 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, it could materially and adversely affect our business, financial condition, results of operations and prospects.

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 analog IC 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. We also use the information technology systems to communicate with our logistics providers on demand forecast, order placements and manufacturing and service status and capacity. 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.

Security breaches and other disruptions could compromise our confidential and proprietary information, which could cause our business and reputation to suffer.

We collect and store business data and transaction data generated during or in connection with our business operations, including our business and transactions with our customers, suppliers and business partners. See "Business – Information Security and Data Privacy" for more details. The secure maintenance of such data is critical. Despite our data security and protection measures, our information technology and infrastructure may be vulnerable to breaches by hackers, employee error, malfeasance or other disruptions such as natural disasters, power losses or telecommunication failures. Any such breach could compromise our networks and the information stored therein, possibly resulting in legal and regulatory actions, disruption of operations and customer services, and otherwise harming our business, reputation and future operations.

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. 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 are subject to the social insurance and housing provident fund regulations in China.

Under PRC laws and regulations, we are required to make contributions for the social insurance and housing provident funds for the benefit of our employees. During the Track Record Period and up to the Latest Practicable Date, we did not make contributions to the relevant social insurance and housing provident funds for certain employees by ourself but delegated such contributions to the social insurance and housing provident funds to third parties, primarily because certain of our employees prefer to participate in the social welfare schemes in their respective places of residence without our registered subsidiaries established, where they primarily conduct their work. We might be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities if the third-party agencies failed to pay the social insurance or housing provident funds for the relevant employees in full amount and/or in a timely manner, or if the validity of such arrangements are challenged by competent PRC authorities. We might also be subject to potential labor disputes arising from such arrangements with the relevant employees. If we are otherwise subject to investigations related to noncompliance with labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, results of operations, financial condition and prospects may be 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.

As of the Latest Practicable Date, we leased nine properties for our primary operation activities across China. 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. As of the Latest Practicable Date, we had not completed lease registration for any properties we leased in China. According to the relevant PRC laws and regulations, 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. As of the Latest Practicable Date, our leased properties that had title defects could adversely affect our ability to continue using them in the future.

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 vast majority of our sales and revenue was derived from China during the Track Record Period. 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 which imposed stricter standards with respect to, among other things, quality and safety control, and supervision and inspection of companies in our industry. See "Regulatory Overview" for more 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.

Uncertainties embedded in the legal systems of certain geographic markets where we operate could affect our business, financial condition and results of operations.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. The legal systems of some geographic markets where we operate are consistently evolving. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate. Local courts may have discretion to reject enforcement of foreign awards or arbitration awards. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions, claims concerning the conduct of third parties, or threats in attempt to extract payments or benefits from us.

Furthermore, many legal systems in the geographic markets where we operate are based in part on their respective government policies and internal interpretations, some of which are not published on a timely basis or at all and may have retroactive effects. There are other circumstances where key regulatory definitions are unclear, imprecise or missing, or where interpretations that are adopted by regulators are inconsistent with interpretations adopted by a court in analogous cases. As a result, we may not be aware of our violation of certain policies or rules until sometime after the violation. In addition, administrative and court proceedings in certain of our geographic markets may be protracted, resulting in substantial costs and diversion of resources and management attention.

It is possible that a number of laws and regulations may be adopted or construed to be applicable to us in our geographic markets and elsewhere that could affect our businesses and operations. Scrutiny and regulations of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing these regulations. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets may slow the growth of our industries and affect 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 investment.

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 State Administration of Foreign Exchange ("**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 RMB2.3 million in 2022, and net foreign exchange loss of RMB2.1 million and RMB0.6 million in 2023 and 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 SAT 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 SAT, 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 investment 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 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 listed 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, SAT 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 RELATING TO THE [REDACTED]

We will be concurrently subject to listing and regulatory requirements of mainland China and Hong Kong.

As we are listed on the STAR Market of the Shanghai Stock Exchange and 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 of the Shanghai Stock Exchange. Following the **[REDACTED]**, our A Shares will continue to be traded on the STAR Market of the Shanghai Stock Exchange 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 trading characteristics, the H Share and A Share markets have divergent **[REDACTED]**, as well as different levels of **[REDACTED]** and institutional **[REDACTED]** participation. As a result, the **[REDACTED]** 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 investment decision in our H Shares.

There has been no prior public market for our H Shares, and an active trading market for our H Shares may not develop or be sustained.

Prior to the **[REDACTED]**, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with **[REDACTED]** and **[REDACTED]** 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 market price of our H Shares following the completion of the **[REDACTED]**. If an active public market for our H Shares does not develop following the completion of the **[REDACTED]**, the **[REDACTED]** 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 price and trading volume 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 **[REDACTED]** and **[REDACTED]** have, from time to time, experienced significant **[REDACTED]** volatility that are not related to the operating performance of any particular **[REDACTED]** company. The **[REDACTED]** and the **[REDACTED]** of the shares of other **[REDACTED]** companies engaging in similar business may also affect the **[REDACTED]** of our Shares. In addition to market and industry factors beyond our control, the **[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 listed on the **[REDACTED]** have experienced **[REDACTED]** volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

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

The **[REDACTED]** 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 public market, especially by our Directors, executive officers and Single Largest Shareholder Group, 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 issue more securities in the future. Furthermore, we may issue 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 issued 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 Single Largest Shareholder Group are subject to certain lock-up periods beginning on the date on which **[REDACTED]** in our Shares commences on the **[REDACTED]**. 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 market price of our Shares.

In addition, while investors subscribing shares in the **[REDACTED]** are not subject to any restrictions on the disposal of the H Shares they subscribed [(except as disclosed in "**[REDACTED]**")], 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 investors pursuant to such arrangement or agreement could adversely affect the market price of our H Shares and any sizeable sale could have a material and adverse effect on the market price of our H Shares and could cause substantial volatility in the **[REDACTED]** of our H Shares.

The interests of our Single Largest Shareholder Group may not be aligned with the interests of other Shareholders.

Our Single Largest Shareholder Group 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 Single Largest Shareholder Group will hold approximately **[REDACTED]** of the issued share capital of our Company (excluding the 118,216 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 price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Single Largest Shareholder Group may differ from the interests of our other Shareholders. It is possible that our Single Largest Shareholder Group 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 Accounting Standards. 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. See "Financial Information – Dividends and Dividends Policy" for more 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 of the Shanghai Stock Exchange.

As our A Shares are listed on the STAR Market of the Shanghai Stock Exchange, 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 of the Shanghai Stock Exchange 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 of the Shanghai Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document. Therefore, prospective investors in our H Shares should be reminded that, in making their investment 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 investment 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 investors 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 investors 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 Joint Sponsors, the **[REDACTED]**, the **[REDACTED]**, and the **[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 investors 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 investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words "aim," "anticipate," "believe," "could," "predict," "potential," "continue," "expect," "intend," "may," "might," "plan," "seek," "will," "would," "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Consequently, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on them. See "Forward-looking Statements" for more details.

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, our 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. Jiang Chaoshang, our executive Director and secretary to the Board, and Mr. Cheng Ching Kit ("**Mr. Cheng**"), one of our joint company secretaries. Mr. Jiang Chaoshang confirms that he possesses valid travel documents and can readily travel to Hong Kong, whilst Mr. Cheng 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, can apply for or 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 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 Somerley 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. Our Company will inform the Stock Exchange promptly in respect of any change in its authorized representatives and/or 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)).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

(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.

Pursuant to paragraph 13 of Chapter 3.10 of the Guide for New Listing Applicants, the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

(a) whether the issuer has principal business activities primarily outside Hong Kong;

(b) whether the issuer was able to demonstrate the need to appoint a person who does not have the Acceptable Qualification (as defined under paragraph 11 of Chapter 3.10 of the Guide for New Listing Applicants) nor Relevant Experience (as defined under paragraph 11 of Chapter 3.10 of the Guide for New Listing Applicants) as a company secretary; and

(c) why the directors consider the individual to be suitable to act as the issuer's company secretary.

Further, pursuant to paragraph 13 of Chapter 3.10 of the Guide for New Listing Applicants, such waiver, if granted, will be for a fixed period of time (the "**Waiver Period**") and on the following conditions:

(a) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and

(b) the waiver will be revoked if there are material breaches of the Listing Rules by the issuer.

We have appointed Ms. Wang Yifei ("**Ms. Wang**") as one of our joint company secretaries. Ms. Wang is our securities affairs representative. Ms. Wang joined our Group as a legal specialist in June 2020, until April 2022, and has served as our securities affairs representative since April 2022. Although our Company believes, having regard to Ms. Wang's past experience in handling corporate matters, that she has a thorough understanding of our Company and the Board, Ms. Wang does not possess the requisite qualifications required by Rule 3.28 of the Listing Rules. Therefore, our Company has appointed Mr. Cheng, who possesses such qualification, to be a joint company secretary to assist Ms. Wang 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. Wang 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. Wang'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. Wang must be assisted by Mr. Cheng, 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 Mr. Cheng ceases to provide such assistance or if there are material breaches of the Listing Rules by our Company.

It is anticipated that Ms. Wang will gain experience with the assistance of Mr. Cheng. Before the end of the initial three-year period, we will evaluate the then experience of Ms. Wang 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. Wang, having had the benefit of Mr. Cheng'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. Wang Shengyang (王升楊)	Room 2204, Building 20, No. 88 Wanshou Street Suzhou Industrial Park Jiangsu Province China	Chinese
Mr. Sheng Yun (盛雲)	220 Handan Road Yangpu District Shanghai China	Chinese
Mr. Wang Yifeng (王一峰)	Room 104, Building 57, No. 168 Wanshou Street Suzhou Industrial Park Jiangsu Province China	Chinese
Mr. Jiang Chaoshang (姜超尚)	Room 2606, No. 1999 Tongda Road Wuzhong Economic Development Zone Suzhou Jiangsu Province China	Chinese
Non-executive Director		
Mr. Wu Jie (吳傑)	14C, Building C Phase 1, Aocheng Garden Nanshan District, Shenzhen Guangdong Province China	Chinese

Independent Non-Executive Directors

Dr. Hong Zhiliang (洪志良)	Room 301, No.14, Lane 789 Yingkou Road Yangpu District Shanghai China	Chinese
Dr. Chen Xichan (陳西嬋)	Room 301, Building 2 No.229 Yanshan Avenue Pukou District, Nanjing Jiangsu Province China	Chinese
Mr. Wang Ruwei (王如偉)	Room 106, Building 20, Urban Garden No. 519 Xinghai Street Suzhou Industrial Park Jiangsu Province China	Chinese
Ms. Du Linlin (杜琳琳)	49A, Tower 1 Grand Promenade 38 Tai Hong Street Sai Wan Ho Hong Kong	Chinese

SUPERVISORS

Name	Residential address	Nationality
Ms. Yan Fei (嚴菲)	Room 302, No.22, Lane 1888 Langgu Road Pudong New Area Shanghai China	Chinese
Mr. Wang Longxiang (王龍祥)	Room 101, Building 96, Haiyue Garden II Suzhou Industrial Park Jiangsu Province China	Chinese
Ms. Jiang Yilan (蔣怡瀾)	No. 2, Building 9 Changyu New Village Wuzhong District, Suzhou Jiangsu Province China	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]

Joint Sponsors	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	CITIC Securities (Hong Kong) Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	CCB International Capital Limited 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong

[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:* **Jia Yuan Law Offices** F408 Ocean Plaza 158 Fuxing Men Nei Street Xicheng District Beijing PRC
Legal Advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and U.S. laws:* **Norton Rose Fulbright Hong Kong** 38/F Jardine House 1 Connaught Place Central Hong Kong *As to PRC law:* **Tian Yuan Law Firm** Suite 509 Tower A Corporate Square, 35 Financial Street Xicheng District Beijing PRC
Auditor and Reporting Accountants	**KPMG** *Certified Public Accountants* 8/F, Prince's Building 10 Chater Road Central Hong Kong, China
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	No.9, Dongdangtian Alley Suzhou Industrial Park Jiangsu Province China
Headquarters and Principal Place of Business in the PRC	No.9, Dongdangtian Alley Suzhou Industrial Park Jiangsu Province China
Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
Company's Website	**www.novosns.com** *(The information on the website does not form part of this document)*
Joint Company Secretaries	**Ms. Wang Yifei (王一飛)** No.9, Dongdangtian Alley Suzhou Industrial Park Jiangsu Province China **Mr. Cheng Ching Kit (鄭程傑)** 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
Authorized Representatives	**Mr. Jiang Chaoshang (姜超尚)** No.9, Dongdangtian Alley Suzhou Industrial Park Jiangsu Province China **Mr. Cheng Ching Kit (鄭程傑)** 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
Audit Committee	Ms. Du Linlin (杜琳琳) *(Chairperson)* Mr. Wang Ruwei (王如偉) Dr. Chen Xichan (陳西嬋)

Remuneration and Appraisal Committee	Dr. Hong Zhiliang (洪志良) *(Chairperson)* Dr. Chen Xichan (陳西嬋) Ms. Du Linlin (杜琳琳)
Nomination Committee	Mr. Wang Ruwei (王如偉) *(Chairperson)* Ms. Du Linlin (杜琳琳) Mr. Wu Jie (吳傑)
Strategy and ESG Committee	Mr. Wang Shengyang (王升楊) *(Chairperson)* Mr. Sheng Yun (盛雲) Mr. Wang Yifeng (王一峰) Dr. Hong Zhiliang (洪志良) Mr. Wu Jie (吳傑)

[REDACTED]

Compliance Advisor	**Somerley Capital Limited** 20/F China Building 29 Queen's Road Central Hong Kong

Principal Banks	**CITIC Bank** **Suzhou Industrial Park Sub-branch** No. 15, Yueliang Wan Road Suzhou Industrial Park Jiangsu Province China
	Pudong Development Bank **Suzhou Industrial Park Sub-branch** No.163, Xinghai Street Suzhou Industrial Park Jiangsu Province China
	China Construction Bank **Suzhou Industrial Park Sub-branch** Part of the First to Seventh Floors East Block of No.1 Main Building No.122 Wangdun Road Suzhou Industrial Park Jiangsu Province China

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 Joint Sponsors,* **[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 AND RESEARCH METHODOLOGY

We engaged Frost & Sullivan for preparing an independent industry report in respect of the **[REDACTED]**. The information from Frost & Sullivan disclosed in this document is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of RMB 400,000, and is disclosed with the consent of Frost & Sullivan. The Frost & Sullivan 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. 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 government statistics, industry association publication, company reports, independent research reports and data based on its own research database.

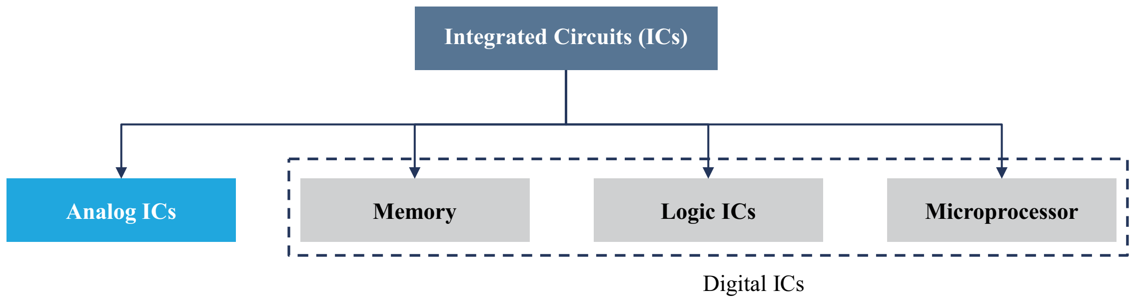
ANALOG INTEGRATED CIRCUITS INDUSTRY OVERVIEW

Definition of Analog Integrated Circuits

Analog integrated circuits (Analog ICs), or analog chips, a type of integrated circuits, are specifically designed to capture, process, and transmit continuous analog signals, such as sound, temperature, and light. Analog signals use a series of continuously changing electromagnetic waves or voltage signals to represent information content.

Integrated circuits (ICs) can be divided into analog ICs, microprocessor, logic ICs and memory. Microprocessor, logic ICs and memory can be collectively referred to as digital IC. Analog ICs are an important part of integrated circuits, accounting for approximately 15% of the overall integrated circuits market size in terms of the sales revenue in 2024.

With the increasing integration of semiconductors and the continuous expansion of application, some integrated circuits now incorporate both analog and digital IC circuits' functions, forming analog-digital hybrid chips. This further elevates the internal complexity and functional requirements.



Source: WSTS, Frost & Sullivan Report

Status Quo of Analog Integrated Circuits

In 2024, the global analog integrated circuits market reached RMB565.7 billion, marking a 47.4% growth compared to 2020. Driven by robust market demand, China's analog IC market has achieved rapid expansion, with a market size of RMB195.3 billion in 2024, accounting for over 35% of the global market share. Although international companies still dominate China's market, domestic companies have witnessed significant growth in recent years, demonstrating continuous technological breakthroughs and escalating market penetration. The sustained enhancement of domestic companies' competitiveness and the acceleration of localization have become the defining trends in China's analog IC industry development.

Characteristics of Analog Integrated Circuits Market

- ***Analog ICs Primarily Utilize Mature Process Nodes***

The analog integrated circuits industry predominantly relies on mature process technologies, contrasting sharply with digital ICs' pursuit of process miniaturization. This stems from analog ICs' unique requirements for precise current/voltage control and high signal-to-noise ratio, where mature processes offer superior device matching, process stability, and cost efficiency. China has sufficient production capacity for mature processes, therefore less affected by international trade conflicts.

- ***Long Product Validation Cycle and High Replacement Cost***

Analog ICs are mostly used for equipment power management, signal conditioning and other core functional modules, which need to pass the function verification and reliability test for up to 12-24 months. For example, automotive electronics needs to meet the complicated automotive-grade testing and verification, as well as a long supply cycle guarantee. This industry feature also results in high comprehensive costs for downstream clients to switch suppliers. Replacing analog ICs suppliers may incur high hidden costs, including system redesign, testing and certification, and shutdown risks.

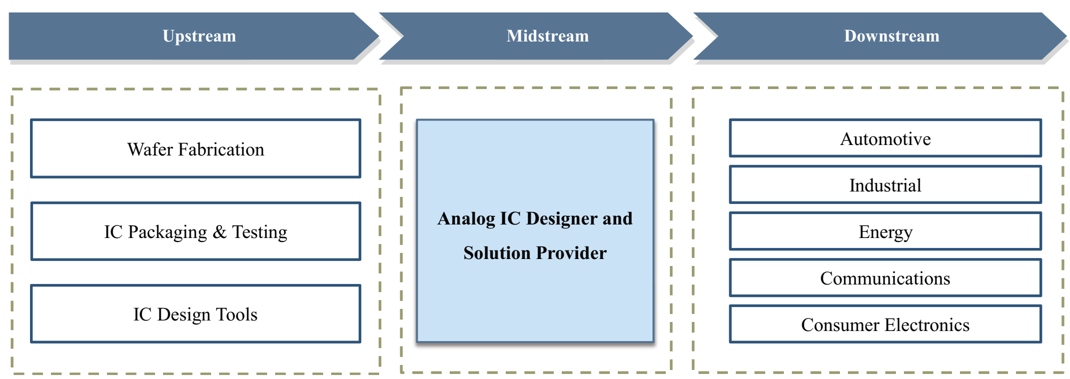
- ***Fragmented Applications and Complex Product Portfolios***

The downstream of analog ICs covers consumer electronics, industrial control, automotive, communications and other sectors, resulting diversity of product needs. A single analog IC company needs to maintain a large number of different item numbers to match market needs. The product catalogs top-tier international companies can contain more than 50,000 models, and the life cycle of some products could last more than 10 years. Although the product catalogs of leading Chinese companies only contain thousands of models, still lag behind those of international counterparts, these companies are rapidly enriching their product portfolios.

- ***Popularity of Distribution Model***

Due to the wide range of downstream applications, distributors usually play an important role in the sales process of analog ICs. Through distributor networks, analog IC companies can reach scattered small and medium-sized customers, and reduce sales costs. The distribution system is irreplaceable in regional coverage, inventory buffer and small batch order response for analog IC companies. The direct selling mode mainly serves the head strategic customers.

Analog Integrated Circuits Industry Chain Analysis



Source: Frost & Sullivan Report

The upstream of the analog ICs industry chain mainly includes wafer fabrication, IC packaging & testing and IC design tools, providing the necessary technical foundation and manufacturing conditions. The midstream is centered on analog IC designers and solution providers, who complete circuit design and verification based on their innovation capability and accumulation of expertise. The design process needs to balance performance, power consumption and cost. The downstream demand is scattered in the fields of such as automotive, industrial, communications, consumer electronics and others. The diversity of downstream demands drive designers to build a huge product library, and meet the needs of different customers through flexible product combinations.

Business Model in Analog Integrated Circuits Market

The analog ICs industry primarily operates under two models – IDM and fabless.

In the IDM model, companies design analog ICs and complete manufacturing and packaging & testing process in house. This enables them to have stronger resource aggregation capabilities and can integrate design and production processes to develop new products, but it also requires huge financial support. Since production equipment requires a large amount of capital investment.

In the fabless Model, companies focus on analog IC design, and outsource manufacturing and packaging & testing process. Therefore, they can significantly reduce production line investment, concentrate resources on research and development, and respond more agilely to market demand by providing customized services based on customer needs.

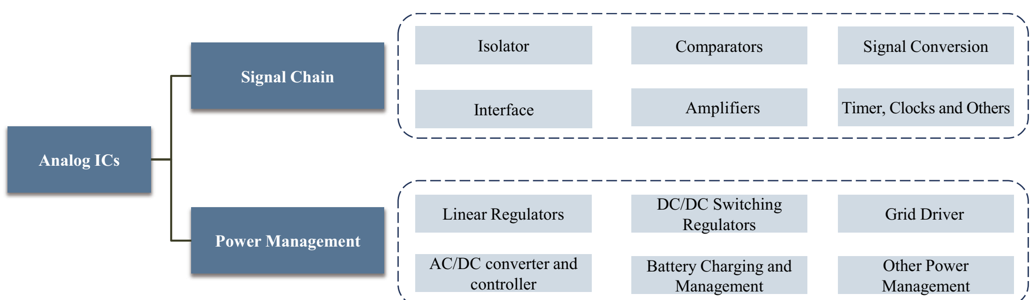
Leading fabless companies are exploring new models by not only focusing on integrated circuit design, but also having their own process platforms. It requests wafer manufacturers to cooperate in applying unique manufacturing processes and proprietary equipment, but the production line itself does not belong to the fabless companies. This new model can better optimize design process collaboration, accelerate product iteration, and enhance market competitiveness without largely investing in fixed asset.

Classification of Analog Integrated Circuits

According to different functions and product types, analog ICs are mainly classified into signal chain ICs and power management ICs.

Signal chain ICs is an integrated circuit with the functions of receiving, transmitting, converting, amplifying and filtering analog signals. Its product categories mainly include isolator, comparators, signal conversion, interface, amplifiers, timer, clocks, etc.

Power management ICs is an integrated circuit used to manage the relationship between battery and circuit, and is responsible for the conversion, distribution, detection and monitoring of electric energy. Its categories can be mainly divided into linear regulators, DC/DC switching regulators, grid driver, AD/DC converter and controller, battery charging and management, etc. and others.

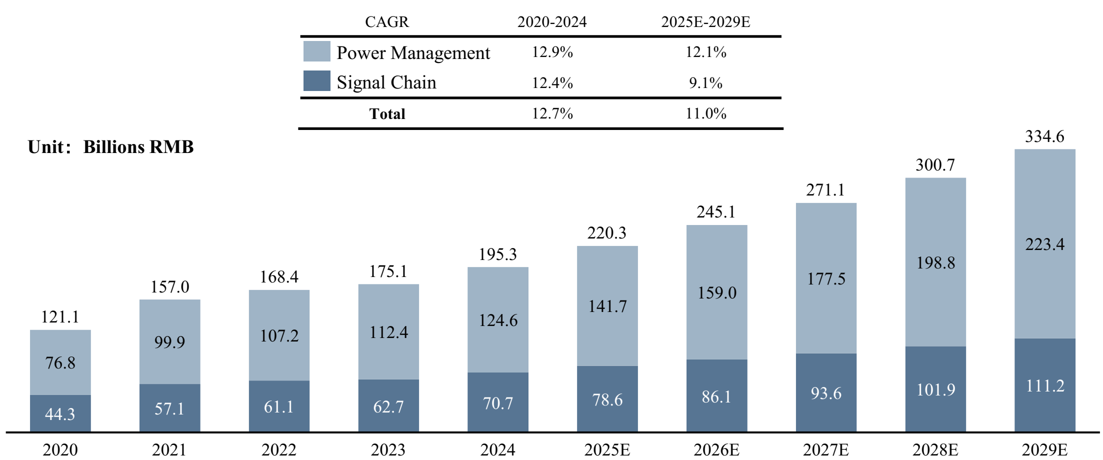


Source: Public Information, Frost & Sullivan Report

Market Size of China's Analog Integrated Circuits, by Product Type

In 2020, the market size of China's analog IC market was RMB121.1 billion. By 2024, the China's market reached RMB195.3 billion. From a segmented market perspective, the power management ICs market has grown from RMB76.8 billion in 2020 to RMB124.6 billion in 2024, achieving a CAGR of 12.9%, driven by the escalating demand for high-efficiency solutions in development of new energy vehicles, smart devices and AI infrastructure. This segment is expected to maintain strong momentum, expanding to RMB223.4 billion by 2029 at a CAGR of 12.1% from 2025 to 2029. The slightly slower growth of signal chain ICs compared to power management ICs is primarily due to maturing demand in downstream sectors such as industrial applications, where signal chain ICs have traditionally held strong, while rapidly evolving fields like new energy vehicles continue to drive higher demand for power management ICs.

China Analog IC Market Size , by Sale Revenue

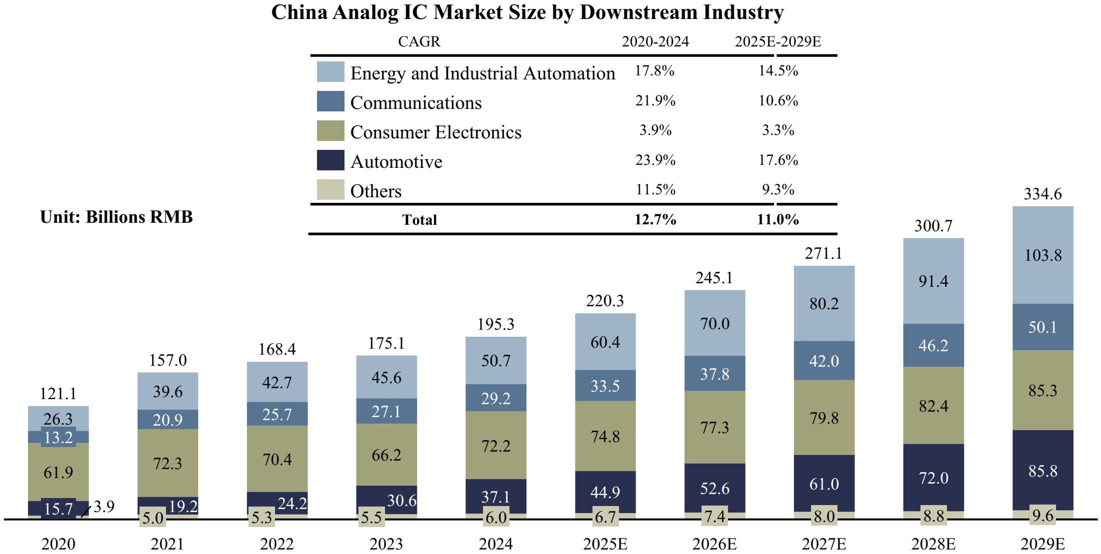


Source: WSTS, Expert Interview, Frost & Sullivan Report

Market Size of Analog Integrated Circuits, by Application Segment

In the China analog IC market, consumer electronics, the largest downstream application field, occupied a market share of 37% by 2024, with a market size of RMB72.2 billion. The automotive electronics field relies on the development of new energy vehicles and advancement of autonomous driving technology, and therefore the demand of analog ICs continues to increase. In 2024, the market size of analog ICs in automotive application reached RMB37.1 billion. It is expected that the corresponding market size will expand to RMB85.8 billion by 2029. In addition, driven by the development of the smart manufacturing industry and new energy power generation (such as solar power and energy storage) in the fields of energy and industrial automation, as well as the increasing demand for servers, the use of analog ICs is constantly growing. It is expected that the market size of energy and industrial automation segment will increase from RMB 50.7 billion in 2024 to RMB 103.8 billion in 2029, with a CAGR of 14.5% from 2025 to 2029.

China Analog IC Market Size by Downstream Industry



Notes:

1. Others refer to downstream such as medical equipment, aerospace, humanoid robots, e-VOTL, etc.

Source: WSTS, Expert Interview, Frost & Sullivan Report

Market Driver of Analog Integrated Circuits

- ***Downstream mainstream application market continues to expand and upgrade***

Analog chips have extremely extensive downstream applications, and there is a substantial demand for them in electronic-related products and industries. In the automotive field, analog chips facilitate precise control of the power system, processing of in-vehicle sensor signals, and optimization of in-car entertainment, supporting the efficient and safe operation of vehicles as well as providing a comfortable experience. Regarding consumer electronics, analog chips accurately manage the power supply of devices such as mobile phones and tablets, optimize audio and video signals, and enhance users' audio-visual experience and battery life. In communication facilities, analog chips are responsible for signal modulation, demodulation, and amplification, ensuring high-speed and stable transmission of network data. In medical equipment, analog chips convert physiological signals into electrical signals and process them precisely, providing crucial support for the high precision and reliability of diagnostic and monitoring devices. With the rapid development of artificial intelligence and the surging demand for data center computing, analog ICs play an increasingly prominent role in key components such as servers and battery management systems. In servers, they manage power precisely for stable CPU, GPU and storage operation. In battery management, they monitor parameters in real-time for data center continuity, jointly providing hardware support for AI development. The continuous development of these fields and the upgrading of equipment jointly create a vast market space and stable growth for analog ICs.

- ***Development of emerging fields continues to release growth momentum***

Emerging markets are also further expanding the market space for analog ICs. The sensor signal processing of the humanoid robot and the sensing system in eVTOL requires a large number of signal chain ICs to process the collected continuous Analog signals. At the same time, the motor controlling the motion of the robot and eVTOL also requires a large number of power management ICs. In the future, with the development of robot and eVTOL technology, the analog ICs market will continue to rise.

- ***National policy support to accelerate industry development***

In recent years, international trade conflicts have highlighted the critical importance of domestic analog ICs production and technology self-sufficiency within China's analog ICs industry. The development of domestic analog ICs is emphasized as essential for protecting national data security, ensuring supply chain stability, and supporting economic growth. For Example, 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》) was released to promote the domestic development of integrated circuit including analog ICs.

Development Trend of Analog Integrated Circuits

- ***The self-sufficiency rate of analog ICs in China continues to increase***

Due to the relatively late development of China's analog IC supply chain, the market supply still heavily relies on international providers. In 2024, the localization rate of analog IC is 40-50% in consumer electronics segment, 20-25% in communication segment, 10-15% in industrial segment and around 5% in automotive segment. With the domestic policy support and joint efforts of the supply chain, local companies continuously overcome key technologies, increasingly enriched their product portfolios, and increased their penetration in various market segment. the self-sufficiency rate of analog ICs in China is expected to rise rapidly in next few years.

- ***R&D and innovation continue to improve the performance of analog ICs products***

The technology of analog ICs industry advances rapidly, and domestic companies attach great importance to R&D and innovation. By setting up a professional R&D team and investing a large amount of resources, domestic companies have made in-depth research on core technologies, and continuously optimized product performance, such as improving accuracy, reducing power consumption and enhancing stability, to meet the stringent requirements of downstream markets for high-performance analog ICs.

- ***M&A and expansion further concentrated the market share to local leading companies***

The integration of high – quality assets, expansion of product lines, improvement of the industrial chain layout, enhancement of market competitiveness, and attraction of more customer resources will accelerate the convergence of market share to leading companies. As a result, the industry concentration is expected to increase.

- ***Improvement of the global competitiveness of local companies promotes the implementation of the overseas strategy***

With technology accumulation and product performance optimization, the global competitiveness of analog ICs companies in China has significantly increased. Leading companies have emerged in the international market by virtue of cost-effective advantages and localized services. The companies are promoting products to the world by establishing overseas subsidiaries and sales networks, to realize the steady implementation of the sea going strategy, and enhance international influence.

Cost and Price Analysis of Analog Integrated Circuits

The cost of analog ICs is primarily composed of wafer fabrication, and packaging & testing. Among these, wafer fabrication and packaging & testing each account for 50% of the cost structure.

Given the extensive application scenarios and diverse product models of analog ICs, their price range spans from a few cents to several dollars. Typically, consumer-grade analog ICs for have lower prices, industrial-grade analog ICs occupy a mid-range price segment, while automotive-grade analog ICs command higher prices due to high technical barriers. The pricing of analog ICs is primarily influenced by product specifications and market competition dynamics.

In recent years, influenced by fluctuations in market demand and changes in the competitive environment, analog ICs have exhibited varying trends of change across different downstream sectors. Particularly in the automotive industry, with the enhancement of the technological capabilities of domestic companies and breakthrough in localization, domestic players have engaged in intense competition with some overseas companies in this field, resulting in a significant decline in product prices. By deeply exploring customer needs, domestic companies are expected to continuously engage in product and application innovation to expand their differentiated competition with international manufacturers in the future.

AUTOMOTIVE ANALOG INTEGRATED CIRCUITS INDUSTRY OVERVIEW

Introduction to Analog Integrated Circuits in Automotive Industry

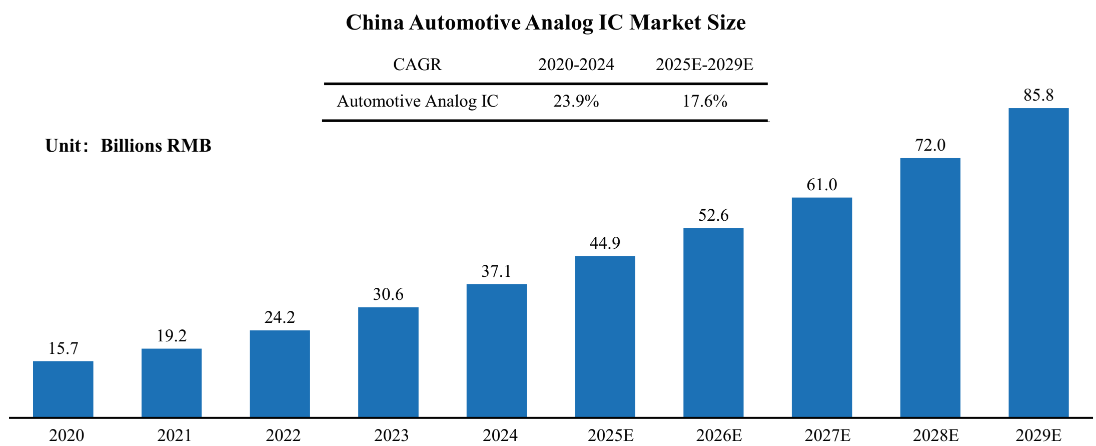
Analog ICs bridge physical and digital domains in vehicle electronics. In automotive application, analog ICs undertake core functions including battery management, motor drive, sensor signal conditioning, high-voltage power conversion, in-vehicle infotainment system processing, and safety monitoring, ensuring efficient operation of the powertrain, precise perception of intelligent driving sensors, and overall vehicle functional safety.

In 2024, the average per-vehicle value of analog IC applications for intelligent new energy vehicles ranged from RMB1,500 to 2,800. It is expected that the deep integration of electrification and intelligence in automotive industry will substantially drive the growth of the average per-vehicle value of analog IC to RMB2,200 to 4,000 by 2029. As one of the fastest growing and highest technological threshold segments, automotive analog ICs is driving industry-wide tech advancements and market growth of analog ICs.

Market Size of Analog Integrated Circuits in Automotive Industry

In 2024, the global market size of automotive analog IC market size was RMB84.9 billion. It is expected that the market size will expand to RMB155.3 billion by 2029. Benefiting from the booming development of new energy vehicles and the rapid growth in demand for automotive electronics, the market size of China's automotive Analog ICs has reached RMB37.1 billion in 2024. The continuous demand for analog ICs in automotive is spurred by electrification and intelligence, covering various fields such as power systems, body domain, cockpit, autonomous driving, in-car entertainment, body electronics, and lighting. In the light of continuous development of the Chinese automotive industry in the future, the Chinese automotive electronic analog chip industry will continue to flourish, with a growth rate exceeding the global average growth rate. The Chinese automotive analog ICs market is expected to steadily grow, reaching RMB85.8 billion by 2029, with a CAGR of 17.6%.

Due to high technological barriers and reliability requirements, the automotive industry currently stands as one of the sectors with the lowest localization rate of analog ICs in China. In 2024, the localization rate of analog chips in automotive sector was merely around 5%. However, with the continuous enhancement of China's automotive industry's position in the international market, increasing the localization rate of chips has become a common aspiration within the industry. Coupled with the increasing R&D investments and active sales deployments made by domestic analog IC companies targeting on automotive, the market share of domestic analog IC companies in the automotive sector is expected to rise significantly. It is expected that by 2029, the localization rate of analog ICs in China's automotive industry will increase to 20%.



Source: Expert Interview, Frost & Sullivan Report

Market Drivers and Trends of Analog Integrated Circuits in Automotive Industry

- ***China's automobile production and sales growth drives analog ICs demand expansion***

China's vehicle production and sales continue to rise, injecting strong momentum into the analog IC market. In 2024, China automotive industry had reached a new high with a sales volume totaled 31.4 million units. For the same year, China exported more than 5.8 million units of vehicles, making it the country with the largest number of automobile exports in the world for the second consecutive year. The huge scale of China's automotive industry and its continuous growth momentum serve as a solid foundation for the development of the domestic automotive analog IC industry. It is also expected to enable domestic analog IC companies to participate more deeply in international market competition.

- ***The electrification transformation has led to a surge in the value of single-vehicle ICs***

China is leading the growing of the global new energy vehicle industry. In 2024, the sales volume of new energy vehicles in China exceeded 12.8 million units, nearly ten times the scale in 2020, accounting for more than 65% of the global new energy vehicle market share. The penetration rate of new energy vehicles in China has rapidly increased from 5.4% in 2020 to 40.9% in 2024. It is expected that by 2029, the penetration rate will exceed 75%. The development of the new energy vehicle industry will provide long-term demand support for the analog chip market. The power system of new energy vehicles is composed of power batteries, motors, electronic control, etc. The multiple energy conversions and interconnections among these electrical systems require a large number of analog chips, making the value of analog chips in new energy vehicles three times higher than that in traditional fuel-powered vehicles.

- ***Intelligent technology innovation has given rise to emerging application scenarios***

Intelligentization has become one of the most important development trends in the automotive industry. Automotive manufacturers are constantly enriching the intelligent functions of vehicles to attract consumers' attention. Advancement in smart cockpit and autonomous driving functions are accelerating the expansion of the analog ICs market. Multi-sensor fusion solutions make up for the shortcomings of pure vision solutions, driving demand for signal chain and power management ICs. The continuous popularization of large-screen and multi-screen smart cockpits also drives the growth of display driver ICs. Besides the electrification, the intelligent development of automotive will serve as another key factor driving the growth of the automotive analog chip market.

- ***The rise of domestic automotive brands necessitates a more localized supply chain***

With the continuous improvement of the proportion of domestic automotive brands, from less than 40% in 2020 to 61% in 2024, the demand for supply chain security in the domestic automotive industry has become increasingly prominent. Domestic supply of automotive analog IC is crucial to establish a stable supply chain eco-system. By 2024, the localization rate of automotive analog ICs in China is still very low with only 5%, representing the lowest localization rate compared to other major downstream segments. In order to get rid of the dependence on importing analog ICs, domestic automotive brands actively promote the localization of analog ICs to ensure the independent control of the supply chain, therefore effectively drive the development of China domestic analog IC market. Domestic analog IC companies are expected to embrace new opportunities, and their market share will be further enhanced.

SENSOR MARKET OVERVIEW

Definition and Classification of Sensors

A sensor refers to a component that collects various signals from the physical world and outputs them to the backend system for further processing. Analog chips play a core role in sensors. They are required to perform processing such as amplification, filtering, and analog-to-digital conversion on the collected signals, so as to make the signals suitable for digital systems, thereby achieving the connection between the physical world and the digital world.

Sensors can be classified into two forms: chip-level sensors and module-level sensors. A chip-level sensor is a sensor that integrates functional elements and circuits onto a single chip, such as pressure sensors, magnetic sensors, temperature sensors, humidity sensors, optical sensors, acoustic sensors, etc. A module-level sensor is a module that integrates multiple chip-level sensors or other components together to form a unit with specific functions, such as camera, radar, LiDAR, etc.

A chip-level sensor can perceive, detect and respond to the external environment or the internal state change of the system. It can convert physical quantity, chemical quantity, biomass and other measured signals (e.g. temperature, pressure, light intensity, humidity, movement, etc.) into recognizable electrical signals or other forms of output signals (e.g. voltage, current, etc.), in order to measure, record, transmit, or control.

Composition of Sensors

The core components of a chip-level sensor include the sensing element, integrated circuit, and packaging structure. Among these, signal conditioning chip, a type of analog IC, processes the raw signals (such as microvolt-level voltages or resistance changes) from the sensing element and converts them into usable digital signals. In the case of magnetic sensors, the analog IC plays a pivotal role in achieving high precision and low power consumption. Through advanced integration and seamless collaboration between the analog IC and the sensing element, magnetic sensors have found widespread applications in automotive electronics, industrial automation, medical devices, consumer electronics, and many other fields.

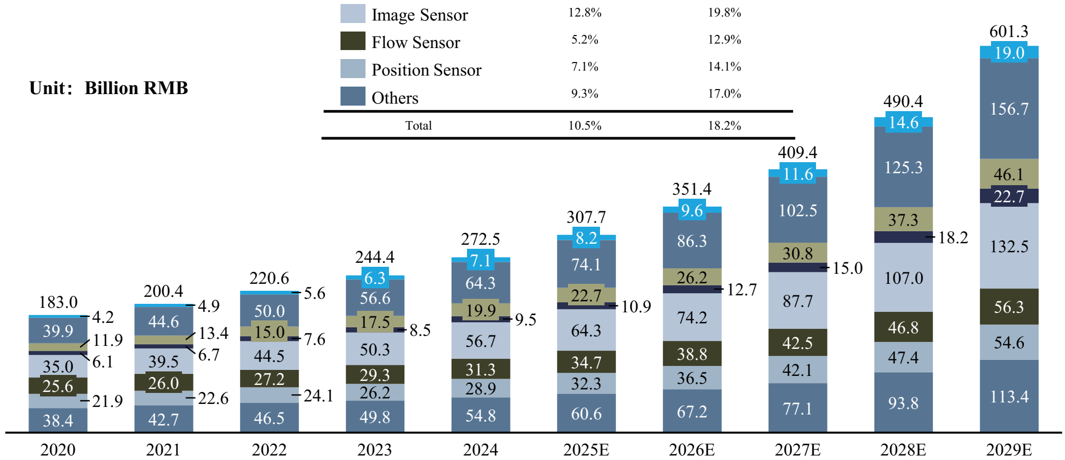
Global and China Market Size of Chip-level Sensor, by Sensor Type

In 2024, the China sensor market size reached RMB272.5 billion, with magnetic sensors accounting for RMB7.1 billion, pressure sensors for RMB64.3 billion, temperature sensors for RMB19.9 billion, and humidity sensors for RMB9.5 billion. With the development of new energy and intelligent vehicle, industrial automation, and smart consumer electronics, the demand for magnetic sensors continues to grow, driven by their critical role in motor control, current sensing, and position tracking. The China sensor market is expected to grow steadily, reaching RMB601.3 billion by 2029, with a CAGR of 18.2% from 2025 to 2029. The market size of magnetic sensors is expected to increase to RMB19.0 billion by 2029, representing the fastest growth rate among all sensor segments.

Magnetic sensor can convert the magnitude and change of magnetic field into electrical signal, applied for detecting parameters such as position, speed, and direction. Magnetic sensors are widely used in various fields such as the automotive industry, industrial applications, consumer electronics, humanoid robots, and healthcare. Among them, benefiting from the trends of electrification and intelligence in the automotive industry, the automotive sector is the sub-field where magnetic sensors are most extensively applied. In 2024, the market size of magnetic sensors in the automotive field accounted for approximately 54.1% of the total market size of magnetic sensors.

China Chip-level Sensor Market Size, by Sale Revenue

CAGR	2020-2024	2025E-2029E
Magnetic Sensor	13.6%	23.5%
Pressure Sensor	12.7%	20.6%
Temperature Sensor	13.8%	19.4%
Humidity Sensor	11.9%	20.0%
Image Sensor	12.8%	19.8%
Flow Sensor	5.2%	12.9%
Position Sensor	7.1%	14.1%
Others	9.3%	17.0%
Total	10.5%	18.2%



Source: Expert Interview, Frost & Sullivan Report

Note: Others refer to physical sensors other than the common types such as motion sensors, distance sensors, and radio frequency sensors, as well as chemical sensors and biosensors.

Market Driver and Trends of Sensors

- ***Strong Demand Supported by Traditional Application***

The rapid expansion of China's magnetic sensor industry is primarily fueled by the increasing demand for domestic substitution. In the automotive electronics sector, the rise of new energy vehicles has driven the need for high-precision magnetic sensors, particularly for motor control and position detection applications. Meanwhile, industrial automation advancements have accelerated the adoption of domestically produced high-performance sensors, improving system stability and intelligence. Additionally, the development of smart grids necessitates a large-scale deployment of highly reliable magnetic sensors for current detection and power monitoring. With the growing emphasis on self-sufficiency, China's magnetic sensor market is experiencing rapid growth, accelerating technological breakthroughs and market penetration.

- ***Surging Demand Driven by Emerging Field***

The advancement of humanoid robotics necessitates high-precision motion control and real-time feedback, accelerating the adoption of magnetic sensors in high-performance encoders to ensure precise joint movement and stability. Simultaneously, eVTOL, electric vertical take-off and landing aircraft, demands enhanced anti-interference capabilities and environmental adaptability, optimizing navigation, attitude control, and power system stability. As a core component of encoders, magnetic sensors – characterized by high value and high technical barriers – are poised for unprecedented growth in these emerging fields.

- ***Accelerated Advancement of the High-End Sensor Industry Under Policy Guidance***

The Chinese government has actively introduced policies such as the Guiding Opinions on Promoting the Development of the Energy Electronics Industry《關於推動能源電子產業發展的指導意見》), and the Industrial Structure Adjustment Guidance Catalogue (2024 Edition)(《產業結構調整指導目錄（2024年本）》). These policies aim to promote the research, development, and application of miniaturized, low-power, highly integrated, and high-sensitivity sensing components, as well as advanced sensors capable of multidimensional information acquisition. The Industrial Structure Adjustment Guidance Catalogue (2024 Edition)(《產業結構調整指導目錄(2024年本)》) includes sensor products in the encouraged category across six key sectors, including automotive and intelligent manufacturing. These measures further clarify the Chinese sensor industry's development direction, drive technological upgrades in sensors, and expand their application scenarios.

COMPETITIVE LANDSCAPE OF ANALOG INTEGRATED CIRCUITS

Competitive Landscape Overview

The analog IC industry, characterized by its extensive applications and diverse product portfolio, has fostered a competitive landscape marked by coexistence among multiple players. International companies, leveraging their profound technological accumulation and rich product portfolio, still hold a dominant position in the Chinese market.

There are differences between domestic and international companies in many aspects. For example, most international manufacturers were established before 2000, boasting a long history and having a significant influence in the global market. In contrast, Chinese companies are generally established after 2000, starting relatively late and currently in a catching-up stage. In addition, due to historical reasons, international manufacturers generally adopt the IDM model, while domestic manufacturers commonly favor the fabless model. This enables them to concentrate resources on enhancing their design capabilities and reducing business risks.

As global competition in the integrated circuit industry has become increasingly fierce, the Chinese government has continuously increased its policy support for the industry, elevating it to a national strategic priority. At the meantime, the coordination between the upstream, midstream, and downstream segments of China's semiconductor industry is gradually strengthening, and the industry chain is developing toward greater efficiency and collaboration.

Amid the current competitive landscape, the increasing emphasis for localization, and supportive policy environment, coupled with steadily growing market demand, domestic analog IC companies have encountered exceptional development opportunities in recent years. This positions them to rapidly enhance their market competitiveness and continuously expand their market share

Ranking in China Analog Integrated Circuits Market

- ***Ranking of Companies in China Market, by Revenue of Analog IC Products (Containing signal chain ICs and power management ICs)***

China Analog IC market in 2024 reached RMB195.3 billion. Our Company ranked 14th in the China Analog ICs market; 6th among all fabless companies; and 5th among Chinese companies. The following table presents the ranking of companies in China Analog ICs market, as measured by revenue of Analog IC Products in 2024.

Ranking	**Company**	**Business Model**	**Region**	**Revenue** *(Billion RMB)*	**Market share**
1	Company A	IDM	United States	16.5	8.4%
2	Company B	IDM	United States	12.1	6.2%
3	Company C	IDM	Germany	10.3	5.3%
4	Company D	fabless	United States	8.7	4.4%
5	Company E	IDM	Switzerland	7.6	3.9%
6	Company F	IDM	Netherlands	6.5	3.3%
7	Company G	fabless	China	4.1	2.1%
8	Company H	fabless	China	3.3	1.7%
9	Company I	IDM	United States	2.9	1.5%
10	Company J	fabless	China	2.6	1.3%
11	Company K	IDM	United States	2.3	1.2%
12	Company L	IDM	Japan	2.2	1.1%
13	Company M	fabless	China	1.7	0.9%
14	Our Company	fabless	China	1.7	0.9%
15	Company N	IDM	Japan	1.5	0.8%
		Others		111.3	57.0%
		Total		195.3	100.0%

Source: Expert Interview, Company Report, Frost & Sullivan Report

Note:

1. Figures in the above table are rounded.

2. Company A is a listed company founded in 1930, headquartered in the U.S. mainly engaging in developing analog integrated circuits and other types of semiconductor products.

3. Company B is a listed company founded in 1965, headquartered in the U.S. mainly engaging in developing analog integrated circuits and other types of semiconductor products.

4. Company C is a listed company founded in 1999, headquartered in Germany, mainly engaging in developing analog integrated circuits and other types of semiconductor products.

5. Company D is a listed company founded in 2004, headquartered in the U.S. mainly engaging in developing analog integrated circuits and other types of semiconductor products.

6. Company E is a listed company founded in 1987, headquartered in Switzerland, mainly engaging in developing analog integrated circuits and other types of semiconductor products.

7. Company F A listed company founded in 2006, headquartered in the Netherlands, mainly engaging in developing analog integrated circuits and other types of semiconductor products.

8. Company G is a listed company founded in 2008, headquartered in Hangzhou, China, mainly engaging in developing power management integrated circuits.

9. Company H is a listed company founded in 2007, headquartered in Beijing, China, mainly engaging in developing analog integrated circuits.

10. Company I is a listed company founded in 1999, headquartered in the U.S. mainly engaging in developing analog integrated circuits and other types of semiconductor products.

11. Company J is a listed company founded in 2015, headquartered in Shanghai, China, mainly engaging in developing power management integrated circuits.

12. Company K is a listed company founded in 1957, headquartered in the U.S., mainly engaging in developing analog integrated circuits and other types of semiconductor products.

13. Company L is a listed company founded in 1958, headquartered in Japan, mainly engaging in developing analog integrated circuits and other types of semiconductor products.

14. Company M is a listed company founded in 2013, headquartered in Hangzhou, China, mainly engaging in developing power management integrated circuits.

15. Company N is a listed company founded in 2003, headquartered in Japan, mainly engaging in developing analog integrated circuits and other types of semiconductor products.

- ***Ranking of Companies in China Market, by Revenue of Digital Isolated Analog IC Products***

Digital isolator chips are a type of analog ICs designed to enable the secure transmission of signals between high and low voltage domains. In addition to standard digital isolators, digital isolator chips can also combine the isolator function with other functions such as power, drive, sampling and interfaces into a single chip to form "isolation+" products, such as isolated power chips, isolated drive chips, isolated sampling chips, isolated interface chips, etc.

China digital isolated ICs market in 2024 reached RMB7.1 billon. Our Company ranked 2nd in the China digital isolated ICs market; ranked 1st among all fabless companies; and ranked 1st among Chinese companies. The following table presents the ranking of companies in China digital isolated ICs market, as measured by revenue of isolated analog IC products (including "isolation+" products) in 2024.

Ranking	**Company**	**Business Model**	**Region**	**Revenue** *(Billion RMB)*	**Market share**
1	Company A	IDM	United States	1.6	23.1%
2	Our Company	fabless	China	1.1	15.6%
3	Company C	IDM	Germany	0.6	8.6%
4	Company F	IDM	Netherlands	0.5	6.4%
5	Company B	IDM	United States	0.4	5.1%
	Others			2.9	41.2%
	Total			7.1	100.0%

Source: Expert Interview, Company Report, Frost & Sullivan Report

Notes:

1. Figures in the above table are rounded.
2. See Note to "—Ranking in China Analog Integrated Circuits Market" for background information of companies in above table.

- ***Ranking of Companies in China Market, by Revenue of Automotive Analog IC Products***

China Automotive Analog ICs market in 2024 reached RMB37.1 billion. Our Company ranked 10th in the China Analog ICs market; 2th among all fabless companies; and 1st among Chinese companies. The following table presents the ranking of companies in China Automotive Analog ICs market, as measured by revenue of automotive analog IC products in 2024.

Ranking	**Company**	**Business Model**	**Region**	**Revenue**	**Market share**
				(Billion RMB)	
1	Company A	IDM	United States	7.4	20.0%
2	Company B	IDM	United States	6.1	16.4%
3	Company C	IDM	Germany	4.6	12.5%
4	Company D	fabless	United States	4.1	11.0%
5	Company F	IDM	Netherlands	3.4	9.1%
6	Company E	IDM	Switzerland	2.9	7.8%
7	Company I	IDM	United States	1.3	3.4%
8	Company L	IDM	Japan	0.8	2.1%
9	Company N	IDM	Japan	0.8	2.0%
10	Our Company	fabless	China	0.7	1.8%
		Others		5.0	13.9%
		Total		37.1	100.0%

Source: Expert Interview, Company Report, Frost & Sullivan Report

Notes:

1. Figures in the above table are rounded.

2. See Note to "—Ranking in China Analog Integrated Circuits Market" for background information of companies in above table.

Ranking in China Magnetic Sensor Market

In 2024, the market size of magnetic sensors in China reached RMB7.1 billion. Our Company ranked 5th in the China Magnetic Sensor market; and 1st among Chinese companies. The following table presents the ranking of companies in China magnetic sensor market, by revenue of magnetic sensors in 2024.

Ranking	**Company**	**Region**	**Revenue** *(Billion RMB)*	**Market share**
1	Company O *note*	United Stated	1.2	16.2%
2	Company C	Germany	1.1	15.7%
3	Company F	Netherlands	0.8	10.6%
4	Company P	Japan	0.6	7.8%
5	Our Company	China	0.5	7.1%
	Others		2.9	40.8%
	Total		7.1	100.0%

Source: Expert Interview, Company Report, Frost & Sullivan Report

Notes:

1. Figures in the above table are rounded.
2. Our company's revenue in the ranking table consists of the full-year 2024 revenue from magnetic sensors of NOVOSENSE and MagnTek. We completed the acquisition of MagnTek in October 2024.
3. Company O is a listed company founded in 1991, headquartered in USA, mainly engaging in designing, developing, and marketing sensor and power integrated circuits.
4. Company P is a private company founded in 1983, headquartered in Japan, mainly engaging in the development of analog and mixed-signal integrated circuits, magnetic sensors, and electronic devices for audio, industrial, and automotive applications.
5. See Note to "—Ranking in China Analog Integrated Circuits Market" for background information of other companies in above table.

Market Entry Barriers

- ***Technological Barriers***

Analog ICs design demands a comprehensive and intricate consideration of a wide array of parameters, including power consumption, accuracy, and power supply voltage. This complexity makes it highly reliant on long-term accumulated experience. Talent reserves are also crucial. However, a large number of top-tier talents are concentrated in leading companies. These leading firms offer better pay, more advanced R&D facilities, and greater career development opportunities. As a result, new entrants face significant challenges in attracting and cultivating high-level teams, which severely restricts their technological innovation and product development capabilities.

- ***Capital Barriers***

Analog ICs necessitate long-term and substantial R&D investment. With the continuous advancement of technology, the process difficulty escalates under advanced processes. Moreover, leading companies have formed significant scale advantages through years of accumulation. They can spread the high R&D costs over a large number of products. In contrast, new entrants not only need to invest heavily in R&D but also have to bear the risk of initial losses due to low market share and high costs, making it extremely difficult for them to break into the market.

- ***Customer and Verification Barriers***

End customers, particularly in the automotive and industrial fields, have extremely high requirements for ICs reliability. ICs used in cars, for example, must endure harsh environmental conditions like high temperatures, vibrations, and electromagnetic interference. This requires long-term and rigorous testing and verification. Leading companies have established strong customer and verification barriers through stable supply and excellent product reputation over the years. Customers in these industries are highly risk-averse and tend to choose partners with a proven track record of good historical performance. New entrants find it arduous to obtain orders quickly as they lack the necessary certification and customer recognition, which hinders their market penetration.

- ***Supply Chain Barriers***

Analog ICs mainly adopt either the IDM or fabless model. For new entrants, establishing stable cooperation with wafer fabs is essential. However, the resources of leading foundries are limited. These foundries prioritize large-scale customers with long-term contracts. Small companies often struggle to secure production capacity. Sudden disruptions in the supply of raw materials or manufacturing capacity constraints can affect product delivery. Companies need to have a rapid response mechanism in place to deal with such uncertainties, which poses another challenge for new entrants in the Analog ICs market.

THE PRC LAWS, REGULATIONS AND POLICIES

This section summarizes the major PRC laws, regulations and policies relevant to the Company's daily business operations currently carried out in the PRC.

POLICIES RELATING TO THE INTEGRATED CIRCUIT INDUSTRY

In June 2014, the State Council of the PRC (the "**State Council**") promulgated the Outline for Promoting the Development of the National Integrated Circuit Industry (國家集成電路產業發展推進綱要), which stated that the development goal of the integrated circuit industry is to reach an advanced international standard in the major links of the integrated circuit industry chain by 2030, with a number of enterprises entering the international first tier and achieving leapfrog development. The main tasks and development priorities are to focus on the development of integrated circuit design industry, centering on key areas of the industry chain, strengthening integrated circuit design, software development, system integration, content and service collaborative innovation, and driving the development of the manufacturing industry with the rapid growth of the design sector.

In November 2016, the State Council promulgated the "State Council's Notice on the Issuance of the Development Plan for the Nation's Strategic Emerging Industries under the '13th Five-Year' Plan", with a view to initiate the major productivity layout and planning project for integrated circuits, and implement a series of high-impact projects to drive rapid leaps in industrial capabilities, as well as accelerate the construction of production lines for advanced manufacturing processes, storage devices and specialty technologies, enhance the design and development capability and application level of key products such as safe and reliable CPUs, digital-to-analog/analog-to-digital converter chips and digital signal processing chips, and promote the rapid development of industries such as packaging and testing, key equipment and materials, support the improvement of service level of foundries and third-party IP core companies, support collaborative innovation between design enterprises and manufacturing enterprises, and promote key segments to increase industrial concentration and collaborative innovation in the semiconductor display industry chain.

In July 2020, the State Council announced the Several Policies for Promoting the High-quality Development of Integrated Circuit Industry and Software Industry in the New Era, in order to further optimize the development environment of the integrated circuit industry and software sectors, deepen international cooperation in the industry, and enhance the industrial innovation capability and development quality, launch a series of supporting fiscal and taxation, investment and financing, research and development, import and export, talents, intellectual property rights, market application and international cooperation policies.

In December 2020, the Ministry of Finance, the General Administration of Taxation, the National Development and Reform Commission ("**NDRC**"), and the Ministry of Industry and Information Technology ("**MIIT**") jointly released the "Announcement on Enterprise Income Tax Policy for Promoting High Quality Development of Integrated Circuit Industry and Software Industry". Pursuant to the aforesaid regulations, key integrated circuit design enterprises and software enterprises encouraged by the state are exempted from enterprise income tax for the first to fifth years starting from the profit-making year, and are subject to a reduced enterprise income tax rate of 10% in the succeeding years.

In March 2021, the National People's Congress (the "**NPC**") approved the Outline of the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives through the Year 2035 of the PRC (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 industrial innovation and development of integrated circuits, aerospace equipment, ship and ocean engineering equipment, robots, advanced rail transit equipment, advanced power equipment, construction machinery, high-end CNC machine tools, medicine, and medical equipment.

In March 2021, in accordance with the Notice on Supporting Import Tax Policy for the Development of Integrated Circuit Industry and Software Industry (財政部海關總署稅務總局關於支持集成電路產業和軟件產業發展進口稅收政策的通知) issued by the Ministry of Finance, the General Administration of Customs and the State Taxation Administration, import behaviors that conform to the circumstances listed in this regulation are exempted from import duties, which is effective from 27 July 2020 to 31 December 2030.

In December 2021, the State Council promulgated the Notice by the State Council of Issuing the Plan for Development of the Digital Economy During the "14th Five-Year" Period (國務院關於印發"十四五"數字經濟發展規劃的通知), which states that during the 14th Five-Year Plan period, the innovation capabilities of key technologies should be strengthened, aiming at strategic forward-looking fields such as sensors, quantum information, network communications, integrated circuits, key software, big data, artificial intelligence, block chain, new materials, etc., and giving full play to the strengths of China's socialist system, new-type national mobilization system, and super-sized market to enhance foundational R&D capabilities in digital technologies. It also states that key technical shortcomings should be made up, the organizational methods such as "selecting the best candidates via open competition mechanism" should be optimized and innovated, focusing on breakthroughs in key core technologies in the fields of high-end chips, operating systems, industrial software, core algorithms and frameworks, and strengthening the integrated research and development of general-purpose processors, cloud computing systems, and key software technologies. In addition, the competitiveness of key links in the industrial chain should be improved, and the supply chain systems of key industries such as 5G, integrated circuits, new energy vehicles, artificial intelligence, and industrial Internet should be improved.

In May 2022, the State Taxation Administration issued the Guidance of Preferential Tax Policy for Software Enterprises and Integrated Circuit Enterprises. In order to facilitate timely understanding of the applicable tax incentives, the above guidelines specify the contents of the incentives, eligibility criteria and policy basis for integrated circuit enterprises. For example, enterprises engaged in integrated circuit design, equipment, materials, packaging and testing encouraged by the state are entitled to periodic reduced enterprise income tax; key integrated circuit design enterprises encouraged by the state are entitled to periodic reduced enterprise income tax; and employee training fees of enterprises engaged in integrated circuit design are deductible before tax according to the actual amount incurred.

In April 2023, the Ministry of Finance and the State Taxation Administration jointly promulgated 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 states that from 1 January 2023 to 31 December 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 ON FOREIGN INVESTMENT

The establishment, operation and governance of corporate entities in the PRC is governed by the Company Law of PRC (中華人民共和國公司法) (the "**PRC Company Law**"), which was issued by the Standing Committee of the NPC ("**SCNPC**") on 29 December 1993, last revised on 29 December 2023 and became effective on 1 July 2024. Limited liability companies and stock limited companies established in the PRC shall be subject to the PRC Company Law. A foreign-invested company is also subject to the PRC Company Law unless otherwise provided by the foreign investment laws.

The Foreign Investment Law of the PRC (中華人民共和國外商投資法), which was promulgated by the NPC on 15 March 2019 and came into effect on 1 January 2020, specifies that the state shall implement the management system of pre-entry national treatment and the Negative List for foreign investment. Pre-entry national treatment refers to the treatment accorded to foreign investors and their investments at the stage of investment entry which is no less favourable than the treatment accorded to domestic investors and their investments; Negative List refers to a special administrative measure for the entry of foreign investment in specific sectors as imposed by the state. The state provides national treatment to foreign investments outside the Negative List. In addition, the Regulations on Implementing the Foreign Investment Law of the PRC ("**Implementation Regulations**"), which were promulgated by the State Council on 26 December 2019 and came into effect on 1 January 2020, further stipulate that the state shall, in accordance with the needs of the national economy and social development, formulate a catalog of industries for encouraging foreign investment, setting out the specific industries, fields and regions in which foreign investors will be encouraged and induced to invest.

The National Development and Reform Commission and the Ministry of Commerce jointly revised and promulgated the "the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2024 Version)" (the "**Negative List**") on 6 September 2024, which came into effect on 1 November 2024, replacing the previous Negative List, pursuant to which, domestic enterprises engaged in business sectors prohibited under the Negative List that seek to issue shares and list overseas shall be subject to review and approval by the relevant national competent authorities, and foreign investors are not allowed to participate in the operation and management of the enterprise and their shareholding ratios shall be implemented with reference to the relevant regulations on the management of domestic securities investment by foreign investors.

According to the Measures for the Security Review of Foreign Investment (外商投資安全審查辦法) (the "**Measures**") promulgated by NDRC and MOFCOM on 19 December 2020 and effective from 18 January 2021, foreign investments that have an actual or potential impact on national security are subject to security review in accordance with the provisions of the Measures. Foreign investors or relevant domestic parties who intend to invest in the following areas should proactively apply to the mechanism's office for a security review prior to implementation of the investment: (1) investment in defense, defense support and related sectors that have a bearing on national defense security, as well as investment in areas surrounding military and defense facilities; (2) investment in important agricultural products, important energy and resources, major equipment manufacturing, important infrastructure, important transportation services, important cultural products and services, important information technology and Internet products and services, important financial services, key technologies, and other important sectors related to national security, while obtaining actual control over the invested enterprise.

REGULATIONS ON OVERSEAS INVESTMENT

Pursuant to the Administrative Measures for Outbound Investment (境外投資管理辦法) promulgated by the MOFCOM on 6 September 2014 and effective from 6 October 2014, the MOFCOM and provincial competent commerce departments shall carry out administration either by record-filing or by verification and approval depending on different circumstances of outbound investment by enterprises. Outbound investment by enterprises that involves sensitive countries and regions or sensitive industries shall be subject to administration by verification and approval. Outbound investment that falls under any other circumstances shall be subject to administration by record-filing.

Pursuant to the Administrative Measures for Outbound Investment by Enterprises (企業境外投資管理辦法) promulgated by NDRC on 26 December 2017 and effective from 1 March 2018, domestic enterprises (the "**investors**") in the PRC making an outbound investment shall go through verification and approval or record-filing or other procedures applicable to outbound investment projects (the "**Projects**"), report relevant information, and cooperate with the supervision and inspection. Sensitive Projects carried out by the investors directly or through overseas enterprises controlled by them shall be subject to the management of verification and approval; non-sensitive Projects directly carried out by the investors, namely, non-sensitive projects involving the investors' direct contribution of assets or rights and interests or provision of financing or security, shall be subject to the management of record-filing. The aforementioned sensitive project means a project involving sensitive countries and regions or a sensitive industry. The NDRC promulgated the Catalogue of Sensitive Sectors for Outbound Investment (2018 Edition) (境外投資敏感行業目錄(2018年版)), effective on 1 March 2018 to list the sensitive industries for foreign investment in detail.

According to the "Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment" issued by the State Administration of Foreign Exchange on 13 February 2015 and effective from 1 June 2015, the approval of foreign exchange registration for direct investment is canceled. Banks directly review and handle the foreign exchange registration for overseas direct investment. The State Administration of Foreign Exchange and its branches indirectly supervise the registration of foreign exchange for overseas direct investment through banks.

LAWS AND REGULATIONS RELATING TO NETWORK SECURITY AND DATA SECURITY

Pursuant to the National Security Law of the PRC (中華人民共和國國家安全法) issued by the SCNPC on and effective from 1 July 2015, the term "national security" is defined as "the status of national regime, sovereignty, unity and territorial integrity, people's well-being, sustainable economic and social development, and other major national interests that are relatively safe and free from any internal and external threat, as well as the ability to ensure continuous security. The state shall establish the rules and mechanisms for national security review and supervision, and conduct national security review of foreign investment, particular materials and key technologies, network information technology products and services that affect or may affect national security, construction projects that involve national security matters, and other major matters and activities to effectively prevent and resolve national risks.

According to the Cybersecurity Law of the PRC (中華人民共和國網絡安全法) promulgated by the SCNPC on 7 November2016 and effective from 1 June 2017, those who build, operate or provide services through networks shall take technical measures and other necessary measures according to laws, administrative regulations and compulsory national standards to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data.

Pursuant to the Data Security Law of the PRC, which was promulgated by the SCNPC on 10 June 2021 and came into effect on 1 September 2021, the state shall establish a data classification and tiered protection system to implement categorized and tiered safeguards for data. Entities carrying out data processing activities shall establish a sound data security management system, 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 RIGHTS

Patent

Pursuant to the Patent Law of the PRC (the "**Patent Law**") promulgated by the SCNPC on 12 March 1984, last revised on 17 October 2020 and effective from 1 June 2021, and the Implementation Rules of the Patent Law of the PRC promulgated by the State Council on 15 June 2001, last revised on 11 December 2023 and effective from 20 January 2024, there are three types of patents, namely invention, utility model and design. Invention patents are valid for 20 years, while utility model patents are valid for 10 years and design patents are valid for 15 years, all starting from the date of application. After the granting of a patent for an invention or utility model, unless otherwise provided for in the Patent Law, no entity or individual may exploit the patent without the permission of the patentee; after the granting of a design patent, no entity or individual shall, without permission of the patentee, exploit the patent, that is, they shall not make, promise to sell, sell, or import the product incorporating its or his patented design, for production 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 23 August 1982, last revised on 23 April 2019 and effective on 1 November 2019, and the Regulation on the Implementation 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 3 August 2002, last revised on 29 April 2014 and effective on 1 May 2014, trademarks approved and registered by the Trademark Office are registered trademarks, and the trademark registrant shall have the exclusive right to use the trademark, which is protected by law. The validity period of a registered trademark is 10 years, counting from the date of approval of registration.

Copyright

According to the Copyright Law of the PRC (中華人民共和國著作權法) promulgated by the SCNPC on 7 September 1990, last revised on 11 November 2020 and effective on 1 June 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 2 August 2002, last revised on 30 January 2013 and effective on 1 March 2013, works of PRC citizens, legal persons or unincorporated organizations, whether published or not, shall enjoy copyright in accordance with law. Works refer to intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form. A copyright holder shall enjoy a number of personal and property rights, including the right of publication, the right of authorship and the right of amendment.

According to the Regulations on the Protection of Computer Software (計算機軟件保護條例) promulgated by the State Council on 20 December 2001, last revised on 30 January 2013 and effective on 1 March 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 of the PRC on 20 February 2002, computer software refers to computer programs and their associated documentation. Chinese citizens, legal persons or other units shall enjoy the copyright for software they develop, regardless of whether it has been published. Software copyright arises from the date of completion of software development. The protection period of the software copyright of legal persons or other units shall be 50 years, ending on 31 December of the fiftieth year after the first publication of the software. Software which has not been published for 50 years since the date of completion of software development shall not be under protection.

Design of Integrated Circuit Layouts

Pursuant to the Regulations on the Protection of Layout-Designs of Integrated Circuits (集成電路布圖設計保護條例) (the "**Regulations on the Protection**") issued by the State Council on 2 April 2001, and effective from 1 October 2001, natural persons, legal persons or other organizations in China who create layout-designs shall have exclusive rights to their designs in accordance with the Regulations on the Protection. The exclusive rights to the layout design arise upon registration with the intellectual property administration department of the State Council, and layout designs that have not been registered are not protected by the Regulations on the Protection. The protection period for the exclusive rights of a layout design is 10 years, starting from the date of application for registration of the design or from the date of putting it into commercial exploitation somewhere in the world for the first time, whichever is earlier. However, whether or not the design is registered or commercially used, it is no longer protected by the Regulations on the Protection 15 years after the date of completion of the design.

Domain Names

According to the Measures for the Administration of Internet Domain Names (互聯網域名管理辦法) promulgated by the MIIT on 24 August 2017, which came into effect on 1 November 2017, the MIIT is responsible for the supervision and management of China's domain name services. No organization or individual shall impede the safe and stable operation of the Internet domain name system.

REGULATIONS RELATING TO HOUSE 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), which was promulgated by the SCNPC on 5 July 1994, was last revised on 26 August 2019 and came into effect on 1 January 2020, in case of house leasing, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, usage, rental and repair liabilities, as well as other rights and obligations of both parties, and go through registration and filing procedures with the real estate administration department.

In addition, according to the Administrative Measures for Commodity House Leasing (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 1 December 2010 and came into effect on 1 February 2011, within 30 days after the conclusion of the house leasing contract, the parties involved in the house leasing shall carry out house leasing registration with the construction (real estate) administrative department of the people's government of a municipality directly under the central government of the PRC, city or county where the house leased is located. If individuals or entities are in violation of the above provisions, they may be ordered to make corrections within a specified time limit by the competent construction (real estate) department of the people's government of a municipality directly under the central government, city or county. If any individual fails to do so, a fine of less than RMB1,000 will be imposed, while if any entity fails to do so, a fine of more than RMB1,000 but less than RMB10,000 will be imposed.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

Pursuant to the Product Quality Law of the PRC (中華人民共和國產品質量法) promulgated by the SCNPC on 22 February 1993 and last revised on 29 December 2018, producers and sellers shall establish a sound internal product quality control system and strictly adhere to a job responsibility system in relation to quality standards and quality liabilities together with implementing corresponding examination and inspection measures. The counterfeiting or imitation of quality marks such as certification marks, falsifying the place of origin of products, and falsifying or imitating the name or address of another factory or adulteration of, or mixing of improper elements with products, passing off the sham as the genuine or passing off the inferior as the superior is prohibited.

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT TRADE

According to the Customs Law of the PRC (中華人民共和國海關法), which was promulgated by the SCNPC on 22 January 1987 and last revised on 29 April 2021,unless otherwise stipulated, the declaration of import and export goods and the payment of customs duties may be handled by the consignees or consignors of imported or exported goods or entrusted customs declaration enterprises. The consignee or the consignor of imported or exported goods and the customs declaration enterprise shall go through customs declaration and filing procedures at the relevant customs in accordance with the law.

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 12 May 1994 and last revised on 30 December 2022, and the Regulation of the People's Republic of China 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) promulgated by the State Council on 10 December 2001, last revised on 10 March 2024 and became effective on 1 May 2024, unless it is clearly provided in laws or administrative regulations to forbid or restrict the import or export of goods, no entity or individual may establish or maintain prohibitive or restrictive measures over the import or export of goods.

In accordance with the Export Control Law of the People's Republic of China (中華人民共和國出口管制法), promulgated by the Standing Committee of the National People's Congress on 17 October 2020, and which came into effect on 1 December 2020, China controls the export of dual-use items, military goods, nuclear and other goods, technologies, services and other items that are relevant to safeguarding the security and interests of China and fulfilling its international obligations in the area of non-proliferation. In accordance with the provisions of the Export Control Law and relevant laws and administrative regulations, and in accordance with export control policies, export control authorities, in conjunction with the relevant departments and in accordance with prescribed procedures, formulate and adjust the export control lists of controlled items, and make them public in a timely manner. In accordance with the need to safeguard national security and interests and to fulfil international obligations such as non-proliferation, and with the approval of the State Council, or with the approval of the State Council or the Central Military Commission, the export control authorities may impose temporary controls on goods, technologies and services not included in the export control lists, and make public announcements thereof.

Pursuant to the Administrative Provisions of the PRC on the Filing of Customs Declaration Entities (中華人民共和國海關報關單位備案管理規定) promulgated by the General Administration of Customs on 19 November 2021 and became effective on 1 January 2022, consignees, consignors or customs declaration enterprises of imported or exported goods only need to file with the Customs, and no longer need to register with the General Administration of Customs. The filing information will be publicized through the credit publicity platform of import and export business of Customs of the PRC.

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 12 May 1994 and last revised on 30 December 2022, the requirement that foreign trade operators engaging in the import and export of goods or technology must register with the competent department for foreign trade of the State Council or its authorized agencies is cancelled.

LAWS AND REGULATIONS RELATING TO LABOR AND SOCIAL INSURANCE

Labor Law and Labor Contract Law

Pursuant to the Labor Law of the PRC (中華人民共和國勞動法) last revised by the SCNPC on 29 December 2018 and the Labor Contract Law of the PRC (中華人民共和國勞動合同法) last revised by the SCNPC on 28 December 2012 and came into effect on 1 July 2013, a labor contract shall be concluded when a labor relationship is established. Employers shall establish and improve labor rules and systems in accordance with the law to safeguard employees' labor rights and fulfillment of labor obligations.

Social Insurance and Housing Provident Fund

In accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法) last revised and put into effect by the SCNPC on 29 December 2018, the Provisional Regulations on Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) last revised and put into effect by the State Council on 24 March 2019, social insurance system has been established for basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. Enterprises shall register social insurance with local social insurance agency and participate in social insurance. Enterprises and employees shall pay their social insurance premiums in full and in a timely manner.

In accordance with the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例) which was last revised and put into effect by the State Council on 24 March 2019, enterprises shall register at the housing provident fund management center to pay housing provident funds and open housing provident fund accounts for their employees. Enterprises are required to pay housing provident funds on behalf of their employees in full and in a timely manner.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law (企業所得稅法) and the relevant implementation regulations, the unified enterprise income tax rate is 25%. However, a non-resident enterprise that does not have an establishment or place of business in the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall pay EIT on its income derived from the PRC at an enterprise income tax rate of 10%.

Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) promulgated by the SCNPC and last revised and took effect on 29 December 2018, and the Regulations on the Implementation of 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 on 6 December 2024 and revised and took effect on 20 January 2025, a uniform enterprise income tax rate of 25% is imposed to both foreign invested enterprises and domestic enterprises, but tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced by 20% for qualifying small low-profit enterprises. The Chinese government provides key support to high-tech enterprises, which are subject to a reduced enterprise income tax rate of 15%.

Value-added Tax

Pursuant to the Provisional Regulations of the PRC on Value-Added Tax (中華人民共和國增值稅暫行條例), which was promulgated by the State Council, and last revised and became effective on 19 November 2017, and the Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例實施細則), which was promulgated by the Ministry of Finance, and last revised on 28 October 2011 and effective on 1 November 2011, all entities and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC are taxpayers of value-added tax (the "**VAT**") and shall pay VAT. Unless stated otherwise, for payers who sell or import goods, and provide processing, repairs and replacement services in the PRC, the tax rate shall be 17%, and be, in certain specified circumstances, 11%, 6% and 0%.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (財政部、稅務總局關於調整增值稅稅率的通知) which was promulgated on 4 April 2018 and came into effect on 1 May 2018, the original rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Policies for Deepening the VAT Reform (關於深化增值稅改革有關政策的公告), which was promulgated by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, the original rates of 16% or 10% applicable to the general VAT payers' sales activities or imports goods that are subject to VAT are adjusted to 13% or 9%, respectively.

On 25 December 2024, the SCNPC promulgated the Value-added Tax Law of the PRC ("**VAT Law**"), which will come into effect on 1 January 2026, and the Provisional Regulations of the PRC on Value-Added Tax will be repealed concurrently. Pursuant to the VAT Law, entities and individuals (including individual industrial and commercial proprietors) selling goods, services, intangible assets, real estate and importing goods within the territory of the PRC are taxpayers of VAT and shall pay VAT in accordance with the provisions of the law. Unless stated otherwise, for payers who sell goods, and provide processing, repairs and replacement services and rental services of tangible movable assets as well as import goods, the tax rate shall be 13%, and be, in certain specified circumstances, 9%, 6% and 0%.

LAWS AND REGULATIONS RELATING TO FOREIGN CURRENCY EXCHANGE

The Foreign Exchange Control Regulations of the PRC (中華人民共和國外匯管理條例) last revised by the State Council on 5 August 2008, are applicable to all activities related to the foreign exchange receipts and disbursements and transactions of domestic corporations and individuals and to the said activities of overseas corporations and individuals within the territory of the PRC.

According to the Circular of the SAFE on Issues concerning the Administration of Foreign Exchange Involved in 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) announced by the SAFE on December 26, 2014, the SAFE and its branch offices and administrative offices shall oversee, regulate and inspect domestic companies regarding their business registration, opening and use of accounts, trans-border payments and receipts, exchange of funds and other conduct involved in overseas listing. Domestic company shall, within 15 working days upon the end of its public offering overseas, handle registration formalities for overseas listing with the foreign exchange authority at its place of registration with the required materials.

According to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (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) which was promulgated by the SAFE on June 9, 2016, the settlement of foreign exchange receipts under the capital account (including the foreign exchange capital, external debts and funds recovered from overseas listing, etc.) that are subject to discretionary settlement as already specified by relevant policies may be handled at banks based on the domestic institutions' actual requirements for business operation. Where the current regulations contain any restrictive provisions on the foreign exchange settlement of foreign exchange receipts under capital accounts of domestic institutions, such provisions shall prevail.

According to the Circular of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Management Service in Support of Foreign Business Development (國家外匯管理局關於優化外匯管理支持涉外業務發展的通知) issued by the SAFE on 10 April 2020, enterprises meeting the prescribed requirements are allowed to use income under the capital accounts as capital funds, external debts and overseas listings for domestic payment without providing banks with authenticity certification materials in detail in advance, to the extent that funds are used for true and law-compliant purposes and such enterprises comply with the in-force administrative provisions on the use of income under the capital accounts. According to the "Notice of the State Administration of Foreign Exchange on Further Deepening Reforming to Facilitate Cross-border Trade and Investment" issued by the SAFE on 4 December 2023, the foreign exchange funds raised by domestic enterprises through overseas listing may be directly remitted to the settlement account of capital accounts. Funds in the settlement account of capital accounts may be settled and used at discretion.

LAWS AND REGULATIONS RELATING TO THE ISSUANCE AND LISTING OF SECURITIES OVERSEAS BY DOMESTIC ENTERPRISES

Securities Laws and Regulations

The Securities Law of the People's Republic of China (the "**Securities Law**"), which was last revised by the SCNPC on 28 December 2019 and became effective on 1 March 2020, comprehensively regulates the activities of the securities market in the PRC, including the issuance and trading of securities, acquisitions of listed companies, disclosure of information, investor protection, stock exchanges, securities companies, securities registration and clearing institutions, securities service agencies, securities associations and securities regulatory authorities. The Securities Law further stipulates that domestic enterprises that directly or indirectly issue securities abroad or list their securities abroad shall comply with the relevant provisions of the State Council, and that the specific provisions for subscription and trading of shares of domestic companies in foreign currencies shall be separately stipulated by the State Council. The China Securities Regulatory Commission (CSRC) is a securities regulatory body established by the State Council, which is responsible for supervising and managing the securities market in accordance with the law, maintaining market order and safeguarding the legal operation of the market.

Overseas Listing

On 17 February 2023, the CSRC promulgated 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) (the "**Trial Measures**") and related guidelines, which came into effect on 31 March 2023. Pursuant to the Trial Measures, where a domestic enterprise in the PRC directly or indirectly issues or lists shares overseas, it shall file a report with the CSRC within 3 working days after submitting the application documents for issuance and listing overseas; overseas issuance and listing shall be prohibited under any of the following circumstances: where the issuance and listing is prohibited by laws, administrative regulations or the relevant provisions of the state; where the overseas issuance and listing is recognized by the relevant competent department of the State Council in accordance with the law may jeopardize national security; where domestic enterprises or their controlling shareholders or de facto controllers are involved in criminal offenses of corruption, bribery, misappropriation of property, embezzlement of property, or disruption of the socialist market economy order within the last three years; where domestic enterprises suspected of committing crimes or major violations of laws and regulations are being investigated by the law, and has not yet come to a definitive conclusion of the opinion; where there are significant ownership disputes over the shareholdings held by controlling shareholders or shareholders directed by controlling shareholders or de facto controllers.

Pursuant to the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing 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 Confidentiality**"), which was jointly issued by the CSRC together with other relevant authorities on 24 February 2023 and became effective on 31 March 2023, for the activities of overseas issuance and listing of domestic enterprises, the domestic enterprises as well as securities companies and securities service agencies providing corresponding services shall strictly comply with the relevant laws and regulations of the PRC and the requirements of the Provisions on Confidentiality, enhance their legal awareness of the need to protect state secrets and enhance archive management, and establish a sound system for confidentiality and archive management. Necessary measures shall be taken to fulfill the responsibility of confidentiality and archive management, and state secrets and the working secrets of state organs shall not be disclosed, or the state and public interests shall not be jeopardized. Where any domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listed subjects documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals including securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the State. Where a domestic enterprise provides or publicly discloses to relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listed subjects' documents or materials the disclosure of which would adversely affect national security or public interests, it shall strictly fulfill the corresponding procedures in accordance with the relevant provisions of the state.

FINAL RULE BY THE U.S. DEPARTMENT OF THE TREASURY

On October 28, 2024, the U.S. Department of the Treasury (the "**Department of 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 an outbound investment program that restricts investments by U.S. persons and U.S.-controlled entities imposed by Executive Order 14105, "Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern". The Final Rule became effective on January 2, 2025.

Application Scope of the Final Rule

The Final Rule applies to investments by U.S. persons as to "covered transactions" involving "covered foreign person" associated with a "country of concern" in "covered activities."

- "Covered activities" include activities in (1) semiconductors and microelectronics sectors, (2) quantum information technologies sectors and (3) artificial intelligence sectors that pertain to national security technologies and products.

- "Covered transactions" under the Final Rule include (1) acquisition of equity (including purchases of shares in an initial public offering) or contingent equity, (2) debt financing, (3) conversion of contingent equity interest, (4) greenfield and brownfield investments, (5) joint ventures, and (6) investments made as a limited partner.

- "Covered foreign person" means (1) a person of a country of concern who or who is engaged in activities involving one or more of the three sectors of semiconductors and microelectronics, quantum information technologies, and artificial intelligence, and (2) a person that directly or indirectly holds a board seat on, a voting or equity interest in, or any contractual power to direct the management or policies of a person of a country of concern.

- "Country of concern" for now is the People's Republic of China, including Hong Kong and Macau.

Major Components of the Final Rule

Under the Final Rule, a "covered transaction" may be a "prohibited transaction" which is outright prohibited or a "notifiable transaction" which are subject to notification requirements. In addition, certain transactions that would have been considered prohibited or notifiable transactions may be exempted from the prohibition or notification requirements and may be considered an "excepted transaction" under the Final Rule if certain conditions are met. Details of the prohibited transactions, notifiable transactions and excepted transactions are set forth below.

Prohibited Transactions

Prohibited transactions refer to the prohibition on certain U.S. investments in a covered foreign person engaged in covered activities pertaining to specified categories of advanced technologies and products. A U.S. person may not engage in such transaction unless an exemption for that transaction has been granted. For instance, investments by U.S. persons in covered foreign persons engaged in the following activities in the semiconductor industry reach the threshold for "prohibited transactions" under the Final Rule:

- Developing or producing any electronic design automation software for the design of integrated circuits or advanced packaging;

- Developing or producing specified front-end semiconductor fabrication equipment, equipment for performing volume advanced packaging, or commodity, material, software, or technology designed exclusively for use in or with extreme ultraviolet lithography fabrication equipment;

- Designing integrated circuits that meet or exceed the performance parameters listed in ECCN 3A090.a (under the EAR), or integrated circuits for operation at or below 4.5 Kelvin;

- Fabricating certain advanced integrated circuits with specified parameters; or

- Packaging any integrated circuit using advanced packaging techniques.

Notifiable Transactions

Notifiable transactions refer to the transactions where the business activities conducted by a covered foreign person do not reach the threshold for prohibited transactions but still require notification by a U.S. person of their transactions to the Department of Treasury. For instance, transactions are notifiable if the covered foreign person in the semiconductor sector is engaged in the design, fabrication and packaging of ICs that do not meet the specific threshold mentioned above. A U.S. person shall file a notification of their covered transactions with the Department of Treasury.

Excepted Transactions

The Final Rule provided certain categories of excepted transactions from coverage, provided that such transactions did not afford the U.S. person certain rights beyond standard minority shareholder protection. Excepted transactions include (1) investments in publicly traded securities, (2) securities issued by investment companies, (3) certain limited partner or equivalent investments, (4) derivatives, (5) full buyouts from a person of a country of concern, (6) intracompany transactions, (7) certain syndicated debt financings, (8) equity-based compensation, and (9) certain transactions involving a person of a country or territory outside of the U.S. based on a determination by the U.S. Secretary of the Treasury.

Notably, under the Final Rule, the "publicly traded security" exception exempts the investments in publicly traded securities of covered foreign persons. However, any acquisition of an equity interest in a covered foreign person that is not yet publicly traded for the purpose of facilitating an initial public offering would not be an excepted transaction of the Final Rule.

OVERVIEW

The history of our Company can be traced back to 2013, when our Company was established as a limited liability company under the laws of the PRC by Mr. Wang Shengyang and Mr. Sheng Yun in Suzhou. For details of the biographies of Mr. Wang Shengyang and Mr. Sheng Yun, please refer to "Directors, Supervisors and Senior Management" in this document. From 2016 to 2018, our Company was quoted on NEEQ. Since 2022, our A Shares have been listed on the STAR Market of the Shanghai Stock Exchange under the stock code 688052.

BUSINESS DEVELOPMENT MILESTONES

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

Year	Event
2013	Our Company was established in Suzhou.
2014	We released our first three-axis accelerometer signal conditioning ASIC.
2015	We released our first pressure sensor signal conditioning ASIC.
	Our Company passed the ISO 9001:2015 quality management system certification.
	Our Company was recognized as a "National High-Tech Enterprise" (國家高新技術企業) by Jiangsu Provincial Department of Science and Technology (江蘇省科學技術廳), Jiangsu Provincial Department of Finance (江蘇省財政廳) and the State Administration of Taxation Jiangsu Provincial Taxation Bureau (國家稅務總局江蘇省稅務局).
2016	We released our first automotive IC.
2017	We released our first digital isolator.
	Our Company was rated as an Excellent Enterprise in Jiangsu Province (江蘇省優秀企業) of the PRC.
2018	We achieved mass production of automotive-qualified pressure sensor IC.
2019	We released our first MEMS pressure sensor, isolated power IC and isolated interface IC.
2020	We released isolated driver and isolated amplifier IC.
2021	We achieved mass production of a comprehensive set of automotive isolation products and hall-effect current sensors.
	Our Company passed the TÜV ISO 26262 functional safety management system ASIL-D certification.

Year	Event
2022	Our A Shares were listed on the STAR Market of the Shanghai Stock Exchange (stock code: 688052).
	We released automotive motor driver IC and automotive power IC.
	Our reliability assurance and failure analysis center obtained the laboratory accreditation certificate issued by CNAS.
2023	We released automotive micro and special motor driver SoC and magnetic switch.
	We expanded into overseas markets by establishing branches in Germany, the U.S., Japan and South Korea.
	Our Company was recognized as a member of the AEC Technical Committee.
2024	We released automotive temperature and humidity sensors, CAN SIC, solid-state relays, low side, high side and LED drivers.

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
Shanghai Naxi	PRC	June 24, 2016	100%	R&D
Suzhou Nashwey	PRC	December 30, 2021	100%	Test
Suzhou Naxing	PRC	February 14, 2022	100%	Investment
Tele-Sight Technology	Hong Kong	July 23, 2015	100%	Sales

Please refer to "– Corporate Structure" in this section and Note 15 of the Accountants' Report set out in Appendix I to this document for information on our other subsidiaries. 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

1. Early Development and Conversion into a Joint Stock Company

On May 17, 2013, our Company was established with an initial registered capital of RMB100,000. Between 2013 and 2016, our Company underwent several rounds of capital increases and transfers, upon completion of which our registered capital increased to RMB4,203,900.

On April 13, 2016, our Company (then known as Suzhou Novosense Microelectronics Limited Liability Company (蘇州納芯微電子有限公司)) was converted into a joint stock company with limited liability and renamed as Suzhou Novosense Microelectronics Co., Ltd. (蘇州納芯微電子股份有限公司) with a registered capital of RMB6,000,000 divided into 6,000,000 Shares, which were subscribed by all of the then Shareholders in proportion to their respective equity interests in our Company. The shareholding structure of our Company immediately following our conversion into a joint stock company was as follows:

Shareholder	Number of Shares	Percentage shareholding
Mr. Wang Shengyang	1,459,200	24.32%
Mr. Sheng Yun	1,295,400	21.59%
Mr. Wang Yifeng	514,800	8.58%
Naxin Information Consulting	266,400	4.44%
Suzhou Guorun Ruiqi Venture Capital Enterprise (Limited Partnership) (蘇州國潤瑞祺創業投資企業 (有限合夥)) ("**Guorun Ruiqi**") (1)	1,402,800	23.38%
Shanghai Wulianwang Venture Capital Fund Partnership (Limited Partnership) (上海物聯網創業投資基金合夥企業 (有限合夥)) ("**Wulianwang VC Fund**") (2)	666,600	11.11%
Shenzhen Shangyun Sensing Investment Partnership Enterprise (Limited Partnership) (深圳市上雲傳感投資合夥企業 (有限合夥)) ("**Shangyun Sensing Investment**") (3)	394,800	6.58%
Total	**6,000,000**	**100.00%**

Notes:

(1) Guorun Ruiqi is a limited partnership established in the PRC on April 13, 2011, and at the time of our conversion into a joint stock company, its general partner was Shanghai Zheqi Investment Co., Ltd. (上海喆騏投資有限公司), which was controlled by an Independent Third Party.

(2) Wulianwang VC Fund is a limited partnership established in the PRC on November 22, 2010, and at the time of our conversion into a joint stock company, its general partner was Shanghai Shangchuang Xinwei Investment Management Co., Ltd. (上海上創新微投資管理有限公司), which was ultimately controlled by Independent Third Parties.

(3) Shangyun Sensing Investment is a limited partnership established in the PRC on November 13, 2015, and at the time of our conversion into a joint stock company, its general partner was Shenzhen Shangyun Investment Consulting Co., Ltd. (深圳市上雲投資諮詢有限公司), which was controlled by an Independent Third Party.

2. Prior Quotation and Withdrawal of Quotation on the NEEQ

From August 11, 2016 to September 19, 2018, Shares of our Company were quoted on the NEEQ under the stock code 838551. The purpose of the quotation on the NEEQ was to improve our Company's management and corporate governance and enhance its brand awareness and competitiveness.

Having considered the needs of our Group's business operations and long-term strategic development planning, as well as to facilitate the preparation for our A Shares' listing on the STAR Market of the Shanghai Stock Exchange and subsequent equity financing, the board of our Company resolved to voluntarily withdraw the quotation of our Shares from the NEEQ (the "**NEEQ Withdrawal**"), which was duly approved by the then shareholders of our Company on August 31, 2018. On September 19, 2018, our Shares ceased to be quoted on the NEEQ.

Our Directors confirm that (i) when our Shares were quoted on the NEEQ and up to the NEEQ Withdrawal our Company had been in compliance with all applicable PRC securities laws and regulations as well as rules and regulations of the NEEQ in all material respects, and had not been subject to any material administrative penalty or administrative supervision measures by the NEEQ, the CSRC or other competent securities regulatory authorities; (ii) the NEEQ Withdrawal has fulfilled the required procedures; and (iii) there were no other matters in relation to the prior quotation on the NEEQ and the NEEQ Withdrawal in any material respect that needs to be brought to the attention of the Stock Exchange or potential investors of our Company.

Our PRC Legal Advisor is of the view that, from the PRC legal perspective, our Company (including our subsidiaries) or our Directors (for the performance of their duties as our Directors) had not been subject to any material administrative penalty or administrative supervision measures by the NEEQ, the CSRC or other competent securities regulatory authorities during the period of our quotation on the NEEQ up to the NEEQ Withdrawal. Based on the independent due diligence conducted by the Joint Sponsors and considering our PRC Legal Advisor's view above, no material matter has come to the Joint Sponsors' attention that would cause them to disagree with our Directors' confirmation with regard to the compliance record of our Company during the period of our quotation on the NEEQ up to the NEEQ Withdrawal.

There was no change in the registered share capital and shareholding of our Company, and no Shares of our Company were traded during its quotation on the NEEQ. After the NEEQ Withdrawal, our Company underwent several rounds of capital increases and transfers between 2018 and 2020, upon completion of which our registered capital increased to RMB75,798,000.

3. Listing on the STAR Market of the Shanghai Stock Exchange

In order to implement our Company's development strategies, obtain direct access to the mature capital market, enhance our marketing capabilities and optimize our capital structure, on January 25, 2021, our then Shareholders resolved to apply for the listing of and permission to deal in the shares of our Company on the STAR Market of the Shanghai Stock Exchange. On April 22, 2022, our A Shares were listed on the STAR Market of the Shanghai Stock Exchange under the stock code 688052. In connection with our A Share listing, we issued an aggregate of 25,266,000 A Shares, accounting for approximately 25% of our then enlarged share capital, raising net proceeds of approximately RMB5,581.25 million. The shareholding structure of our Company immediately following the completion of our A Share listing was as follows:

Shareholder	Number of Shares	Percentage shareholding
Mr. Wang Shengyang	11,062,800	10.95%
Mr. Sheng Yun	10,308,600	10.20%
Mr. Wang Yifeng	3,868,200	3.83%
Ruixi Information Consulting	4,662,000	4.61%
Naxin No.1	2,773,800	2.74%
Naxin No.2	1,495,800	1.48%
Naxin No.3	963,000	0.95%
Subtotal	**35,134,200**	**34.76%**
Guorun Ruiqi	8,627,400	8.54%
Other Shareholders [1]	57,302,400	56.70%
Total	**101,064,000**	**100.00%**

Note:

(1) Other Shareholders represent Shareholders holding no more than 5% of our issued share capital upon the listing of our A Shares.

4. Share Capital Changes Subsequent to Our A Share Listing

Pursuant to a resolution adopted at our general meeting held on May 15, 2023, our capital reserve was converted into paid-in capital on the basis of four new Shares for every 10 Shares. Consequently, our Company issued 40,425,600 new A Shares. Immediately upon completion, our registered capital was increased to RMB141,489,600 and the number of total issued Shares increased to 141,489,600.

As approved by the twenty-sixth meeting of the second session of the Board on June 21, 2023, 959,254 A Shares were issued by our Company under the 2022 Restricted Share Incentive Plan. The total issued share capital of our Company was then increased from RMB141,489,600, comprising 141,489,600 A Shares of nominal value of RMB1.00 each, to RMB142,448,854, comprising 142,448,854 A Shares of nominal value of RMB1.00 each.

As approved by the sixth meeting of the third session of the Board on October 25, 2023, 79,579 A Shares were issued by our Company under the 2022 Restricted Share Incentive Plan. The total issued share capital of our Company was then increased from RMB142,448,854, comprising 142,448,854 A Shares of nominal value of RMB1.00 each, to RMB142,528,433, comprising 142,528,433 A Shares of nominal value of RMB1.00 each.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

Acquisition of MagnTek

MagnTek is a limited liability company established in the PRC on September 23, 2009, and is principally engaged in the R&D and sales of semiconductor integrated circuits and sensor chips based on magnetic semiconductor ICs. Immediately before the acquisition by our Company: (i) MagnTek was held as to 62.68% by QST Corporation Limited (上海矽睿科技股份有限公司) ("**QST**"), 17.56% by Shanghai Lairui Enterprise Management Partnership (Limited Partnership) (上海萊睿企業管理合夥企業(有限合夥)) ("**Shanghai Lairui**") and 19.76% by Shanghai Liuci Enterprise Management Partnership (Limited Partnership)(上海留詞企業管理合夥企業(有限合夥)) ("**Shanghai Liuci**"); (ii) partnership interests of Shanghai Lairui were held by QST and 27 individuals; and (iii) the partnership interests of Shanghai Liuci were held by four individuals. To the best knowledge of our Directors, each of QST and the partners of Shanghai Lairui and Shanghai Liuci is an Independent Third Party.

On June 21, 2024, our Company entered into a partnership interest transfer agreement (the "**Partnership Interest Transfer Agreement**") with Mr. Zhu Jianyu, Mr. Jiang Jie, Mr. Fang Jun and Mr. Wei Shizhong, each of whom, as a seller, is a partner of Shanghai Lairui or Shanghai Liuci and an Independent Third Party. Pursuant to the Partnership Interest Transfer Agreement, our Company agreed to acquire 13.51% partnership interest in Shanghai Lairui from Zhu Jianyu and Jiang Jie, and 43.82% partnership interest in Shanghai Liuci from Mr. Fang Jun and Mr. Wei Shizhong. On October 14, 2024, a supplemental agreement to the Partnership Interest Transfer Agreement (the "**Supplemental Partnership Interest Transfer Agreement**"), was entered into by our Company, Suzhou Naxing and all partners of Shanghai Lairui and Shanghai Liuci including Mr. Zhu Jianyu, Mr. Jiang Jie, Mr. Fang Jun and Mr. Wei Shizhong, each of whom, as a seller, is an Independent Third Party. Pursuant to the Supplemental Partnership Interest Transfer Agreement, our Company and Suzhou Naxing acquired all the partnership interests in Shanghai Lairui and Shanghai Liuci. The consideration of RMB95,153,533.17 due upon closing was fully settled on October 18, 2024. Following the closing, an additional amount of RMB155,328,678.32 was paid as of April 2, 2025, whilst a further amount of RMB66,696,232.40 may be payable by us, subject to the terms and conditions of the post-closing arrangements set forth in the Supplemental Partnership Interest Transfer Agreement. The consideration was determined based on arm's length negotiations among the parties with reference to (i) the amount of partnership interests then held by the sellers in Shanghai Lairui and/or Shanghai Liuci; (ii) the then respective shareholding percentages of Shanghai Lairui and Shanghai Liuci in MagnTek; and (iii) the total shareholders' equity value of MagnTek as set out in the valuation report of MagnTek issued by an independent valuer dated June 11, 2024 (the "**MagnTek Valuation Report**").

On June 21, 2024, our Company entered into an equity transfer agreement with QST and Shanghai Lairui, whereby our Company acquired 62.68% equity interest in MagnTek from QST and 5.60% equity interest in MagnTek from Shanghai Lairui. The consideration of RMB614,539,400.49 due upon closing was fully settled on October 18, 2024. Following the closing, an additional amount of RMB68,282,155.62 may be payable by us, subject to the terms and conditions of the post-closing arrangements set forth in the aforementioned equity transfer agreement. The consideration was determined based on arm's length negotiations among the parties, with reference to the total shareholders' equity value of MagnTek as of December 31, 2023 as set out in the MagnTek Valuation Report.

On October 18, 2024, we gained the control and consolidated the results of MagnTek. On the same date, our Company initiated the board restructuring of MagnTek, nominating new board members and certain senior management of MagnTek. Such nomination was approved by the shareholders of MagnTek on the same day, formally confirming our control over the composition of MagnTek's board.

Considering MagnTek's continuous advancement in research and development and growth of production technology in chips based on magneto-electric induction technology and intelligent motion control, our Company believes that the acquisition of MagnTek was in line with our expansion and development strategy in semiconductor integrated circuits businesses by enhancing our overall technical strength and product competitiveness, enriching the supply of our product categories, promoting the integration of our products, technologies, markets, customers and supply chain resources in the industry value chain, which would in turn enable our Group to benefit from the enhanced business synergy and improve cost efficiency.

Upon completion of the acquisition, MagnTek became a wholly-owned subsidiary of our Company. The acquisition of MagnTek during the Track Record Period constituted a material acquisition of subsidiary as one of the applicable percentage ratios under Rule 14.07 of the Listing Rules was more than 25% but less than 100%. According to Rule 4.05A of the Listing Rules, the acquisition of MagnTek would have been classified at the date of application for our **[REDACTED]** as a major transaction under Chapter 14 of the Listing Rules. For further details of the financial performance of MagnTek, please refer to the historical financial information of MagnTek set out in Appendix I to this document.

As advised by our PRC Legal Advisor, the acquisition of equity interests of MagnTek has been properly and legally completed and settled and all necessary approvals from the relevant authorities have been obtained.

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

In April 2022, our A Shares were listed on the STAR Market of the Shanghai Stock Exchange with the stock code of 688052. Our Directors confirm that, as of the Latest Practicable Date, there had been no instances of any material non-compliance with the applicable rules of the STAR Market of the Shanghai Stock Exchange and other applicable PRC securities laws and regulations. To the best knowledge of our Directors, as of the Latest Practicable Date, there are no material matters in relation to our compliance record on the STAR Market of the Shanghai Stock Exchange 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 any material non-compliance with the applicable rules of the STAR Market of the Shanghai Stock Exchange and other applicable PRC securities laws and regulations. Based on the independent due diligence conducted by the Joint Sponsors and considering our PRC Legal Advisor's view above, no material matter has come to the Joint Sponsors' attention that would cause them to disagree with our Directors' confirmation with regard to the compliance record of our Company on the STAR Market of the Shanghai Stock Exchange.

We seek to **[REDACTED]** our H Shares on the **[REDACTED]** 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.

PUBLIC FLOAT

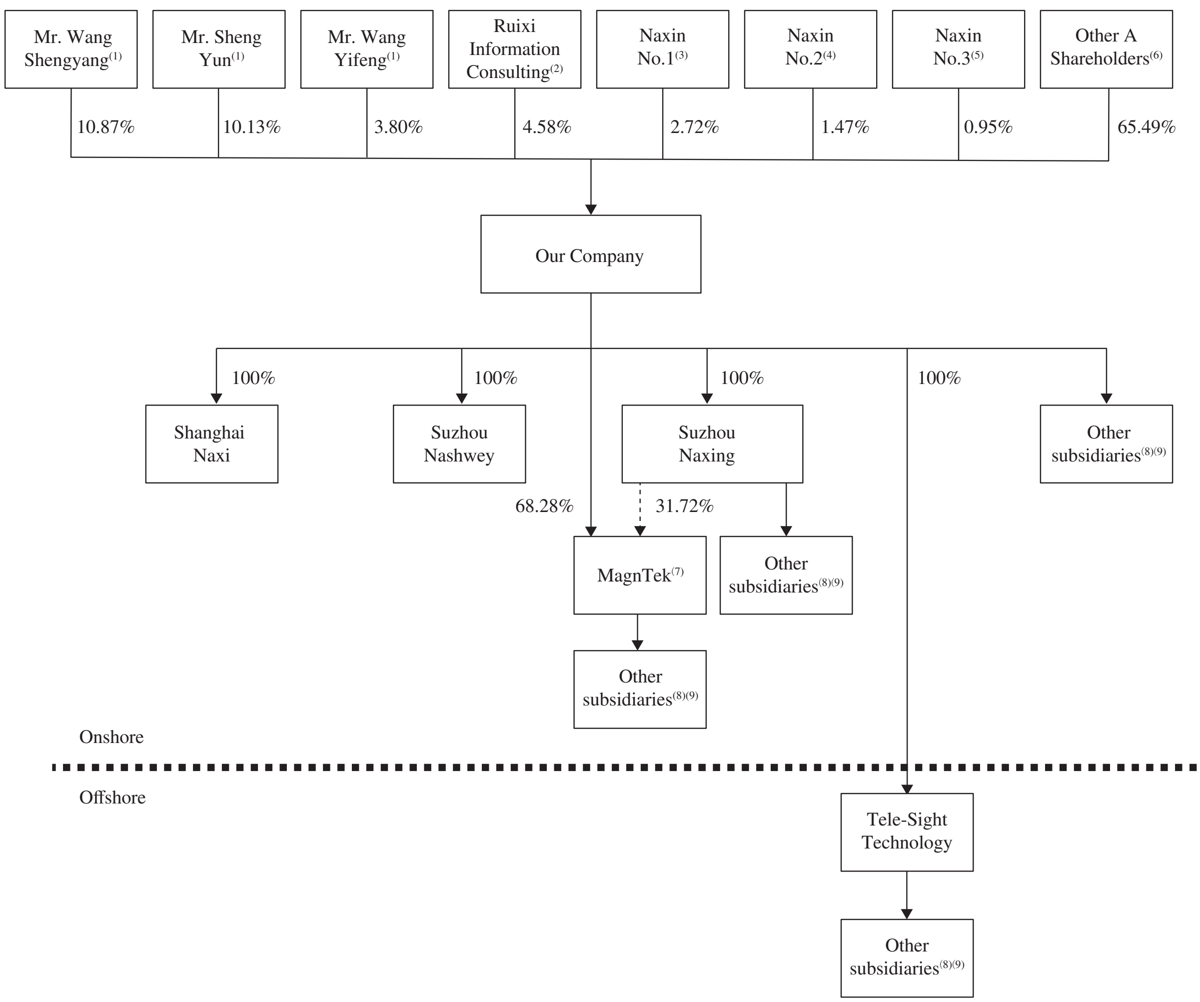
So far as our Directors are aware and to the best knowledge of our Directors, immediately upon completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no additional Shares are issued pursuant to our Restricted Share Incentive Plans), (i) 49,187,880 A Shares held by members of our Single Largest Shareholder Group; (ii) 4,900 A Shares held by Mr. Jiang Chaoshang, our executive Director; (iii) 1,000 A Shares held by Mr. Zhao Jia, a director of MagnTek; and (iv) 108,423 A Shares held by Mr. Zhang Long, the director or supervisor of our subsidiaries; will not be counted towards the **[REDACTED]** pursuant to Rule 8.24 of the Listing Rules, representing **[REDACTED]** of our total issued Shares (excluding the 118,216 A Shares held by our Company as treasury Shares as of the Latest Practicable Date).

Accordingly, immediately upon completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no additional Shares are issued pursuant to our Restricted Share Incentive Plans), **[REDACTED]** of our total issued Shares (excluding the 118,216 A Shares held by our Company as treasury Shares as of the Latest Practicable Date) will be counted towards the public float for the purpose of Rules 8.08(1)(b) and 19A.13A of the Listing Rules.

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) Each of Mr. Wang Shengyang, Mr. Sheng Yun, Mr. Wang Yifeng is an executive Director and a member of our Single Largest Shareholder Group. For further details, see "Relationship with Our Single Largest Shareholder Group" in this document.

(2) As of the Latest Practicable Date, Ruixi Information Consulting, a member of our Single Largest Shareholder Group, was owned as to 45% by Mr. Wang Shengyang as the general partner, 40% and 15% by Mr. Sheng Yun and Mr. Wang Yifeng, respectively. For further details, see "Relationship with Our Single Largest Shareholder Group" in this document.

(3) As of the Latest Practicable Date, Naxin No.1, a member of our Single Largest Shareholder Group, was owned as to approximately 2.17% by Mr. Wang Shengyang as the general partner. The remaining partnership interest in Naxin No.1 was distributed among 41 limited partners, each holding less than 20% thereof and an employee of our Company.

(4) As of the Latest Practicable Date, Naxin No.2, a member of our Single Largest Shareholder Group, was owned as to approximately 3.43% by Mr. Wang Shengyang as the general partner. The remaining partnership interest in Naxin No.2 was distributed among 28 limited partners, each holding less than 20% thereof and an employee of our Company.

(5) As of the Latest Practicable Date, Naxin No.3, a member of our Single Largest Shareholder Group, was owned as to approximately 13.64% by Mr. Wang Shengyang as the general partner. The remaining partnership interest in Naxin No.3 was distributed among 14 limited partners, each holding less than 30% thereof and an employee of our Company.

(6) None of such A Shareholders held more than 5% interests in our Company as of the Latest Practicable Date.

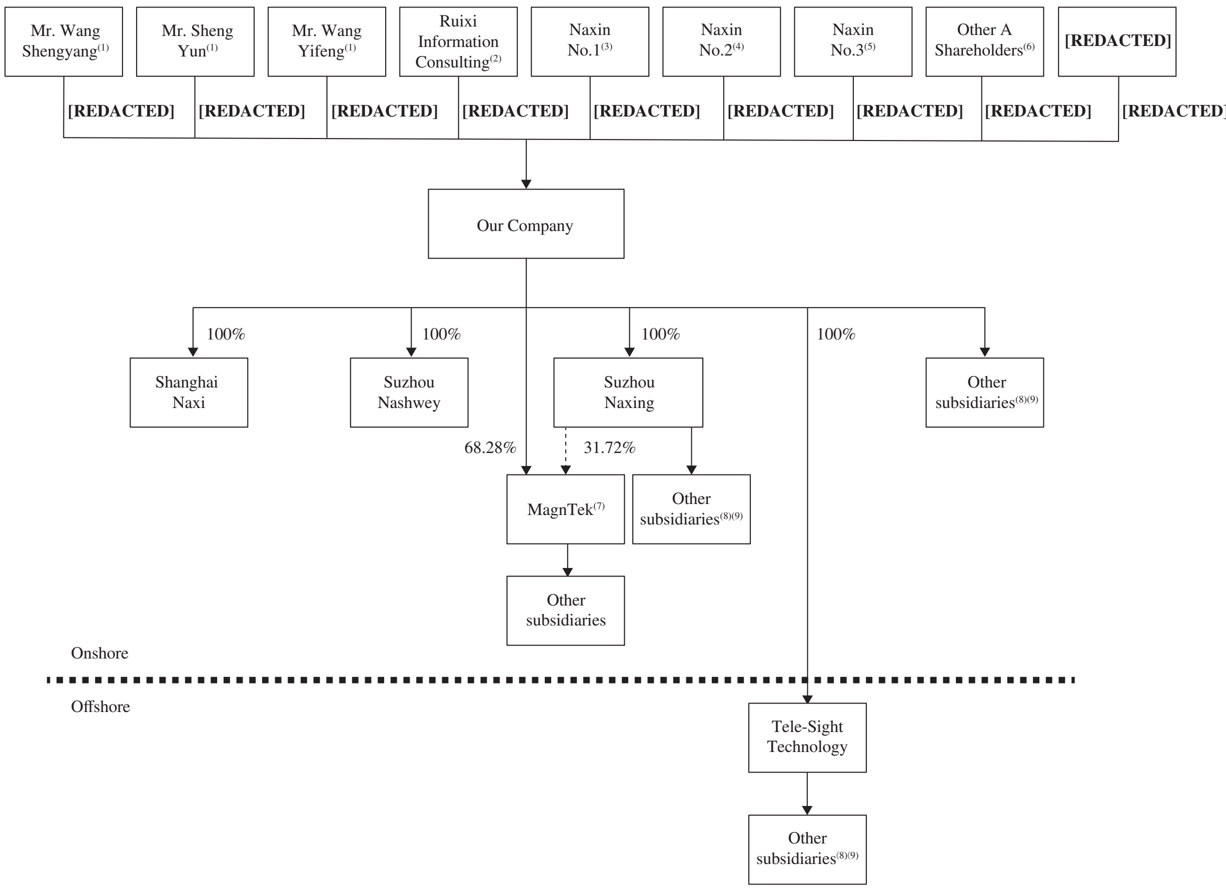
(7) MagnTek was owned as to 68.28% directly by the Company and 31.72% indirectly by Suzhou Naxing through Shanghai Liuci and Shanghai Lairui. For details, see "– Major Acquisitions, Disposals and Mergers – Acquisition of MagnTek" in this section.

(8) As of the Latest Practicable Date, our other subsidiaries consist of 13 subsidiaries established in various jurisdictions.

(9) Among the other 13 subsidiaries, there are two non-wholly owned subsidiaries, namely, Suzhou Hexu Management Consulting Partnership (Limited Partnership) (蘇州和煦管理諮詢合夥企業(有限合夥)) ("**Suzhou Hexu**") and Suzhou Xinji Management Consulting Partnership (Limited Partnership) (蘇州芯吉管理諮詢合夥企業(有限合夥)) ("**Suzhou Xinji**"). As of the Latest Practicable Date, Suzhou Hexu was owned as to 89.80% indirectly by the Company and the remaining equity interest was held as to 3.0% by Mr. Zhang Fangwen, 2.0% by Mr. Ma Qingjie, 2.0% by Ms. Rao Meng, 1.0% by Mr. Zhang Long, 1.0% by Mr. Jiang Chaoshang, 0.5% by Ms. Wang Yifei, 0.5% by Ms. Zhu Ling and 0.2% by Mr. Li Ye. Except for Mr. Jiang Chaoshang, Ms. Wang Yifei, Mr. Zhang Long and Mr. Li Ye, being our Director, director or supervisor of our subsidiaries, the remaining minority shareholders are Independent Third Parties. In addition, Ms. Zhu Ling is our senior management. As of the Latest Practicable Date, Suzhou Xinji was owned as to 66.67% by the Company and the remaining equity interest was held as to 26.67% by Mr. Wang Zhiwei, an Independent Third Party and 6.67% by Ms. Wan Na, an Independent Third Party.

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 (9) see "– Corporate Structure – Corporate Structure Immediately Before the **[REDACTED]**" in this section.

OVERVIEW

Our Mission and Vision

Sense and drive the future, and build a green, smart and connected world with semiconductors

About Us

We are a leading analog chip provider in China. As a fabless company, we offer a comprehensive portfolio of high-performance and reliable products and solutions for application sectors such as (i) automotive electronics, (ii) energy and industrial automation and (iii) consumer electronics. Our three core product categories – sensor products, signal chain chips and power management chips – form a complete chain that covers (i) sensing, (ii) signal processing and (iii) system power supply and power drive. These products play a critical role in enabling the connection and interaction between the physical and digital worlds.

According to Frost & Sullivan:

- In terms of revenue from analog chips in 2024, we ranked fifth among Chinese analog chip companies in the Chinese analog chip market;
- As of December 31, 2024, among the top ten Chinese analog chip companies in terms of revenue in 2024, we were the only company with substantial focus on all three categories: sensor products, signal chain chips, and power management chips;
- In terms of revenue from automotive analog chips in 2024, in the Chinese automotive analog chip market, we ranked first among Chinese companies and second among all fabless companies, respectively;
- In terms of revenue from digital isolator chips in 2024, in the Chinese digital isolator chip market, we ranked first among Chinese companies and second among all companies, respectively, with a market share of 15.6%. A digital isolator chip is a type of safety chip that ensures the secure transmission of signals between high and low voltage domains;
- In terms of revenue from magnetic sensors in 2024, in the Chinese magnetic sensor market, we ranked first among Chinese companies, with a market share of 7.1%. Driven by the growing demand in automotive and industrial control applications, magnetic sensors have become one of the fastest-growing sensor products in terms of sales volume.

Our products enable the connection and interaction between the physical and digital worlds:

- Sensor products serve as the starting point of the connection and interaction between the physical world and the digital world. Sensor products detect physical quantities or changes in the surrounding environment (such as temperature, pressure or current) and convert these inputs into electronic signals for processing by the back-end of electronic systems;

- Signal chain chips collect, amplify, transmit and process electronic signals along the signal input-to-output path. These chips ensure the accuracy and integrity of electronic signals to meet the functional requirements of electronic systems; and

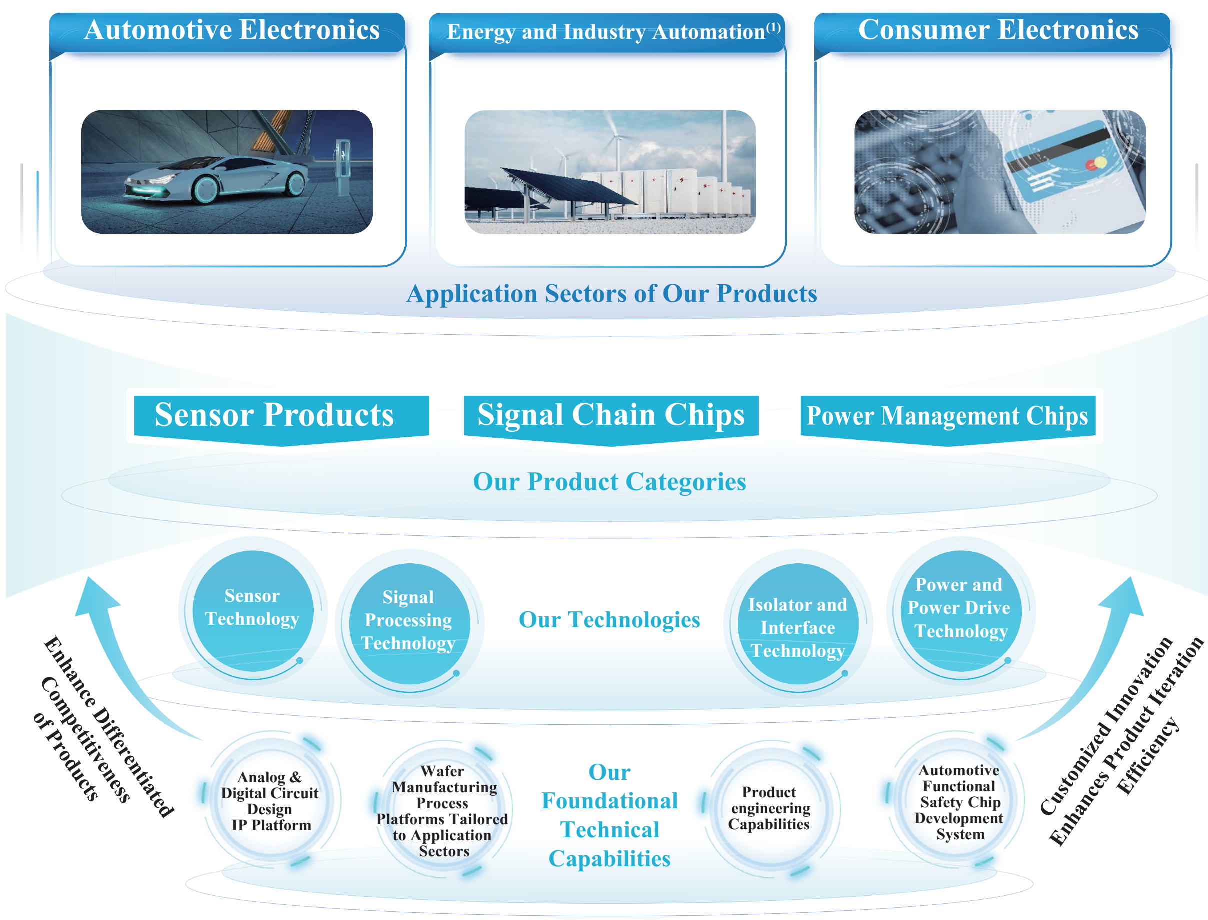
- Power management chips are primarily used for the power supply and power drive of the electronic system. They ensure stable power supply and efficient operation of the electronic systems.

To better serve the end customers in various application sectors, we develop products to meet specific functional requirements of electronic systems. Through the application of sensor products, signal chain chips and power management chips collectively, we are able to provide specific solutions that help our end customers meet their desired functionalities and requirements.

Chinese companies has become the key sources of R&D and innovation in many application sectors, such as the NEV sector. As a Chinese analog chip company, we are closer to these R&D and innovation sources, which allows us to develop a deeper understanding of the technological trends and needs of end customers. This proximity allows us not only to respond quickly to end customer needs but also to collaborate closely with them to integrate our product design with specific application scenarios. By doing so, we develop innovative and differentiated products that are more aligned with the needs of our end customers. We believe that our ability to conduct product development based on end customer needs is at the core of our competitive advantage.

Our Technology-Driven Business

Our business is built on differentiation and competitiveness. We have established four foundational technical capabilities, namely (i) analog and digital circuit design IP platform, (ii) wafer manufacturing process platforms tailored to application sectors, (iii) product engineering capabilities, and (iv) automotive functional safety chip development system. With respect to (ii), although we, as a fabless company, outsource our wafer manufacturing, our capability in this area allows us to work in collaboration with wafer foundries to develop products that meet customer requirements. Leveraging these foundational technical capabilities, we have developed a portfolio of technologies across four areas: (i) sensor technologies, (ii) signal processing technologies, (iii) isolation and interface technologies and (iv) power and drive technologies. These technologies allow us to offer a diverse product portfolio spanning sensor products, signal chain chips and power management chips, which are used in the automotive electronics, energy and industrial automation and consumer electronics applications. The following diagram summarizes the key information in relation to our foundational technical capabilities, technology portfolio, product categories and application sectors:



Note:

(1) Energy and industrial automation refers to industrial applications related to energy systems, including energy generation, transmission, distribution and consumption. This covers scenarios such as PV, energy storage, modular power supplies, industrial control and power electronics.

Our Product Applications

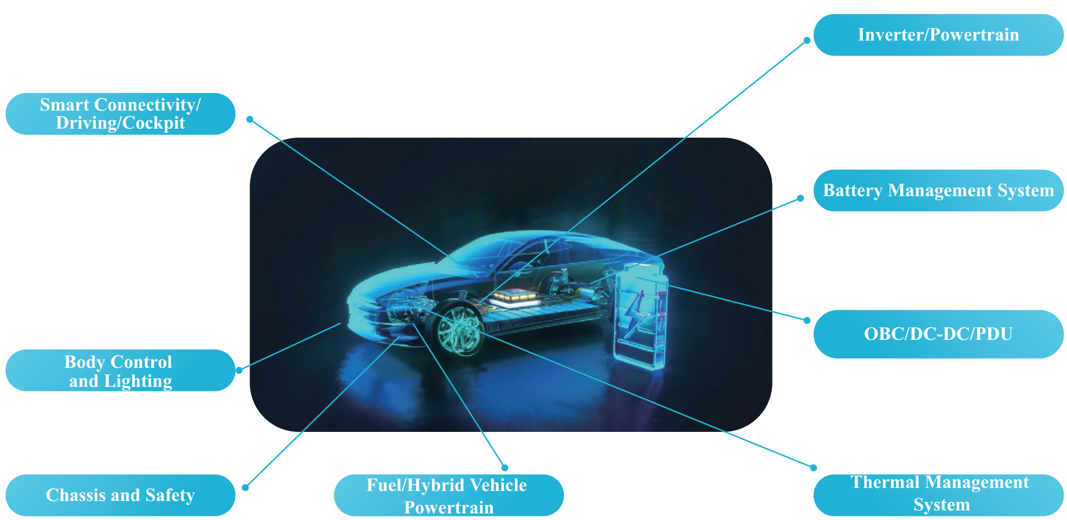
Leveraging our continued R&D and our understanding of market demands, our products have been widely applied across various applications in automotive electronics, energy and industrial automation, consumer electronics, and certain emerging sectors:

- ***Automotive Electronics***: Due to high technical barriers and stringent quality requirements, automotive electronics is a challenging yet high-growth potential application sector for analog chips. According to Frost & Sullivan, the growth in demand for automotive chips is primarily driven by advancements in vehicle electrification and intelligence transformation:

  - *Vehicle Electrification*: Our automotive-grade products are extensively used in electrification scenarios, including the battery systems, motor systems and electronic control systems, and thermal management.

  - *Vehicle Intelligence Transformation*: Our products are gradually being applied in scenarios related to vehicle intelligence, including smart cockpits, autonomous driving, body control and intelligent lighting systems.

  The following diagram illustrates the applications of our products in automotive electronics:



  We are deeply engaged in the trend of electrification and intelligence transformation of the automotive industry, empowering a broad range of NEV manufacturers and Tier-1 suppliers:

  - According to Frost & Sullivan, in terms of revenue from automotive analog chips in 2024, in the Chinese automotive analog chip market, we ranked first among Chinese companies and second among all fabless companies, respectively;

  - According to Frost & Sullivan, we were one of the first Chinese analog chip companies to enter the automotive electronics sector and achieve large-scale production and shipment of products;

  - As of December 31, 2024, we had over 700 automotive electronics product models. According to Frost & Sullivan, we are one of the leading Chinese analog chip companies in terms of the number of automotive electronics product models; and

  - In 2024, our sales volume in the automotive electronics sector amounted to approximately 362.8 million units, and our revenue from the automotive electronics sector accounted for approximately 36.7% of our total revenue. From 2022 to 2024, our revenue from the automotive electronics sector achieved a CAGR of 36.4%.

- ***Energy and Industrial Automation***: Energy and industrial automation refers to industrial applications related to energy systems, including energy generation, transmission, distribution and consumption. This covers scenarios such as PV, energy storage, modular power supplies, industrial control and power electronics. In the energy and industrial automation sector, our sensor products, signal chain chips and power management chips are widely applied in devices such as inverters, converters, portable energy storage systems, charging piles, servo controllers, motor drivers and server power supplies. These products play a critical role in scenarios such as energy conversion, energy storage management and industrial control.

  - In 2024, our sales volume in the energy and industrial automation sector amounted to approximately 667.7 million units. From 2022 to 2024, our sales volume in the energy and industrial automation sector achieved a CAGR of 12.9%.

- ***Consumer Electronics***: Consumer electronics is also an important application sector for our products. Our sensor products, signal chain chips and power management chips are widely used in mobile phones, home appliances, portable electronic devices and other consumer electronics products, providing efficient and reliable performance support.

We are also actively expanding into emerging application sectors and accelerating our product development. In particular, some of our products, such as sensor products, motor driver chips, real-time control chips and power supply chips may be used to achieve functions such as precise sensing, motion control and efficient power delivery. These functions may be used on emerging application sectors such as humanoid robots. These application sectors are highly synergistic with the automotive electronics and energy and industrial automation sectors. This synergy, combined with our extensive product portfolio and strong technological foundation, allows us to quickly enter new markets and further expand our market opportunities.

Our Market-Oriented Approach

We are committed to expanding our product portfolio in high-barrier markets such as automotive electronics and energy and industrial automation, and continuously build our foundational technical capabilities to support product development and innovation in product application. This approach allows us to establish a business model centered on the deep integration of (i) market focus, (ii) product development and (iii) technology accumulation, as further illustrated in the diagram below:

Market ➡ Product ➡ Technology ➡ Market: Driven by high-barrier markets such as automotive electronics and energy and industrial automation and leveraging our deep understanding of the application scenarios in these markets, we develop and expand our product portfolio targeted to these application scenarios to quickly address the specific product demands desired by our end customers. These product demands in turn drive the upgrade and enhancement of our underlying technologies. As a result, through this process, we not only meet current market demands but also build technical capabilities to support future application innovations in high-barrier markets.

Market ➡ Technology ➡ Products ➡ Market: At the same time, to meet the stringent technical requirements of high-barrier markets, we focus on technology accumulation, through which we have developed robust foundational technical capabilities, platform-based IPs, enhanced engineering and manufacturing process capabilities and a comprehensive quality management system. These allow us to better support the development of our products and customized solutions, ensuring they meet the complex demands of various application scenarios and lay a solid foundation for broader market applications in the future.

Our Market Opportunities

With the acceleration of global industrial upgrading and the continuous innovation in analog chip technologies, we are well positioned to benefit from significant market development opportunities.

Automotive Electronics: One of the Fastest-Growing and Most Promising Sectors

Driven by the increasing automotive production and sales, as well as the trend of electrification and intelligence transformation, automotive electronics is one of the largest and fastest-growing application sectors for the analog chip market in China. According to Frost & Sullivan, the market size for automotive analog chips in China reached RMB37.1 billion in 2024 and is expected to grow to RMB85.8 billion by 2029. The automotive analog chip market in China also presents substantial growth potential in terms of domestic substitution. According to Frost & Sullivan, the aggregate market share by Chinese companies in the automotive analog chip market in China remains at a relatively low level, leaving significant room for domestic substitution. In 2024, the aggregate market share by Chinese companies was approximately 5%, and it is expected to increase to 20% by 2029.

Energy and Industrial Automation: Energy System Transition and Industrial Upgrades Creating New Opportunities

With the growing focus on sustainability and carbon reduction globally, the energy and industrial automation sector is undergoing significant transformation. The rapid development of renewable energy, including PV power, has driven the demand for more efficient energy conversion and management technologies. As a result, high-efficiency, low-power analog chips have become critical for optimizing energy conversion efficiency and enhancing the stability and reliability of energy systems. The quick development of AI and the requirement for computing power has also resulted in higher demand for analog chips, particularly for their capabilities of providing stable power supply for AI servers and data centers. At the same time, the increasing demand for advanced signal processing in industrial control applications is driving technological innovation and upgrade in analog chips, particularly in terms of high-precision signal processing, system stability and interference resistance.

Consumer Electronics: Empowering Compact, Portable and Intelligent Products

As consumer electronics products continue to evolve and become more compact, portable and intelligent, the market demand for highly integrated and low-power analog chips is also increasing. Products such as smartphones, computers and home appliances are becoming more functionally complex, which leads to higher performance requirements for analog chips, particularly in terms of signal processing and power management.

Emerging Sectors: Unlocking Future Growth Potential

Emerging sectors are providing new growth drivers for the analog chip market. For example, applications such as humanoid robots and eVTOL vehicles are generating increasing demand for analog chips. These applications require analog chips with higher precision, greater reliability and lower power consumption, creating new growth opportunities.

Our Global Business Layout

To further expand our market presence and enhance our global competitiveness, we have actively pursued the development of international markets and are gradually building a global sales and technical support network. We have established branches in key overseas countries and regions, including the United States, Japan, South Korea, and Germany. These overseas branches are primarily responsible for local business development, customer service and technical support, allowing us to serve global customers and promote our brand and products more effectively.

OUR COMPETITIVE STRENGTHS

Leading Analog Chip Company in China with an Extensive Product Portfolio Driven by Key Applications

We are a leading analog chip provider in China. Our product portfolio mainly includes three categories: sensor products, signal chain chips and power management chips. We have developed a broad range of products tailored to key application sectors, including automotive electronics, energy and industrial automation and consumer electronics. As of December 31, 2024, we had over 3,300 product models across our three product categories. Our extensive product portfolio allows us to offer targeted solutions to meet the diverse needs of our end customers.

Our Market Leadership

According to Frost & Sullivan, in terms of revenue from analog chips in 2024, we ranked fifth among Chinese analog chip companies in the Chinese analog chip market, and:

- As of December 31, 2024, among the top ten Chinese analog chip companies in terms of revenue in 2024, we were the only company with substantial focus on all three categories: sensor products, signal chain chips, and power management chips;

- In terms of revenue from automotive analog chips in 2024, in the Chinese automotive analog chip market, we ranked first among Chinese companies and second among all fabless companies, respectively ;

- Many of our products, particularly digital isolators and magnetic sensors, lead the industry. In terms of revenue from the respective products in 2024:

  - in the Chinese digital isolator chip market, we ranked first among Chinese companies and second among all companies, respectively, with a market share of 15.6%;

  - in the Chinese magnetic sensor market, we ranked first among Chinese sensor companies, with a market share of 7.1%.

Extensive Product Portfolio

We have built an extensive product portfolio in sensor products, signal chain chips and power management chips:

- *Sensor Products*: Our sensors include magnetic sensors, pressure sensors, and temperature and humidity sensors, offering a wide range of options for physical quantity sensing in real-world applications;

- *Signal Chain Chips*: We provide a comprehensive suite of products covering the entire signal chain, from sensor signal collection to processing and transmission. This includes sensor signal conditioning chips, isolators, amplifiers, general-purpose interface chips, and MCU/SoC products; and

- *Power Management Chips*: Our power management chips cover a broad spectrum of functionalities, including power supply, power drive and power path protection. Specific products include gate drivers, motor drivers, power supply chips, automotive LED drivers, and power path protection chips, meeting the requirements of various application scenarios.

Capturing Opportunities in the Trend of Domestic Substitution

According to Frost & Sullivan, the domestic substitution trend in the analog chip market in China is steadily growing. We believe that, with our extensive product portfolio and the performance and reliability of our products, we are well positioned to capture this market opportunity. By focusing on key downstream application scenarios, we continue to drive technological innovation and product development, enhance our market share and customer loyalty. These efforts further solidify our position as a leading company in the analog chip industry in China.

Leader in the High-Barrier Automotive Chip Sector in China

According to Frost & Sullivan, the automotive electronics sector is one of the largest, fastest-growing and most technically demanding application sectors of the analog chip market. Compared with other application sectors, analog chips for the automotive electronics sector must meet significantly higher technical requirements, including longer product qualification cycles, more stringent testing standards and greater reliability. It typically takes approximately two years for an automotive electronics chip to progress from product development to obtaining automotive-grade certification. The high technical barriers and complex certification processes make the automotive electronics chip market one of the most competitive and promising application sectors in the analog chip industry.

We were one of the first Chinese analog chip companies to enter the automotive electronics sector and achieve large-scale production and shipment of products. Our automotive-grade chips have been deployed in large scale by leading automotive manufacturers, including a Chinese automotive manufacturer headquartered in Shenzhen, China, and Dongfeng Motor, FAW Group, GAC Group, Geely, Great Wall Motors, Leapmotor, NIO, Wuling and XPeng (in alphabetical order). According to Frost & Sullivan, our products have been used on all of the top ten domestic NEV models in China in terms of sales volume in 2024.

We have also made significant progress in the development of customers that are Tier-1 suppliers. We have established partnerships with global Tier-1 suppliers, including Bosch, CATL, Panasonic, Valeo and VMAX (in alphabetical order), and have received product supply orders from them. In 2024, we entered into cooperation with a globally recognized Tier-1 supplier, achieving large-scale product shipment in the European market. This demonstrates our growing influence and competitiveness in the global automotive chip market.

Deep Customer Collaboration Enhances Customer Retention

Through close collaboration with leading customers in the automotive industry, we have gained extensive experience in the design, development and mass production of automotive electronics analog chips. This has in turn allowed us to develop a deep understanding of application requirements by end customers and to work in collaboration with them to design our products. According to Frost & Sullivan, Chinese companies in the automotive value chain are playing a leading role in the global trend of automotive electrification and intelligence transformation, with their technologies and products at the forefront of the industry. Our proximity to the leading automotive manufacturers and the sources of innovation of the automotive value chain in China allows us to respond quickly to end-customer needs, have a deep understanding of downstream application scenarios and provide differentiated solutions to our customers. This further strengthens our core competitiveness and enhances our customer loyalty. For example:

- In 2024, we entered into a strategic partnership with a global Tier-1 automotive supplier to jointly develop automotive pressure sensor chips with functional safety features for the supplier's next-generation global products. This product, with enhanced reliability and accuracy, is designed for use in automotive safety-critical systems such as airbags, side-impact monitoring and battery pack collision detection, providing heightened safety assurance;

- We jointly developed a multi-channel low-side driver chip with intelligent diagnostic and active clamp functions in collaboration with a leading automotive Tier-1 supplier. This product is used in engine intake and exhaust systems to control variable valve lift or variable valve timing switches. It meets the requirements of China's upcoming National Stage VII emission standards for both gasoline direct injection and port fuel injection systems, providing a domestic solution for fuel and hybrid vehicle energy efficiency and emissions reduction; and

- We entered into a strategic collaboration with a leading NEV manufacturer to jointly develop a next-generation automotive tail lamp driver chip. This chip supports customized LED tail lamp animation effects and enhances system load capacity, aligning with the customer's next-generation platform requirements.

Broad Applications and Leading Market Position

As a result of our early-mover advantage and close collaborations with leading customers, our automotive-grade products have been widely adopted across a variety of automotive applications. In terms of vehicle electrification, our automotive-grade products are extensively used in electrification scenarios, including the battery systems, motor systems and electronic control systems, and thermal management. In terms of vehicle intelligence transformation, our products are gradually being applied in scenarios related to vehicle intelligence, including smart cockpits, autonomous driving, body control and intelligent lighting systems.

- As of December 31, 2024, we had over 700 automotive electronics product models. According to Frost & Sullivan, we are one of the leading Chinese analog chip companies in terms of the number of automotive electronics product models; and

- According to Frost & Sullivan, in terms of revenue from automotive analog chips in 2024, in the Chinese automotive analog chip market, we ranked first among Chinese companies and second among all fabless companies, respectively;

- Our revenue from the automotive electronics sector amounted to RMB718.9 million in 2024. Our sales volume in the automotive electronics sector increased at a CAGR of 67.0% from approximately 130.1 million units in 2022 to approximately 362.8 million units in 2024.

Significant Growth Potential in Automotive Electronics

We believe there is significant growth potential in the automotive electronics sector. The trends of automotive electrification and intelligence transformation are driving sustained demand for analog chips and sensor products, allowing us to increase the value of our products per vehicle over time.

- *Electrification*: NEVs require higher levels of safety and equipment protection compared to traditional internal combustion engine vehicles. The trend toward high-voltage automotive electrical architectures, including platforms operating at 800V or higher, creates additional growth opportunities for our isolator chips, driver chips and other key products. These products have become critical components in new electronic drivetrain systems and battery systems, allowing us to grow alongside the increasing penetration rate of NEVs; and

- *Intelligence Transformation*: Our sensor products, signal chain chips and power management chips are widely used in applications such as intelligent cockpits, autonomous driving, and smart lighting systems.

According to Frost & Sullivan, driven by the continued development of automotive electrification and intelligence transformation, the average value of analog chips per NEV in China was approximately RMB1.5 thousand to RMB2.8 thousand in 2024 and is expected to increase to RMB2.2 thousand to RMB4.0 thousand by 2029.

Industry-Leading Product Capabilities Empowered by Robust Technology

We possess not only specialized R&D capabilities in analog chip design but also deep expertise in subsequent manufacturing processes, including packaging configuration and testing software development, allowing us to establish a comprehensive end-to-end system for chip design and delivery. As of December 31, 2024, we had developed multiple key technologies across four key areas, including (i) sensors, (ii) signal processing, (iii) isolator and interfaces, and (iv) power and drive. These technologies are characterized by high precision, stability and reliability, meeting the performance requirements of various applications while significantly enhancing product integration and application flexibility. This allows us to address complex technical challenges effectively and provide practical solutions for customers, further strengthening our market competitiveness.

Our key technologies are widely applied in numerous self-developed analog chip products. According to Frost & Sullivan, our core products are comparable to, and, in certain cases, surpass, the products of international competitors in terms of metrics such as performance, power consumption and functional integration. Examples of our product capabilities include:

- ***Digital Isolator Chips***: Our digital isolator chips exhibit industry-leading CMTI performance, robust system-level ESD protection and advanced surge resilience. Certain products outperform those of international competitors in metrics such as CMTI, ESD protection and operating current;

- ***Sensor Signal Conditioning ASICs***: Some of our sensor signal conditioning ASICs outperform those of international competitors in metrics including ADC resolution, DAC resolution, overvoltage protection and calibration capabilities;

- ***Magnetic Current Sensor Chips***: Our magnetic current sensor chips, utilizing electromagnetic induction for current detection, feature high isolation levels, low noise and minimal offset. Our magnetic current sensor chips outperform those of international competitors in metrics such as a zero-point error of less than 5mV across all temperatures, less than 1.5% sensitivity error, 400kHz bandwidth, 1.5μs response time and configurable sensitivity ranges from 0.5mV/g to 30mV/g;

- ***Integrated Pressure Sensor Chips***: Some of our integrated pressure sensor chips outperform those of international competitors in metrics such as overpressure protection, accuracy, response time and power consumption;

- ***Isolated Gate Driver Chips***: Our isolated gate driver chips demonstrate outstanding system interference resistance and robustness, outperforming those of international competitors in metrics such as drive withstand voltage, static current and analog sampling accuracy;

- ***Automotive Tail Lamp LED Driver Chips***: Our automotive tail lamp LED driver chips feature industry-leading channel coverage, current accuracy and error diagnostic protection capabilities; and

- ***High-Side Driver Chips***: Our high-side driver chips feature industry-leading channel coverage, drain-source on resistance coverage and comprehensive protection mechanism. These products leverage a fully domestic supply chain to deliver applications previously achievable only through specialized processes used by international competitors.

According to Frost & Sullivan, we are among the few analog chip companies in the industry with a complete product and process development team. Over years of technology accumulation, we have formed several foundational technical capabilities, including (i) an analog and digital circuit design IP platform, (ii) wafer manufacturing process platforms tailored to application sectors, (iii) product engineering capabilities, and (iv) automotive functional safety chip development system. These foundational technical capabilities allow us to further enhance our product differentiation, cost control, quality management and product upgrade efficiency, and also strengthen our supply chain stability.

Rigorous Quality Control System to Ensure Product Reliability

We adhere to a "robust and reliable" quality policy and consider product reliability as the cornerstone for gaining and maintaining customer trust. According to Frost & Sullivan, we have established a quality control system that is more stringent than those adopted by many of our domestic analog chip peers. Our high standards of quality management are implemented throughout the entire product lifecycle, from R&D to production, ensuring the reliability and stability of our products. We achieve high reliability through a three-pronged approach: reliability-centric design, rigorous reliability validation and comprehensive product testing. For automotive-grade products in particular, we have adopted even stricter reliability testing standards. According to Frost & Sullivan, the industry standard for long-term reliability testing of automotive chips is 1,000 hours, whereas some of our products are tested to a standard of 2,000 hours, doubling the industry standard.

Our quality management philosophy is embedded from the design stage and extends throughout the entire product lifecycle. We have obtained certifications under a wide range of quality management system standards, including ISO9001, ISO26262 (functional safety standards), ISO/IEC17025 (laboratory quality management systems) and ISO14001 (environmental management systems). We adopt various measures to ensure comprehensive implementation and execution of our quality management systems, including awareness campaigns, staff training and KPI evaluations. We are committed to pursuing a "zero-defect" quality goal. Our quality management efforts are supported by a highly skilled and experienced team with strong professional expertise, allowing us to build and maintain an efficient quality management framework.

In the automotive-grade product sector, our chips have obtained AEC-Q100 certification, making them suitable for application in a wide range of scenarios, including NEV battery, motor and electronic control systems, automotive thermal management systems, servers and industrial applications. Our automotive-grade chips are rigorously tested to meet automotive-grade reliability standards, ensuring high performance and reliability under harsh environmental conditions. We were one of the first Chinese analog chip companies to obtain ISO26262 ASIL-D functional safety certification. Our quality management system for automotive-grade products is designed to meet automotive requirements and covers every stage of the product lifecycle, including cross-departmental collaboration, product design and development in compliance with automotive-grade standards, process control for production in adherence to automotive-grade standards, and reliability certifications that meet AEC-Q standards.

We actively participate in the drafting and revision of national and industry standards, working alongside industry partners to promote quality improvement and technological innovation in the automotive electronics sector. We have achieved multiple industry awards, including the "China Chip" Outstanding Technological Innovation Product Award for four consecutive years and the 15th China Semiconductor Innovative Product and Technology Award, and gained recognition by organizations such as the China Electronics and Information Industry Development Institute and the China Semiconductor Industry Association for our contributions. Additionally, we have successfully joined the Automotive Electronics Council, which is expected to further enhance our capabilities in automotive-grade chip development and quality control, and strengthen our competitive advantage in the automotive electronics sector.

Visionary and Experienced Management Team and High-Quality Talent Base

Our founders and management team possess deep technical expertise and extensive industry experience, which has allowed us to quickly establish a strong position in the analog chip industry and build competitive advantages. Members of our founding team have an average of over 15 years of experience in the semiconductor industry and have previously held leadership positions at leading international analog chip companies. They bring a wealth of expertise in R&D, management and market operations, as well as strong technical backgrounds and broad international perspectives. Leveraging their deep understanding of and insight into industry trends, our management team has proactively identified and capitalized on growth opportunities in automotive electronics, energy and industrial automation and emerging markets, which allowed us to gain first-mover advantages.

Sound corporate governance and a high-quality talent base are the cornerstones of our long-term growth. We continuously attract and retain top talent in the industry, building a mature, high-quality team with strong technical expertise. As of December 31, 2024, we had a total of 1,172 employees, including 560 in R&D, accounting for 47.8% of our total employees. Our R&D talents have outstanding technical backgrounds and deep industry experiences. As of December 31, 2024, among our R&D team, over 300 employees had over five years of work experience, accounting for over 50% of our total R&D workforce. Our workforce is also highly dynamic and youthful. As of December 31, 2024, employees under the age of 40 accounted for 86.2% of our total employees. This young and energetic team is highly innovative and contributes to the quick development of our business.

We are committed to building a learning-oriented organization and a global talent system through sustained investment in employer branding and organizational talent development. We have implemented a structured and tiered training system that addresses the needs of employees at different career stages, covering both new employee onboarding and professional development for all staff. Our talent development programs are continuously updated and refined to align with the evolving needs of our workforce. By adopting a "standardized + customized" training model, we empower employees to realize their career potential while ensuring a strong talent foundation for our high-quality growth.

OUR STRATEGIES

Increase Investment in R&D to Drive Technological Innovation Across Various Sectors and Maintain Leading Technological Capabilities

To consolidate our leadership position in the analog chip market in China, we plan to increase investment in R&D to advance technological innovation and enhance our R&D and innovation capabilities. Building on our extensive experience in analog chip development, we plan to align closely with market trends and evolving customer needs to drive technological breakthroughs across our product lines, thereby strengthening our overall technological competitiveness. We also strive to continuously upgrade our existing foundational technical capabilities and manufacturing processes. For example, we plan to deepen collaborations with upstream wafer foundries to improve manufacturing process technologies, focusing on achieving higher functional integration, lower power consumption, enhanced performance and cost optimization.

In addition, we are closely monitoring opportunities in high-barrier emerging sectors such as humanoid robots and eVTOL vehicles. We have already made early-stage technological deployments in these areas and aim to leverage our accumulated technical expertise and relationships with leading customers to further expand and deepen our presence in these emerging sectors.

Continue Product Development, with a Focus to Expand Automotive-grade Product Portfolio to Strengthen our Industry Leadership

We plan to continue developing a comprehensive range of analog products to expand and enhance our portfolio of high-performance, high-reliability analog chips. Across our three core product categories, namely sensor products, signal chain chips and power management chips, we strive to consistently launch products that meet automotive-grade standards, maintaining our leading position in performance and competitiveness in the automotive-grade chip market and further strengthening industry recognition of our capabilities in the automotive electronics sector. We aim to further enhance our automotive-grade product portfolio by expanding into applications such as intelligent driving, intelligent cockpits and chassis safety systems. Through the expansion of our product offerings, we expect to increase the average value of our automotive-grade products per vehicle, thereby further reinforcing our leadership position in the automotive electronics sector.

Expand Global Market Operations and Accelerate International Presence

We plan to leverage our brand recognition and sales channel advantages to strengthen our market position in China and also continue to expand our global market presence, particularly in key regions such as Europe, Japan and South Korea. By advancing our global market operations, establishing dedicated international sales teams and leveraging global resources, we aim to optimize our overseas supply chain to provide localized services to customers around the world. This approach is designed to allow us to quickly address the increasing demand for diversified supply chains from overseas customers, strengthen relationships with leading global customers and further enhance our competitive position.

Maintain an Industry-Focused Strategy and Deepen Collaboration with Key Customers

We believe that an industry-focused strategy is critical to establishing competitive advantages in specific markets and gaining a deeper understanding of industry applications and customer needs. Accordingly, we expect to continue focusing on core industries to guide our product planning and development. We target to further strengthen and expand our market share in core sectors such as automotive electronics and energy and industry automation. In particular, we aim to deepen our presence in applications such as vehicle body electronics, thermal management and intelligent cockpits, thereby enhancing customer loyalty among leading customers, and exploring opportunities in emerging markets. As Chinese customers in the automotive supply chain continue to gain and maintain a globally leading position, we aim to leverage our proximity and geographic advantages to respond to their needs more quickly. Timely feedback from end customers also supports our ability to expand and upgrade our product offerings efficiently, allowing us to drive innovation in collaboration with our customers.

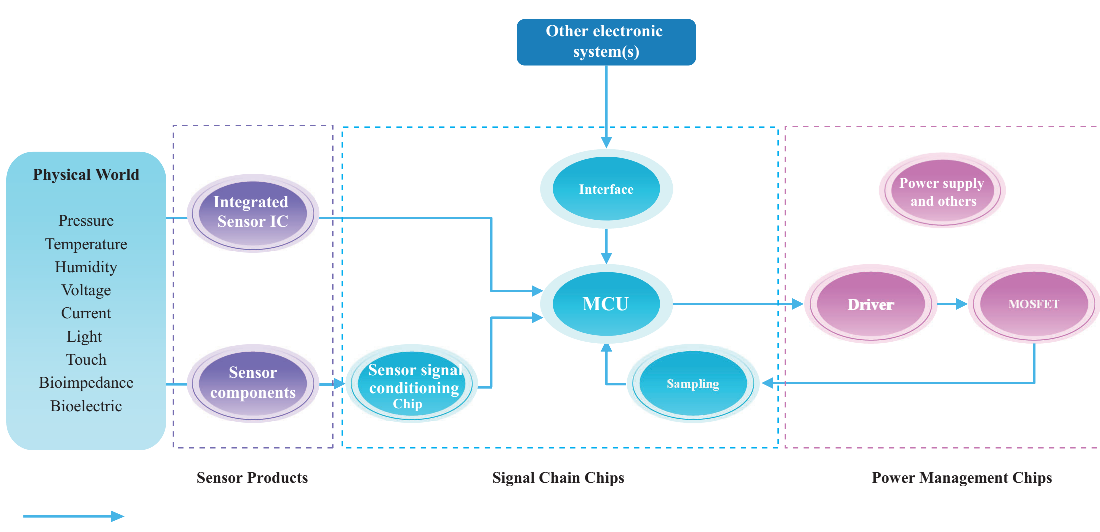
Pursue Industry Consolidation to Expand Product Offerings and Market Reach

We plan to actively pursue investment opportunities, identify high-quality acquisition targets and pursue industry consolidation to accelerate the expansion of our product portfolio, market reach and supply chain capabilities. We intend to focus on both domestic and international markets to identify potential strategic investment and acquisition opportunities. Through prudent evaluation and targeted acquisitions along the industry value chain, we aim to further strengthen our competitive position and drive long-term growth.

OUR PRODUCTS

Our products primarily include (i) sensor products, (ii) signal chain chips, and (iii) power management chips. As of December 31, 2024, our product portfolio consists of more than 3,300 sensor and analog IC products.

The following diagram sets forth certain of our products under our three product categories in a typical electronic system:



- ***Sensor products***: Our sensor products are designed to detect real-world physical conditions and convert them into electronic signals for processing by analog chips. Our sensor products can be in the form of either (i) sensor components or (ii) integrated sensor chips that incorporate both sensor components and sensor signal conditioning ICs.

- ***Signal Chain Chips***: Our signal chain chips are used throughout the signal path from input to output, encompassing the entire process of signal acquisition, amplification, transmission, and processing.

- ***Power Management Chips***: Our power management chips are designed for the (i) drive and (ii) power supply, monitoring and protection in electronic systems, ensuring efficient energy use and reliable performance across various devices.

The following table sets forth our revenue in both absolute amount and percentage of our total revenue by product category for the years indicated.

	Year ended December 31,					
	2022		**2023**		**2024**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Sensor Products	111,110	6.7	165,754	12.6	273,981	14.0
Signal Chain Chips	1,045,665	62.6	705,306	53.8	963,251	49.1
Power Management Chips	509,762	30.5	427,808	32.6	703,171	35.9
Others(1)	3,856	0.2	12,059	1.0	19,871	1.0
Total	**1,670,393**	**100.0**	**1,310,927**	**100.0**	**1,960,274**	**100.0**

Note:

(1) Others primarily included our revenue from customization services and sales of ancillary components.

Our Sales Volume

The table below sets forth our sales volume by product category for the years indicated.

	Year ended December 31,		
	2022	**2023**	**2024**
	Units'000	*Units'000*	*Units'000*
Sensor products	53,171	62,960	291,531(1)
Signal chain chips	1,141,447	1,624,994	2,260,842
Power management chips	236,283	227,578	448,905
Total	**1,430,900**	**1,915,532**	**3,001,278**

Note:

(1) including 155,905 thousand units sold through MagnTek since the completion of its acquisition by us in October 2024.

During the Track Record Period, we achieved overall increase in our sales volume, primarily resulting from our continuous launch of new product types as well as the increasing demands from our end customers. In 2023, our sales volume of power management chips slightly decreased as compared with that in 2022, primarily because customers in the energy and industrial automation sector experienced an inventory adjustment phase and resulted in reduced demand in 2023.

Sensor Products

Our sensor product portfolio is built on advanced technology that ensures high precision and interference immunity. Substantially all of our sensor products are integrated sensor chips, consisting of sensor components and sensor signal conditioning ICs. We offer various types of sensors including magnetic sensors, pressure sensors, temperature sensors and humidity sensors.

Our sensor products are designed to deliver high performance and reliability and energy efficiency in challenging environments. For instance,

- our magnetic sensors employ four-disk Hall differential detection combined with a CORDIC algorithm to maintain high accuracy over a wide range of temperatures and magnetic field variations. For instance, our NSM301X angular sensors have met AEC-Q100 Grade 1 reliability standards, making it well suited for demanding automotive environments.

- our integrated pressure sensors, such as the NSPAS1, offer enhanced overvoltage protection, outstanding accuracy, rapid responses, and lower power consumption.

- our integrated temperature sensors like the NST1001 exhibit optimized operating voltage ranges, faster temperature conversion and transmission, strong ESD protection, and lower power consumption.

The following table sets forth certain major sensor products and their functions and applications:

Product Category	Key Products	Characteristics
Magnetic sensors	Integrated current sensors, linear current sensors, wheel speed sensors, angle sensors, industrial encoders, switches and latches, and linear position sensors	Our magnetic sensors primarily operate based on the Hall effect and AMR, TMR, BFC, and VHS technologies, providing high-precision solutions for high-precision current sensing, angle detection, and position measurement. Our magnetic sensors have been widely used in automotive electronics, industrial control, medical equipment and consumer electronics.

Product Category	Key Products	Characteristics
Pressure sensors	Gauge pressure sensors, absolute pressure sensors, differential pressure sensors	Leveraging silicon-based piezoresistive effects and advanced MEMS microfabrication technology, our pressure sensors could achieve high-accuracy low-pressure detection across a wide temperature range (-100kPa to 400kPa). The pre-calibrated design significantly simplifies system integration for our customers. Our pressure sensors are broadly used in automotive electronics, industrial control, medical electronics, and household appliances.
Temperature sensors and humidity sensors	Analog output temperature sensors, digital output temperature sensors, temperature sensors	Utilizing the P-N junction temperature effect of transistors and integrating high-precision signal conditioning circuits, our temperature sensors and humidity sensors could achieve ultra-high output accuracy with low power consumption. Our temperature sensors and humidity sensors are widely used in industrial applications, medical electronics, portable devices, home appliances, wearables, computers, and servers. Additionally, we offer versatile packaging options that allow for seamless integration into diverse circumstances and applications.

In October 2024, we acquired MagnTek, a company specializing in advanced magnetic sensor technology and focusing on the design and production of high-performance magnetic sensor components. Through this strategic acquisition, we have expanded our magnetic sensor product portfolio to include industrial encoders, switches and latches, and linear position sensors. We believe the acquisition will broaden our product categories and enhance our technology matrix. Please see "History and Corporate Structure – Major Acquisitions, Disposals and Mergers – Acquisition of MagnTek" for details of the transaction.

Signal Chain Chips

We offer a broad portfolio of signal chain chips including signal conditioning chips, isolators, interface, and amplifiers. Our signal chain chips feature digital isolation technologies that achieved low power consumption and exceptional reliability. Our digital isolator products, including the NSi822X and NSi812X series, deliver industry-leading CMTI, comprehensive system-level ESD protection, and excellent surge resistance while maintaining low operating currents. Our key digital isolators have obtained the VDE, UL, and CQC safety certifications, with several products also certified under VDE 0884-11 for reinforced isolation. As critical components in 5G communication power systems, automotive electronics, and industrial automation, our digital isolator products have been recognized by leading customers in various industries, achieving mass production and delivery. In addition, our sensor signal conditioning ASICs, exemplified by our NSA9260, deliver superior ADC and DAC resolutions, robust reverse voltage protection, and advanced calibration capabilities.

The following table sets forth certain major signal chain chips and their functions and applications:

Product Category	Key Products	Characteristics
Sensor Signal Conditioning ICs	MEMS microphone ASICs, thermopile sensor ASICs, passive infrared sensor ASICs, pressure sensor ASICs, magnetic sensor ASICs	Our signal conditioning chips integrate multiple circuit modules into a single chip, enabling sensor signal sampling, amplification, ADC conversion, sensor calibration, temperature compensation, and output signal adjustments. Our sensor signal conditioning ICs serve as the core component of sensing systems, and the high degree of functional integration significantly enhances performance and cost efficiency. Our sensor signal conditioning ICs are widely used in automotive electronics, industrial automation, and consumer electronics such as smart home applications and true wireless stereo earphones.
Isolator products	Digital isolators, isolated interfaces, isolated power modules, isolated sampling products	Built on CMOS technology with capacitive coupling, our isolator products utilize electric field variations within capacitors to transmit digital signals and at the same time isolate high voltage and low voltage environments, ensuring safety and reliability.

Product Category	Key Products	Characteristics
		Digital isolator chips are a type of safety chip designed to enable the secure transmission of signals between high and low voltage domains. While we generally categorize digital isolators under our signal chain chip portfolio due to their core functionality in signal transmission, we have developed a wide range of "isolation+" products in addition to standard digital isolators, which combine the isolator function with other functions such as power, drive, sampling and interfaces into a single chip. These "isolation+" products are categorized based on the function indicated to the right of the "+" sign in their names; for example, isolated power and isolated drive chips are classified under the power management chip category, while isolated sampling and isolated interface are classified under signal chain chip category. Our "isolation+" products feature high degree of functional integration in compact form and lower cost, ideal for automotive electronics, energy, industrial and communication applications, and consumer electronics.
Interface	CAN/LIN interface, I^2C interface	Designed to support standard and specific communication protocols, our interface products facilitate reliable signal transmission between electronic systems, enhancing system performance and reliability.

Product Category	Key Products	Characteristics
General signal chain chips	Voltage references, amplifiers, data converters	Our basic analog signal chain chips include operational amplifiers (general-purpose operational amplifiers, precision operational amplifiers, current amplifiers), voltage references, comparators, and discrete ADCs/DACs. These signal chain chips serve as fundamental building blocks in industrial and automotive analog circuits, ensuring high accuracy and stability. As of the Latest Practicable Date, we had achieved mass production for certain general signal chain chips.

Power Management Chips

Our power management chips are designed with high efficiency and reliability, featuring optimized heat management and robust protection mechanisms. Our power management chips primarily include gate drivers, motor drivers, power supply, LED drivers and power path protection products, with a strategic focus on automotive electronics applications. Our power management chips, including gate drivers, motor drivers, audio amplifiers, LED drivers, power supplies, and power path protection products, have been successfully validated through rigorous testing by multiple NEV manufacturers and Tier-1 suppliers. Furthermore, our motor driver and smart high/low side switch products have achieved mass production and large-scale shipment.

The following table sets forth certain major power management chips and their functions and applications:

Product Category	Key Products	Characteristics
Gate drivers	Isolated gate drivers, non-isolated gate drivers	Designed to drive power devices such as MOSFETs, IGBTs, SiC, and GaN, our gate drivers amplify the logic signals from the control unit by boosting voltage levels and enhancing current output capacity, enabling fast switching of power devices. Our gate drivers are widely used in power supply and motor control systems in industrial, communication, and automotive electronics applications.

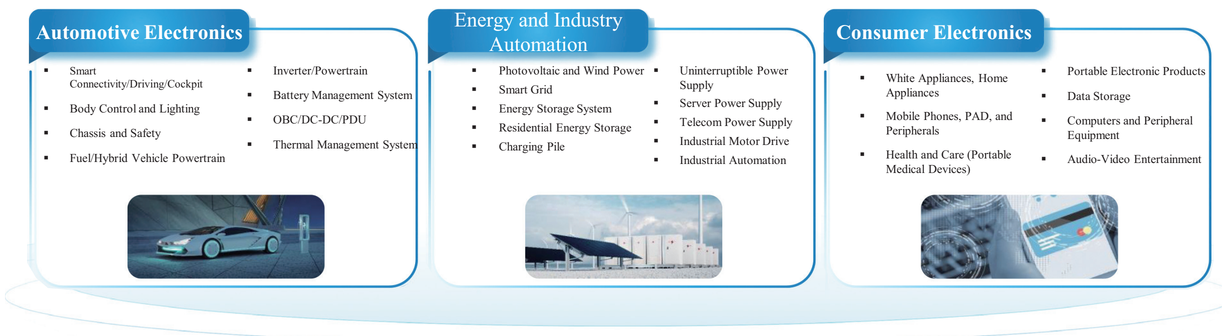
Product Category	Key Products	Characteristics
Motor drivers	BDC/BLDC/Stepper/Valve motor drivers, relay and valve drivers	Our motor drivers process logic signal inputs from MCUs to drive BDC/BLDC/stepper motors, relays and valves by switching and activating output, ensuring precise motion control. Our motor drivers are widely used in industrial and automotive motor control systems.
Audio amplifiers	Audio power amplifiers	Our audio power amplifiers are designed to amplify weak pre-stage signals and drive speakers to produce sound. We primarily focus on automotive-grade, high-power Class D audio amplifiers, featuring comprehensive diagnostic and protection functions such as short circuit, open circuit, and overcurrent protection. As of the Latest Practicable Date, we have completed sample delivery for certain audio amplifiers.
Power devices	SiC diodes and MOSFETs	Our power devices serve as the core components for controlling and converting electric energy in electronic systems, playing a critical role in medium- and high-power applications. SiC, owing to its inherent wide bandgap characteristics and excellent thermal conductivity, enables power devices based on this material to deliver superior performance in high-efficiency energy conversion, fast switching speed, high voltage endurance, and low conduction loss. Our power devices are widely used in automotive electronics, photovoltaic and energy storage systems.

Product Category	Key Products	Characteristics
LED drivers	Linear LED drivers	Our LED drivers achieve comprehensive diagnostic protection, high constant current accuracy, and superior thermal dissipation. Our LED drivers are primarily used in automotive lighting applications, such as taillights, headlights, and ambient interior lighting.
Power supply	Low dropout regulators (LDOs), voltage monitors	Our power supply products efficiently power MCUs and CAN/LIN transceivers, reducing power consumption and improving battery life. Our power supply products are designed for automotive battery-powered applications, ideal for standby systems with stringent low-power consumption requirements.
Power path protection	Electronic fuses, high-side switches	Suitable for driving resistive, capacitive, and inductive loads, our power path protection products provide comprehensive diagnostic protection and are widely used in body control modules, vehicle control units, power distribution controllers, and battery management systems.

APPLICATIONS OF OUR PRODUCTS

The accelerating pace of global industrial upgrading and the continuous advancement of analog IC technology have created significant growth opportunities for the analog semiconductor market, which leads to a surging demand for more efficient and economical analog IC products. We are well positioned to capture the booming market opportunities. Our products find widespread application across a diverse range of scenarios, catering to the needs of end customers in three main sectors, namely (i) automotive electronics, (ii) energy and industrial automation and (iii) consumer electronics.

The following chart sets forth certain representative applications of our products in each of the three main sectors:



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

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Automotive Electronics	386,327	23.1	404,053	30.8	718,906	36.7
Energy and Industrial Automation	1,157,432	69.3	771,141	58.8	975,539	49.8
Consumer Electronics	126,634	7.6	135,733	10.4	265,829	13.5
Total	**1,670,393**	**100.0**	**1,310,927**	**100.0**	**1,960,274**	**100.0**

The table below sets forth our product sales volume by application sectors in terms of number of units during the Track Record Period:

	Year ended December 31,		
	2022[(1)]	**2023[(1)]**	**2024[(1)(2)]**
	'000	*'000*	*'000*
Automotive Electronics	130,087	163,962	362,802
Energy and Industrial Automation	523,784	374,466	667,687
Consumer Electronics	777,029	1,377,103	1,970,789
Total	**1,430,900**	**1,915,532**	**3,001,278**

Note:

(1) Excluding products that are not (i) sensor products, signal chain chips or power management chips, or (ii) any customization services.

(2) Including 155,905 thousand units of sensor products sold through MagnTek since the completion of its acquisition by us in October 2024.

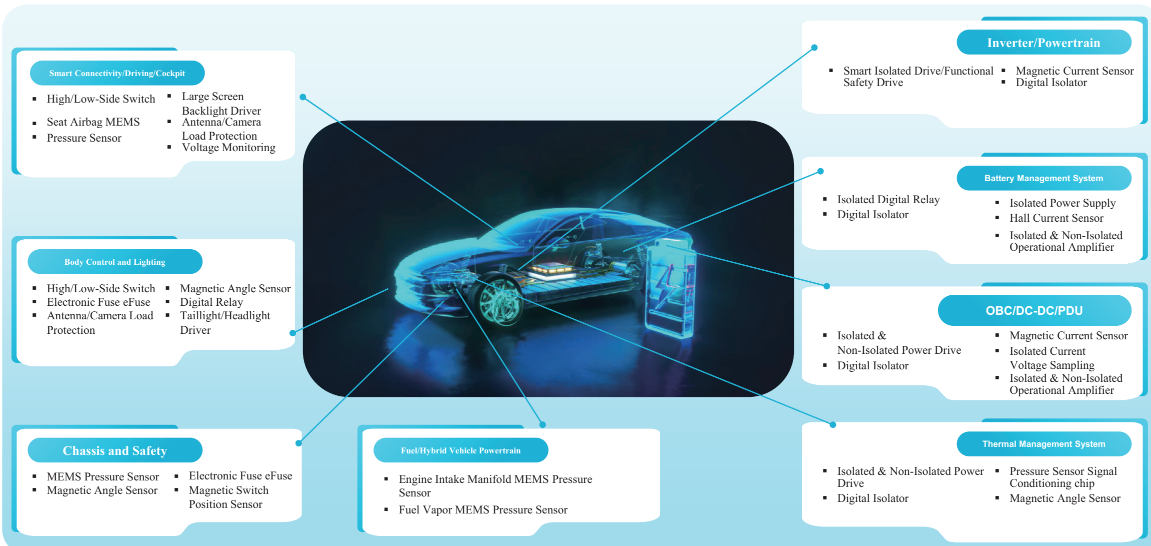
Automotive Electronics

The increasing trend towards electrification and intelligence of vehicles are driving growth in the automotive-grade semiconductor market. Leveraging our extensive experience in the development and mass production of automotive-grade ICs, we have built a comprehensive product portfolio that addresses the evolving needs of electrification and intelligence in the automotive industry:

- ***Electrification***: Our products are deployed in critical NEV systems such as main drive inverters, BMS, DC-DC, OBC, PDU and thermal management systems.

- ***Intelligence***: We have developed a range of products to support applications in areas such as vehicle body electronics, lighting, window and door control systems, seat control systems and intelligent cabin, and we continue to expand our portfolio in these areas.

The diagram below sets forth a comprehensive overview of our products in automotive electronic applications:



Certain examples of our product applications on automotive electronics include:

- ***Digital isolators***: In NEVs, our digital isolation chips play a critical role in ensuring the safety and reliability of electrical systems. These chips enable safe isolation between high-voltage and low-voltage circuits during the DC-DC conversion process, preventing high-voltage interference with low-voltage components. Additionally, our products are designed to address magnetic noise interference caused by challenging road conditions and high-speed operations, ensuring the stable and safe operation of vehicles.

- ***Magnetic sensor chips***: In NEVs, accurate current detection is crucial for motor control system. Our magnetic linear current sensor chips enable high-precision and large-range current detection in BMS, facilitating real-time monitoring of the charging and discharging currents of the battery and ensuring safety and longevity of the battery. Besides, in DC-DC converters and Onboard Chargers (OBC), our magnetic current sensor chips are designed for current sampling at the input side PFC end and high-voltage output end, enabling current feedback and overcurrent protection.

- ***LED drivers***: Our various automotive-grade LED drivers are widely used in interior and exterior lighting applications in NEVs. Our linear LED drivers offer comprehensive diagnostic and protection functions such as LED open/short detection, single LED short detection, and over-temperature protection, ensuring high precision, excellent thermal performance and reliable LED operation in lighting applications.

- ***Isolated drivers***: Our automotive-grade isolated gate driver chips are developed in full compliance with automotive functional safety design processes. Compatible with both IGBT and SiC MOSFET devices, our automotive-grade isolated drivers offer multi-mode, comprehensive protection features, enabling safe, efficient, and flexible control of power semiconductor switches in various automotive applications such as traction inverters, on-board chargers, and BMS.

- ***High-side switches***: Our high-side switches are designed with special manufacturing techniques that enable the integration of low-resistance power switches and intelligent control circuitry within a single chip. Our high-side switches are capable of efficiently driving a variety of loads including resistive, capacitive, and inductive loads and offer comprehensive diagnostic and protection features. They are widely used in key automotive scenarios such as body control modules, vehicle control units, power distribution units, and BMS.

Energy and Industrial Automation

Energy and industrial automation refers to industrial applications in relation to an energy system, covering all stages from power generation, transmission and distribution to end-use electricity consumption. Our products play critical roles in energy and industrial automation sectors, addressing the increasing demand for efficiency, reliability and integration in these fields. As these industries undergo significant technological advancements, our products are designed to meet the evolving needs of end customers and contribute to the development of energy-efficient and high-performance systems.

Energy

In the energy sector, we focus on supporting (i) the transition to sustainable energy solutions, with a particular emphasis on PV applications, and (ii) power supply for systems such as 5G telecom infrastructure and data centers.

- As electronic systems in the energy sector become increasingly complex, market demand is shifting from discrete component to integrated functions. According to Frost & Sullivan, a key trend in the analog IC industry is the functional integration, which involves consolidating various analog design components into a single chip to improve performance, reduce costs and accelerate product development cycles. We have embraced this trend and continue to collaborate closely with leading PV industry players to deliver reliable and integrated solutions tailored to their needs. Our product portfolio includes those used for PV inverters, energy storage converters, PV arrays/optimizers and energy storage BMS.

- Our isolated driver chips are used in DC-DC power supplies within systems such as 5G communication systems and data centers to enhance power supply performance. These chips improve resistance to lightning strikes and power surges, enhancing the system's overall stability and interference immunity while ensuring timely sampling and protection. Additionally, in AC-DC power supplies for data centers and AI servers, our isolated driver chips improve power supply performance and contribute to higher power efficiency.

Industrial

In the industrial sector, our digital isolators are widely used in industrial control systems, where, due to their smaller size, higher integration, lower power consumption and faster communication speeds, they are gradually replacing traditional opto-isolators, according to Frost & Sullivan. These characteristics make digital isolators a core component in high-voltage safety applications within industrial control systems.

We have extensive experience in ensuring that our products meet the reliability demands of high-voltage operating environments. We have developed a robust high-voltage testing system, including a partial discharge testing system, which has been widely recognized by domestic and international safety certification organizations. This ensures that our digital isolators maintain their reliability under real-world conditions, enhancing their suitability for demanding industrial applications.

Consumer Electronics

Our diverse portfolio of products, including sensors, signal conditioning chips, motor drivers, isolation drivers, and isolation interfaces, is widely applied in consumer electronics such as home appliances and wearable devices.

Our products address the growing complexity of consumer electronics applications with tailored products designed for specific use cases, such as:

- ***Audio Devices***: Our silicon microphone signal conditioning ASIC chips have been incorporated into products such as smart speakers and true wireless stereo earbuds. These chips enable high-performance audio processing, supporting the development of advanced audio technologies for consumer devices.

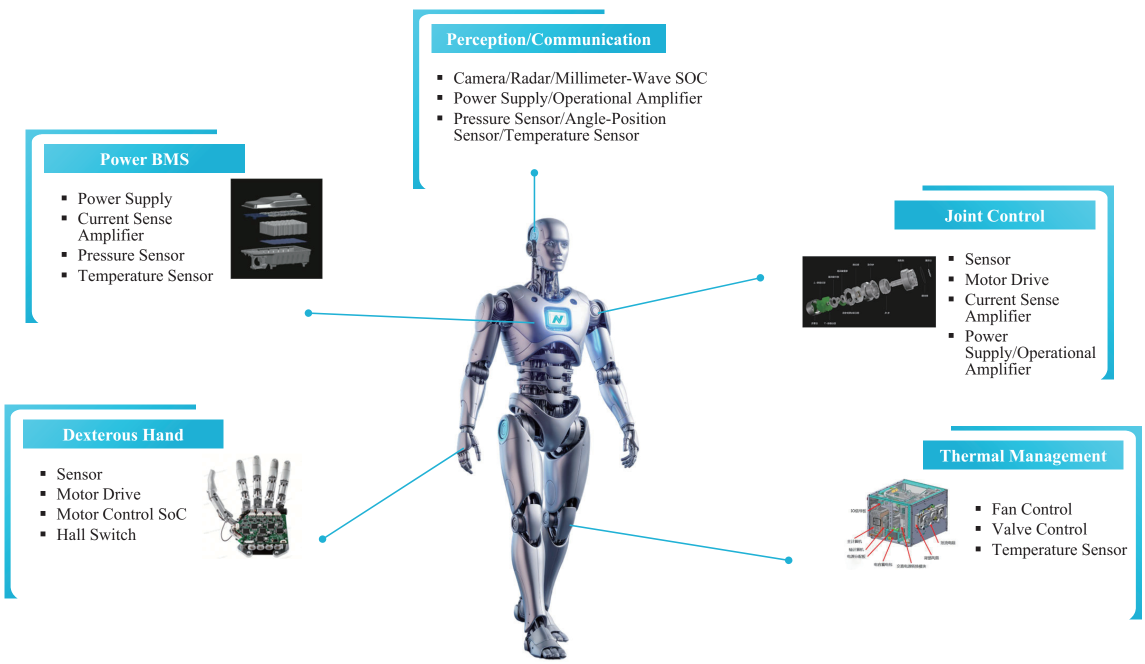
- ***Smartphones and Smartwatches***: For applications requiring real-time temperature monitoring, such as smartphones and smartwatches, we have developed compact CMOS temperature sensors. These sensors help users monitor body temperature accurately and efficiently, enhancing health-related functionalities in consumer devices.

- ***White Goods***: We offer low-range pressure sensors for high-precision water level measurement in washing machines. These sensors replace traditional mechanical sensors, reducing liquid level measurement errors from 15 millimeters to 2-3 millimeters. This improvement enables precise closed-loop control and enhances energy efficiency in a cost-effective manner.

Emerging Application Sectors

We are actively expanding the application of our products into emerging sectors, including humanoid robots and eVTOL vehicles. These new areas of application complement our existing focus on automotive electronics, energy, industrial and communication and consumer electronics, leveraging our deep technical expertise to address the evolving demands of these markets. As of the Latest Practicable Date, we had successfully completed sample delivery for certain products in the humanoid robots application sectors.

Our sensor products, motor driver chips, real-time control chips and power supply chips may be used to achieve functions such as precise sensing, motion control and efficient power delivery. These functions may be used on humanoid robots. The diagram below sets forth an illustration of how our products may be applied in humanoid robots:



OUR BUSINESS MODEL

Our Fabless Model

We operate with the fabless model, focusing on the R&D and design of ICs while outsourcing wafer fabrication 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.

The following diagram illustrates our fabless business model:

We have developed our own wafer manufacturing process platforms tailored to application sectors, which allows us to collaborate with our foundry partners to achieve customization and cost efficiency in wafer manufacturing without owning fabrication plants. We outsource chip packaging and testing to packaging and testing suppliers, or to a much lesser extent, at our own packaging and testing facilities.

Our Chip Packaging and Testing Capabilities

We partner with trusted third-party packaging and testing suppliers for a substantial majority of product packaging and testing. We also conduct a small portion of chip packaging and testing at our own facilities. Although the packaging and testing conducted at our own facilities during the Track Record Period was insignificant, our in-house chip packaging and testing capabilities enable product customization, particularly for certain product models such as some pressure sensor product models, which are customized and where specialized packaging can be critical to product performance. This approach also helps us safeguard proprietary technologies, reducing reliance on external providers for sensitive processes and reinforcing our competitive edge in high-reliability applications. It also allows us to enhance quality control and improve cost efficiency. By internalizing key packaging and testing processes, we gain greater flexibility in production planning, ensuring faster response times to customer demands and market changes.

RESEARCH AND DEVELOPMENT

Through years of R&D efforts, we have built extensive expertise in the field of analog IC. We continuously expand our product portfolio, updating existing products and introducing cost-effective new solutions to enhance competitiveness.

We invested significant resources into the R&D of our products and technologies. As of December 31, 2024, our R&D team consist of 560 dedicated talents, approximately 61.4% of whom held a master's degree or above. For the years ended December 31, 2022 and 2023 and 2024, our R&D expenses amounted to RMB403.8 million, RMB521.6 million and RMB540.0 million, respectively, accounting for 24.2%, 39.8% and 27.5% of our total revenue for the respective years.

Our foundational technological capabilities form the basis of our R&D and operations, covering the entire value chain from chip design to manufacturing, packaging, testing, and specific applications such as automotive-grade chips. Our foundational technological capabilities include:

- ***Analog and digital circuit design IP platform***: our advanced chip design IPs for both analog and digital circuits supports the development of innovative chip products;

- ***Wafer manufacturing process platforms tailored to application sectors***: our development of specialized process platforms allows us to work in collaboration with our wafer foundries to achieve customization and cost efficiency in wafer manufacturing;

- ***Product engineering capabilities***: our wide range of technical expertise that covers simulation, packaging solution design, reliability analysis, failure rate analysis and quality control, among others, ensures that the products meet stringent performance and reliability requirements; and

- ***Automotive functional safety chip development system***: our robust development framework for automotive-grade chips can meet stringent quality and safety standards required for such applications.

These foundational technological capabilities ensure the development and delivery of high-quality, differentiated products tailored to meet diverse market demands.

Our Technologies

Our core R&D competencies set us apart in the highly competitive analog IC industry, particularly in the fields of (i) sensor, (ii) signal processing, (iii) isolator and interface, and (iv) power and drive. These competencies are driven by our focus on innovation and continuous improvement in both design and production processes.

Our representative technologies include, among others, high-performance and high-reliability MEMS pressure sensor technology, sensor signal conditioning and calibration technology, digital isolation technology based on adaptive OOK modulation, high-voltage/reverse-voltage protection circuit technology and power drive technology. Anchoring our success in our proprietary technologies, we are committed to independent research and development, and we have formed a comprehensive system to protect our IP rights. See "– Intellectual Property."

Details of certain of our representative technologies are set forth below:

Sensor Technology Field: Magnetic Sensing Technology

In sensor technology field, we have developed advanced magnetic sensing technology based on the principle of electromagnetic induction, which enables high-side current detection with excellent isolation and fast response. The product is designed with low-noise and low-offset architecture, achieving less than 5mV zero-point error and less than 1.5% sensitivity error across the full temperature range. It supports a wide bandwidth of up to 400kHz and a fast response time of 1.5μs. The sensitivity is configurable from 0.5mV/g to 30mV/g to meet various application requirements.

With this technology, our magneto-electric current sensing products integrate the current path and support current detection from 5A to 65A, improving both system integration and ease of deployment for customers in industrial automation and automotive electronics sectors.

Signal Processing Technology Field: Sensor Signal Conditioning and Calibration Technology

In signal processing technology field, our sensor signal conditioning and calibration technology is a core capability that underpins the development of our sensor signal conditioning ASIC chips, which are designed to amplify, convert and calibrate the output signals generated by sensors, enabling precise and reliable signal processing for a wide range of sensor applications.

Using this technology, our sensor signal conditioning ASIC chips can perform accurate amplification of small voltage output signals from various sensors. For example, this technology addresses the harmonic distortion issues that can arise during the preamplification process for MEMS microphone chips when handling large input signals.

In terms of calibration, our technology supports multiple calibration modes and algorithms, achieving high calibration accuracy. Additionally, the technology incorporates diagnostic features for sensors, such as open-circuit, short-circuit, overvoltage, overcurrent and high-temperature detection. These diagnostic functions allow the chip to send specific signals or codes in the event of an anomaly, helping to mitigate risks associated with unexpected failures.

We have invested significant resources in the development of calibration technology, including the creation of multiple calibration algorithms and the integration of auxiliary circuits within the chip. These features are designed to work seamlessly with external mass production calibration systems, enabling high-precision calibration while improving production efficiency and reducing manufacturing costs.

Isolator and Interface Technology Field: Digital Isolation Technology Based on Adaptive OOK Signal Modulation

In the isolator and interface technology, our proprietary digital isolation technology based on adaptive OOK signal modulation is a representative technology widely applied on our digital isolator products. This technology addresses the limitations of traditional OOK technology by significantly reducing signal jitter to approximately 1ns. This allows our digital isolators to support high-speed, high-precision data transmission in broad application scenarios. Additionally, this technology achieves a CMTI performance exceeding ±200kV/μs, providing strong resistance to common-mode interference and making our products suitable for high-voltage, high-switching-frequency environments. Furthermore, under extreme operating conditions, this technology safeguards the internal components of digital isolators from damage even at CMTI levels exceeding ±300kV/μs, enhancing the reliability and robustness of our products in demanding applications.

Power and Drive Technology Field: High-voltage/Reverse-voltage Protection Circuit Technology

In the power and drive technology field, our high-voltage/reverse-voltage protection circuit technology is a representative technology that allows automotive-grade sensor signal conditioning ASIC chips to achieve protection levels exceeding ±30V under standard chip process conditions. This technology enhances the operational stability of our products, particularly in challenging and harsh environmental conditions.

Power and Drive Technology Field: Power Drive Technology

In the power and drive technology field, our power drive technology enables our isolated driver chips to achieve a high CMTI of ±150kV/μs, providing strong resistance to common-mode interference. This technology also ensures fail-safe performance by preventing erroneous output signals in the event of power loss or undervoltage. Products adopting this technology feature ultra-low transmission delay of less than 35ns, pulse width distortion of less than 6ns, and drive strength of 4A to 6A. Leveraging this technology, our isolated driver chips have successfully passed multiple safety standards, including VDE, UL, and CQC standards.

R&D Process

We have established a comprehensive process to ensure strict control and oversight of our R&D activities. This process encompasses four key stages, namely (i) project initiation, (ii) IC design, (iii) verification and (iv) mass production.

- In the project initiation stage, our application center identifies customer needs and communicate with customers to understand their requirements for chip specifications and applications. Our market center then conducts market research and prepares a market demand report;

- In the design stage, our IC design team proceeds with top-level circuit design, module design, and simulation verification. Upon passing the design review, the chip layout is sent for wafer fabrication at a foundry;

- In the verification stage, our project center conducts laboratory evaluation, chip packaging, and test engineering. We conduct small-scale production to verify the product reliability; and

- Upon approval, the product enters the mass production stage, where our R&D center provides technical support and optimization, our quality center oversees quality control, and our application center develops specific application solutions based on product characteristics and customer requirements. When all departments confirm that the product meets customer needs and the application solutions are approved by customers, the product transitions to full-scale mass production.

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 206 granted patents, including 129 invention related patents in China and overseas. As of the same date, we had 187 integrated circuit layout design registrations, 28 copyrights, 47 registered trademarks, and three domain names in China and overseas. For our portfolio of material intellectual property rights for our core technologies 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 rely primarily on a combination of patents, copyrights, trademarks, trade secret and unfair competition laws and contractual rights, such as confidentially agreement, to protect our intellectual property rights. We have established comprehensive internal policies, covering the acquisition, maintenance, implementation, licensing, and transfer of intellectual property, as well as research on intellectual property information. Our R&D staff conducts searches and analyses of R&D outcomes upon project completion.

To protect technical secrets and prevent unauthorized disclosures, we enforce strict confidentiality measures. We clearly state all rights and obligations regarding the ownership and protection of intellectual properties in all employment agreements and commercial agreements we enter into. 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, including the intellectual property information management systems.

We acquire patents through self-development. As of the Latest Practicable Date, we owned all of our patents as well as patent applications. 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.

SALES AND MARKETING

During the Track Record Period, our products were sold in China and overseas, which primarily included (i) Hong Kong, China, (ii) Taiwan, China, (iii) Japan and (iv) South Korea. As we gradually expanded overseas, our revenue from sales to customers outside mainland China amounted to RMB169.5 million, RMB161.9 million and RMB305.4 million in 2022, 2023 and 2024, respectively, accounting for 10.1%, 12.3% and 15.6% of our total revenue for the respective years.

Our Sales Network

Our products are sold through both direct sales and distribution. During the Track Record Period, a majority 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,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Distribution	1,400,970	83.9	976,727	74.5	1,402,262	71.5
Direct sales	269,423	16.1	334,200	25.5	558,012	28.5
Total	**1,670,393**	**100.0**	**1,310,927**	**100.0**	**1,960,274**	**100.0**

Our Distribution Channels

According to Frost & Sullivan, engagement of distributors for the sales of products are in line with the industry norm in the analog IC industry. With expertise in IC sales marketing, our distributors help us expand sales channels, enhance market penetration, and provide timely market insights. The distribution model streamlines our operations, strengthens customer relationships across various industries, and improves our financial flexibility. By utilizing distributor resources, we can focus on R&D and design for our products, further optimizing our technological capabilities.

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. Distributors are not allowed to sub-distribute without our prior consent. To the best of our knowledge, we do not have any sub-distributor during the Track Record Period. Historical sales generated by these distributors were generally recurring in nature except in cases where we discontinued our business relationships with certain distributors as detailed below.

As of December 31, 2024, we had 149 distributors. The following table sets forth the movement in the number of our distributors during the periods indicated.

	Year ended 31 December		
	2022	2023	2024
Distributors at the beginning of year	58	87	102
Addition of new distributors	30	18	59[1]
Termination of existing distributors	1	3	12
Distributors at the end of year	87	102	149

Note:

(1) including net increase of 46 distributors as a result of our acquisition of MagnTek

We engaged 30, 18 and 59 new distributors in 2022, 2023 and 2024, respectively. The larger number of additional distributors in 2024 was primarily attributable to our acquisition of MagnTek. 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 one, three and 12 distributors in 2022, 2023 and 2024, respectively primarily due to alternation of their own business plans, expiration of distributorship agreements as well as our optimization of distributorship network based on our evaluation of our distributors' performances. During the Track Record Period and up to the Latest Practicable Date, we did not have any material 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. To the best of our knowledge, besides the ordinary course distribution arrangement with us, there is no other relationship between the distributors and each of our Company, our subsidiaries, our Shareholders who own 5% or more of the total issued Shares, Directors or senior management or any of their respective associates.

Principal Contractual Terms with Distributors

During the Track Record Period, we generally enter into distribution agreements with each of our distributors. The key terms of our distribution agreements included the following:

- *Term*. The term of the distribution agreement is typically two years and shall be automatically renewed for an additional period of one year thereafter, unless either party gives prior written notice of non-renewal.

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

- *Selling Price and Credit Terms.* We generally negotiate selling prices with our distributors based on our internal pricing and market conditions. We grant credit terms to distributors on a case-by-case basis.

- *Authorized downstream industries*. We typically specify the downstream industry in which a particular distributor is authorized to sell our products. This ensures an organized and balanced coverage of end customers in various industries by our distribution network.

- *Product Return or Exchange.* We may negotiate for product exchange for defective products but we shall not be liable for the risk of loss or damage during the distributor's handling. In 2022, 2023 and 2024, product returns and exchanges by distributors were insignificant. According to Frost & Sullivan, our product return and exchange policy with our distributors is in line with the industry norm.

Robust Management of Distributors

Our distributor management covers criteria for selection, pricing mechanisms, logistics, return and exchange policies, and inventory management systems.

- *Selection criteria.* We select distributors with an established sales network, strong customer relationships, and demonstrated capabilities in market management and sales operations. We also consider factors including corporate governance, business reputation and financial stability.

- *Anti-cannibalization management.* We have implemented measures to manage competition among our distributors and mitigate potential cannibalization. Distributors are required to input all their customer information and place orders through our centralized CRM system. This system ensures clarity in order management, reduces conflicts among distributors, and protects the interests of our distribution network. Additionally, we monitor the downstream industries in which the distributor is authorized to sell our products.

- *Sales and inventory management.* Under our buy-out model with distributors, we do not directly manage distributor inventory. Distributors are required to provide monthly sales forecasts, and we hold quarterly operational meetings to monitor their sales performance and customer development.

Our Direct Sales

To a lesser extent, we sell our products through our direct sales team. Through direct sales, we can understand customers' technology and business development plan firsthand, and engage in deep collaboration with customers in strategy, technological roadmap and product development. Such proximity with our customers allows us to sell our products effectively and efficiently.

Pricing

We price our products considering a variety of factors, including costs, gross margin and market conditions. We adjust the final pricing based on the specific client on a case-by-case basis.

Due to our diversified product portfolio and the large number of product models, the prices of different products may vary significantly. The table below sets forth the average selling price of our main products during the Track Record Period.

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB/unit	*RMB/unit*	*RMB/unit*
Sensor products	2.09	2.63	0.94
Signal Chain Chips	0.92	0.43	0.43
Power Management Chips	2.16	1.88	1.57

During the Track Record Period, we experienced a decline in the average selling price of our signal chain chips and power management chips primarily due to the intensified market competition. See "– Challenges to Our Industry and Business" for more details.

The average selling price of our sensor products decreased from 2.63 RMB/unit in 2023 to 0.94 RMB/unit in 2024 primarily due to the relatively lower prices and large sales volume of magnetic sensor products sold through MagnTek.

Marketing

Our marketing department is responsible for enhancing our brand awareness and promoting our new and existing products. We have established sales and marketing team in the US, Japan, South Korea and Germany. As of December 31, 2024, our sales and marketing team consisted of 191 members, working closely with our distributors to execute our marketing strategies.

We have built a strong brand reputation and industry influence through sustained, in-depth collaboration with top-tier companies across diverse application areas. By adopting tailored strategies for different industries, we allocate substantial resources to business development in emerging high-growth applications such as automotive electronics and renewable energy. In addition, we have implemented a comprehensive customer strategy that spans the entire process from acquisition to product delivery, further strengthening our market position. By maintaining close engagement with customers, we gain deep insights into their evolving needs and competitive market dynamics. This understanding enables us to strategically position our products, foster co-development opportunities, swiftly resolve technical challenges during production, and provide exceptional after-sales support.

OUR CUSTOMERS

During the Track Record Period, our customers primarily consisted of distributors and direct sales customers. In 2022, 2023 and 2024, our five largest customers together generated RMB730.8 million, RMB563.5 million, and RMB722.5 million of revenues, respectively, accounting for 43.8%, 43.0%, and 36.9% of our total revenue, respectively. In addition, revenues generated from our largest customer accounted for 13.0%, 16.6%, and 9.7% of our total revenues in 2022, 2023 and 2024, 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 five largest 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/services purchased	Credit terms	Year of commencement of business relationship
		(RMB'000)					
For year ended December 31, 2022							
1	Customer A[(1)]	216,703	13.0%	Distributor	Sensor products, signal chain chips and power management chips	30 days	2019
2	Customer B[(2)]	153,941	9.2%	Distributor	Sensor products, signal chain chips and power management chips	30 days	2021
3	Customer C[(3)]	138,167	8.3%	Distributor	Sensor products, signal chain chips and power management chips	30 days	2020
4	Customer D[(4)]	121,576	7.3%	Distributor	Sensor products, signal chain chips and power management chips	30 days	2018
5	Customer E[(5)]	100,460	6.0%	Distributor	Sensor products, signal chain chips and power management chips	Settlement of the current month	2021

Notes:

(1) Customer A is a private company engaged in the sales of sensor products and analog ICs based in Jiangsu, China

(2) Customer B is a private company engaged in the sales of electronic components based in Guangdong, China

(3) Customer C is a Shanghai subsidiary of a public company engaged in the sales of semiconductor products headquartered in Taiwan, China

(4) Customer D is a private company engaged in the sales of semiconductor products used in automotive electronics and industrial control sectors based in Guangdong, China

(5) Customer E is a private company engaged in the sales of electronic components based in Guangdong, China

Rank	Customer	Sales Amount	Percentage of total revenue	Type of customer	Type of product/services purchased	Credit terms	Year of commencement of business relationship
		(RMB'000)					
For year ended December 31, 2023							
1	Customer A	217,040	16.6%	Distributor	Sensor products, signal chain chips and power management chips	80 days	2019
2	Customer B	122,967	9.4%	Distributor	Sensor products, signal chain chips and power management chips	60 days	2021
3	Customer C	91,878	7.0%	Distributor	Sensor products, signal chain chips and power management chips	30 days	2020
4	Customer D	66,939	5.1%	Distributor	Sensor products, signal chain chips and power management chips	30 days	2018
5	Customer F(6)	64,661	4.9%	Direct sales customer	Sensor products, signal chain chips and power management chips	60 days	2023

Note:

(6) Customer F is a subsidiary of a public company engaged in the design and manufacturing of automobiles headquartered in Shenzhen, China

Rank	Customer	Sales Amount	Percentage of total revenue	Type of customer	Type of product/services purchased	Credit terms	Year of commencement of business relationship
		(RMB'000)					
For year ended December 31, 2024							
1	Customer B	190,487	9.7%	Distributor	Sensor products, signal chain chips and power management chips	60 days	2021
2	Customer F	163,422	8.3%	Direct sales customer	Sensor products, signal chain chips and power management chips	60 days	2023
3	Customer A	139,753	7.1%	Distributor	Sensor products, signal chain chips and power management chips	120 days	2019
4	Customer C	134,825	6.9%	Distributor	Sensor products, signal chain chips and power management chips	30 days	2020
5	Customer D	94,011	4.9%	Distributor	Sensor products, signal chain chips and power management chips	30 days	2018

PROCUREMENT AND SUPPLIERS

Raw Materials and Procurement

We operate with a fabless model and outsource wafer manufacturing and most of chip packaging and testing from our suppliers. During the Track Record Period, we primarily procured (i) foundry-manufactured wafers from mainland China, and (ii) chip packaging and testing services from mainland China.

Our procurement team is primarily responsible for formulating procurement plans based on the anticipated sales, the manufacturing lead time, inventory levels and production schedules. Pursuant to the procurement plans, our procurement team places purchase orders to our foundry suppliers. The foundry suppliers then manufacture wafers with our designed ICs and deliver the products to our warehouses. 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.

Our Suppliers

During the Track Record Period, our suppliers primarily consisted of (i) foundries, and (ii) companies that provide chip packaging and testing services.

Supplier Selection and Management

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 speed. In addition, we also implement measures to continuously monitor the final product quality. See "Quality Control – Product Quality and Safety" for further details.

We generally enter into framework agreements with our suppliers, which set forth the general terms and conditions of purchase.

- *Term and Termination.* The framework agreement normally has a undetermined period, which are subject to automatic renewal unless terminated.

- *Price.* The framework agreements generally do not specify quantity and price, which we set out in separate purchase orders.

- *Principal Obligations.* 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.

Our Major Suppliers

In 2022, 2023 and 2024, purchases from our five largest suppliers amounted to RMB1,049.0 million, RMB854.9 million, and RMB952.5 million, respectively, representing 90.5%, 86.8%, and 82.3% of our total purchases, respectively. In addition, purchases from our largest supplier accounted for 40.1%, 39.9%, and 32.8% of our total purchases in 2022, 2023 and 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 major 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)]	464,609	40.1%	Wafer	30 days	2013
2	Supplier B[(2)]	395,140	34.1%	Packaging and testing	30 days	2016
3	Supplier C[(3)]	138,258	11.9%	Wafer	100% prepayment	2017
4	Supplier D[(4)]	27,446	2.4%	Wafer and photomask	30 days	2020
5	Supplier E[(5)]	23,588	2.0%	Wafer and photomask	100% prepayment	2017

Notes:

(1) Supplier A is a public company engaged in semiconductor manufacturing headquartered in Shanghai, China.

(2) Supplier B is a private company headquartered in Hong Kong. It has several subsidiaries engaged in the packaging and testing of semiconductors based in mainland China.

(3) Supplier C is a public company engaged in semiconductor manufacturing headquartered in South Korea.

(4) Supplier D is a public company engaged in semiconductor manufacturing headquartered in Israel.

(5) Supplier E is a public company engaged in semiconductor manufacturing headquartered in Taiwan, China

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	393,338	39.9%	Wafer and photomask	30 days	2013
2	Supplier B	276,716	28.1%	Packaging and testing	30 days	2016
3	Supplier C	114,586	11.6%	Wafer and photomask	30 days	2017
4	Supplier F(6)	37,021	3.8%	Wafer and photomask	100% prepayment	2018
5	Supplier G(7)	33,214	3.4%	Packaging and testing	30 days	2021

Notes:

(6) Supplier F is a private company engaged in the fabrication of analog and mixed-signal ICs headquartered in Germany

(7) Supplier G is a public company engaged in the semiconductor manufacturing and chip packaging and testing headquartered in Jiangsu, China

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, 2024						
1	Supplier B	379,303	32.8%	Packaging and testing	30 days	2016
2	Supplier A	299,368	25.8%	Wafer and photomask	30 days	2013
3	Supplier C	155,144	13.4%	Wafer and photomask	30 days	2017
4	Supplier G	62,120	5.4%	Packaging and testing	30 days	2021
5	Supplier F	56,526	4.9%	Wafer and photomask	100% prepayment	2018

Supplier Concentration

Overview of Relationship with Major Suppliers

During the Track Record Period, we primarily procured foundry-manufactured wafers from Supplier A, and chip testing and packaging services from Supplier B. Supplier A is a semiconductor manufacturer based in Shanghai, China. We started business collaboration with Supplier A in 2013. Supplier B is a company headquartered in Hong Kong and it has several chip testing and packaging service subsidiaries based in China. We started business collaboration with Supplier B in 2016. According to Frost & Sullivan, it is in line with industry practice for chip design companies to rely on a limited number of foundry partners and chip testing and packaging suppliers to ensure consistently quality products and centralized management of manufacturing demands.

In 2022, 2023 and 2024, our purchases from Supplier A were RMB464.6 million, RMB393.3 million, and RMB299.4 million, respectively, representing 40.1%, 39.9%, and 25.8%, respectively, of our total purchases for the same periods. Our purchases from Supplier B were RMB395.1 million, RMB276.7 million, and RMB379.3 million, respectively, representing 34.1%, 28.1%, and 32.8%, respectively, of our total purchases for the same periods. As we source a significant portion of foundry-manufactured wafers chip testing and packaging services 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 are exposed to concentration risk of reliance on our major suppliers."

We have expanded and globalized our procurement network to include more wafer manufacturers and chip testing and packaging companies, and strengthening our collaborative relationships with existing suppliers. We understand there are additional alternative suppliers 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, 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.

Meanwhile, we have collaborated closely with major chip packaging and testing partners and developed mature and stable packaging and testing processes. To enhance efficiency and quality control, we have invested in testing equipment, which is utilized by select testing partners, securing production capacity for us. Besides, we have established our in-house packaging and testing facility mitigating the impact of potential industry-wide capacity fluctuations on the output and delivery cycles on certain of our products.

Key Terms of Agreements with Major Suppliers

Salient terms of our agreements with Supplier A and Supplier B typically include:

- *Term.* The term of our agreements are typically more than three years.

- *Pricing.* The framework agreements generally do not specify quantity and price, which we set out in separate purchase orders.

- *Payment.* We are required to make payment within 30 days upon invoice.

- *Product Warranty.* The manufactured products must meet the specifications as mutually agreed, and the product warranty period is typically one year.

QUALITY CONTROL

Product Quality and Safety

We have established a rigorous and well-structured quality management system that integrates industry-leading standards and best practices to ensure product reliability and customer satisfaction. Our overall quality framework is built upon ISO 9001. In addition, we adhere to specialized certifications such as ISO 26262 for functional safety, ISO/IEC 17025 for laboratory accreditation, and ISO 14001 for environmental management, reinforcing our commitment to safety, precision, and sustainability. Our quality management system has successfully passed audits by multiple OEMs and Tier 1 suppliers in the automotive industry, and we have obtained AEC-Q100 qualification for our automotive-grade products, demonstrating our commitment to meeting the stringent requirements of automotive-grade products. In 2023, we became a member of the Automotive Electronics Council and joined its Component Technical Committee.

From product design to production, quality is embedded throughout our entire product lifecycle. We employ rigorous validation and verification processes to ensure reliability and compliance with industry standards, with all R&D workflows and project documentation managed through an IT-backed system for consistency and traceability. We actively promote quality awareness through comprehensive training programs on quality systems and tools, and KPI-driven assessments. Our continuous improvement initiatives encourage proactive participation, rewarding teams for contributions to process optimization and innovation.

In addition, we work closely with customers to ensure compliance with their specific product development, manufacturing, and shipping requirements while conducting thorough contract reviews to align expectations. Our customer feedback mechanisms allow us to promptly address concerns and drive continuous improvement.

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 for defective products due to our faults. In isolated cases, we may coordinate product exchanges for customers to accommodate their adjustments in product designs, product processes and product promotion and marketing arrangements. 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.

LOGISTICS AND INVENTORY

Logistics

We engage qualified third-party logistics service providers for the delivery of all finished goods from our warehouse to locations specified by our customers. We set strict standards for the transportation of our products and conduct regular evaluations to ensure compliance and efficient delivery. As of the Latest Practicable Date, we had not experienced any significant delay or inappropriate handling of goods that materially and adversely affected our business operations.

Inventory Management

Our inventories include raw materials, work in progress, finished goods, goods in transit and goods delivered to customers. We attach great importance to our inventory health, assigning dedicated staff to provide management with regular reports on the status of inventory. To ensure effective inventory management, we implement various policies, including the first-in, first-out method, maintaining safety stock to address demand fluctuations or supply delays, and tracking inventory flow through our warehouse management system. We take inventory level into consideration when formulating procurement plans.

INFORMATION SECURITY AND DATA PRIVACY

In the course of our business operations, we collect, store and process business data and transaction data. Given that we only make transactions with enterprises, our business generally does not involve the collection or processing of customers' personal information.

To reinforce our data security and protection measures, 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. Moreover, we implemented a robust information backup management system, which sets forth the guiding principles, detailed procedures and mechanisms for data recovery. In addition, we formulated a scheme on information security management to set out the general guidance and principles of our information security management, under which we established a series of polices and procedures, including among others, policies on system operation management, password management and corporate trade secret protection and procedures on document control and confidentiality management. These systems, policies and procedures collectively form a solid framework that safeguards our data and upholds our stringent standards for information security.

COMPETITION

The analog IC industry is characterized by its extensive applications and diverse product portfolio, resulting in a competitive landscape with numerous market players. We compete primarily on product quality, our ability to meet end customers' demands, industry experience, brand and reputation.

We believe the analog IC market presents high entry barriers for competitors, including technological expertise, first-mover advantages, an extensive product portfolio, strong customer recognition, and established collaborations with foundries. We remain focused on leveraging our innovation capability, customer-centric solutions, and operational efficiency to maintain and enhance our position in the market.

CHALLENGES TO OUR INDUSTRY AND BUSINESS

According to Frost & Sullivan, the analog IC industry remains dominated by leading international companies as a result of their longer industry experiences , extensive product portfolios and economies of scale. These international companies exert considerable competitive pressure, for instance, in terms of product pricing, which can materially affect the pricing strategies and gross margins of Chinese companies, including us. According to Frost & Sullivan, in recent years, intensified price competition from leading international companies has created challenges for the business of Chinese companies, requiring them to adjust pricing and impacting their profitability. However, according to Frost & Sullivan, despite the competitive pressure, Chinese companies, including us, have demonstrated notable growth by delivering tailored products that address specific industry requirements and customer needs.

In many of our downstream application sectors, Chinese end customers have established a strong presence in global market, emerging as key drivers for industry development and product innovation. According to Frost & Sullivan, the localization rate of analog chip market in China grew from 11% in 2020 to 22% in 2024, and is expected to further grow in light of the favorable policy support. We believe we are well-positioned to capture this growth opportunity. In addition, as a leading Chinese analog chip company, our proximity to Chinese end customers enables us to gain deep insights into their technological advancements and evolving needs. By fostering deep collaborations with leading domestic brands to respond swiftly to market dynamics, we are uniquely positioned to accelerate product innovation. Our ability to deliver solutions aligned with customer demands will further distinguish us in a competitive landscape.

Analysis of Historical Losses

We have experienced strong business expansion during the Track Record Period, demonstrating our ability to refine our products, and penetrate new downstream applications. The aggregate sales volume of our sensor products, signal chain chips and power management chips increased from 1,430.9 million units in 2022 to 1,915.5 million in 2023, and further increased to 3,001.3 million units in 2024, representing a CAGR of approximately 44.8%. The increase in our revenue reflected our expanding market presence, a broader customer base across various downstream applications and the increase in sales to our existing customers. Our revenue decreased from RMB1,670.4 million in 2022 to RMB1,310.9 million in 2023, primarily due to decrease in prices of our signal chain chips and power management chips as a result of intensified market competition. Our revenue increased by 49.5% from RMB1,310.9 million in 2023 to RMB1,960.3 million in 2024, primarily driven by the increasing demand from end customers, especially the robust demand growth in the automotive electronics sector.

Despite our strong business expansion during the Track Record Period, we recorded net profit of RMB250.1 million in 2022 but subsequently incurred net losses of RMB305.3 million and RMB402.9 million in 2023 and 2024, respectively. Our losses in 2023 and 2024 were primarily due to:

Intensified market competition. Our gross profit margin decreased from 48.5% in 2022 to 33.9% in 2023, and further decreased to 28.0% in 2024, primarily due to increasing pricing pressure and evolving competitive dynamics. Leading international companies exerted considerable competitive pressure, for instance, in terms of product pricing, which materially affected both Chinese companies' and their own profit margins. According to Frost & Sullivan, a majority of publicly listed Chinese analog chip companies experienced decrease in gross profit margin, decrease in net profit or even net loss from 2022 to 2024; at the same time, certain leading international companies, as a result of their price reduction, also experienced decrease in gross profit margins or net profit margins from 2022 to 2024.

Substantial investment in R&D and other business aspects. We made investments in R&D and other aspects, such as business development, supply chain infrastructure, product quality management and talent development. These expenditures, while aimed at strengthening our long-term growth, resulted in higher expenses during the Track Record Period. We incurred R&D expenses of RMB403.8 million, RMB521.6 million and RMB540.0 million in 2022, 2023 and 2024, respectively accounting for 24.2%, 39.8% and 27.5% of total revenue of the same years. We also incurred selling and marketing expenses of RMB70.0 million, RMB117.4 million and RMB188.9 million in 2022, 2023 and 2024, respectively, accounting for 4.2%, 9.0% and 9.6% of our total revenue during the same years. We also incurred administrative expenses of RMB169.1 million, RMB245.1 million and RMB286.9 million, accounting for 10.1%, 18.7% and 14.6% of our total revenue during the same years.

Equity-settled share-based transactions. We implemented a restricted share incentive plan following our A Share listing. As a result, we record equity-settled share-based transactions of RMB196.7 million, RMB221.1 million and RMB70.9 million in 2022, 2023 and 2024, respectively.

Path to Profitability

In the coming years, we plan to break even and realize profitability by implementing business initiatives of achieving sustained growth in revenue, managing gross profit profile and enhancing operating efficiency.

Achieving Sustained Growth in Revenue

We seek to drive continual overall revenue growth through the following measures:

- Increasing the penetration rate of our products among automotive electronics, energy and industrial automation, and consumer electronics applications while expanding our product portfolio to capture the market opportunity brought by the increasing localization rate of analog ICs in China.

- Advancing global expansion to boost overseas revenue. We have established a global presence in the Japan, South Korea, and Germany, collaborating with Tier 1 suppliers with several products already in mass production. We seek to continuously (i) deepen strategic partnerships globally and accelerate business expansion in overseas markets to increase international revenue contribution., (ii) enhance localized operations to improve customer support, increase market penetration, and drive business growth, (iii) leverage global electronic component distribution channels to scale international market presence.

- Strengthening technological barrier for competitive advantage. We will continue to focus on R&D to enhance core product performance and reliability, driving product iterations and increasing product value. We plan to reinforce our platform-based innovation capabilities in areas such as isolation+ and sensors, leveraging highly integrated and high-performance solutions to enhance market competitiveness.

Managing Gross Profit Profile

We plan to optimize our gross profit profile by (i) developing differentiated products targeted to high-value markets, (ii) improving cost structure, and (iii) refining supply chain efficiency.

Developing Products Targeted to High-Value Markets

We focus on developing high-performance, high-reliability products designed to meet the specific needs of our application sectors. In recent years, Chinese companies has been important sources for R&D and innovation in various application sectors. As a domestic IC design company, our proximity to these sources allows us to better understand the technology trends and practical requirements of end customers. This proximity allows us to respond swiftly to differentiated demands and, through close collaboration, develop innovative products that address unique end customer needs and requirements.

We intend to continuously expand our product portfolio while focusing on high-value, high-barrier segments such as automotive electronics. In response to the intensified competition pressure, we plan to (i) prioritize R&D in differentiated solutions with sophisticated architectures and higher integration, (ii) expanding our product portfolio both through differentiated categories and customized solutions tailored to specific customer needs, and (iii)continue upgrading flagship products to maintain technological leadership and sustain a margin level. Through these measures, we aim to enhance end customer loyalty, stabilize our unit pricing, and increase overall gross profit margins.

Improving Cost Structure

We have been developing proprietary process platforms for key products while outsourcing wafer manufacturing to foundries. To further optimize our cost, we intent to leverage process innovation to create more reliable and efficient products, ensuring both cost savings and flexible pricing. In addition, we plan to improve our in-house packaging and testing capabilities, which helps manage costs and improve margins.

Refining Supply Chain Efficiency

A well-structured supply chain strategy ensures that we can mitigates cost fluctuations while maintaining competitive pricing. We had established and/or maintained stable relationship with multiple foundries and chip testing and packaging companies in various countries and regions during the Track Record Period. We intend to further refine our supply chain management by (i) diversifying supply sources to mitigate reliance risks on any supplier, and (ii) deepen our relationship with existing suppliers to secure more favorable pricing and stable production capacity.

Enhancing Operating Efficiency

In terms of operating expenses, we intend to efficiently manage our expenses as a percentage of our total revenues and expect margin improvements from enhanced operating efficiency.

Specifically, selling and marketing expenses as a percentage of revenue was 4.2%, 9.0% and 9.6% in 2022, 2023 and 2024, respectively. We expect to benefit from our established brand name, solid industry reputation and advantage of diverse product offerings. In particular, the recognition of our automotive-grade products and our brand name in downstream applications will help reduce our promotion expenses and the expenses associated with new customer acquisition.

As our technologies mature and the yield rate of our product offering continues to improve, we expect a higher R&D efficiency. We strive to (i) streamline and standardize our R&D process and methods to improve R&D efficiency, and (ii) maintain a well-established and stable R&D team, leading to a decrease in R&D employee expenses as a percentage of revenue.

Furthermore, we expect more effective management of our administrative expenses through the optimization of our team structure and enhanced efficiency within our management team.

INSURANCE

We maintain insurance coverage over our daily operations. Our insurance policies primarily include employee-related insurance, property all risk insurance, and product liability insurance, which we believe have covered major risks in our daily operations. We believe our insurance policy as a whole is in line with the general market practice and complies with the relevant rules and regulation in China. Nevertheless, we may be exposed to claims and liabilities which exceed our insurance coverage. Please see "Risk Factors – 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 December 31, 2024, we had a total of 1,172 full-time employees. Vast majority of our employees were 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 December 31, 2024.

Function	Number	Percentage of Total Number
R&D	560	47.8%
Sales and marketing	191	16.3%
Supply chain	85	7.3%
Quality control	115	9.8%
Financial	23	2.0%
Business operation	99	8.4%
General administrative	99	8.4%
Total	1,172	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. We prioritize internal referrals and social recruitment channels while strengthening collaborations with universities to attract top talents. To ensure employees have ample learning opportunities and continuously enhance their capabilities, we organize diverse and comprehensive training programs. In addition to fostering the accumulation and transfer of internal knowledge and expertise, we adopt various approaches to meet the specialized needs of different business units.

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. During the Track Record Period and up to 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.

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

Owned Properties

Land use rights

As of Latest Practicable Date, we owned the land use rights of two land parcels in China, with an aggregate site area of approximately 45,396.7 sq. m., which were mainly used as our office space and R&D center. As of the Latest Practicable Date, we had obtained all land use rights certificates for all land parcels we owned.

Buildings or units

As of Latest Practicable Date, we owned two buildings or units across China, with an aggregate GFA of approximately 46,144.9 sq. m., which were mainly used as our office space and R&D center. As of Latest Practicable Date, we had obtained all building ownership certificates for all buildings we owned.

Lease Properties

As of Latest Practicable Date, we leased nine properties for our primary business activities across China, with an aggregate GFA of approximately 17,382.7 sq. m., which were mainly as our office space, R&D center and chip testing and packaging facilities. For all these properties we leased, the lessors had obtained the relevant title certificates and/or consent, authorization, or approval which entitled the lessors to lease out such properties. 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 completed lease registration for the nine properties we leased in China. The failure of obtaining 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, and a maximum of RMB90,000 for our nine non-registered leases. As advised by our PRC Legal Advisors, the lack of registration of the lease agreements does not affect the validity of such lease agreements, nor materially and adversely affect the operations of our Company and the Group.

Property Valuation

As of the Latest Practicable Date, no single property interest forming part of our Group's property activities had a carrying amount of 1% or more of our total assets and 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 are 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

In alignment with the global trend toward sustainable development, we are committed to establishing a comprehensive ESG governance framework. We have integrated ESG considerations into our overall strategy, long-term planning, key decision-making processes, and daily operations. Our objective is to create economic value while simultaneously fulfilling our social responsibilities, promoting environmental protection and ensuring that our business development aligns with sustainable development goals. We believe that sound ESG governance not only enhances our corporate image and market competitiveness but also delivers long-term value to stakeholders and contributes positively to society and the environment.

To implement effective ESG governance, we have established the Strategy and ESG Committee and adopted detailed rules for the works conducted by the Strategy and ESG Committee. The Strategy and ESG Committee is responsible for formulating and advising on significant ESG-related matters, including our ESG policies, strategies, objectives and governance structure. It monitors and reviews the implementation and progress of our ESG initiatives on a regular basis and provides recommendations for improving our ESG performance or making key decisions related to ESG matters.

We have also implemented detailed environmental management policies to promote environmental awareness and integrate energy conservation, emission reduction and green and low-carbon practices into our daily operations. Through various initiatives, we aim to enhance our employees' environmental awareness and contribute to energy conservation and emission reduction efforts.

We place significant importance on employee career development and provide diverse training and development opportunities. We are committed to fostering a diverse workforce and building an inclusive culture that encourages collaboration and innovation among stakeholders from different backgrounds.

In addition, we have established robust internal control and compliance mechanisms to enhance governance transparency. We maintain open communication with employees, customers, suppliers, investors and the broader community, actively seeking feedback to continuously optimize our ESG strategies.

ESG Risk Management and Strategy

We have consistently recognized the significance of ESG 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.

Through comprehensive issue identification and issue assessment process, we identify and rank material ESG risks in terms of importance to our business operations and importance to our stakeholders. The following sets forth certain material risks identified by us and the mitigation measures taken by us to address these risks:

- ***Employee care and rights***: Risks related to employee care and rights, such as poor working conditions or non-compliance with labor laws or regulations, could harm our reputation and operational stability. To address the risk, we consistently adhere to applicable labor laws and 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.

- ***Customer rights protection***: Failures in protecting our customer rights could adversely affect customer satisfaction, harm our reputation and potentially lead to legal or regulatory liabilities. To mitigate this risk, we have implemented measures including (i) regular customer satisfaction surveys to assess service quality and identify areas for improvement and (ii) customer complaint handling procedure, which includes defined timelines and standards for addressing customer complaints efficiently and responsibly. Through these initiatives, we aim to enhance customer satisfaction, maintain high service standards and strengthen our reputation for product and service excellence.

- ***Information and privacy security***: we face ESG risks related to information and privacy security, including potential breaches of trade secrets, customer data and personal information, which could result in reputational harm, regulatory penalties or operational disruptions. To mitigate these risks, we have implemented robust measures, including confidentiality system, access controls for sensitive customer data and confidentiality agreements with customers and employees. We also provide regular employee training on information security to further strengthen awareness and compliance.

- ***Product quality management***: We uphold the "robust and reliable" policy as the foundation of our product quality management and we are committed to delivering products through stringent quality control measures implemented across the entire product lifecycle, from research and development to production. Please see "- Quality Control" in this section for further details on our quality management policies and practices.

- ***R&D and technological innovation***: we integrate ESG principles into our research and development activities by prioritizing green and sustainable innovation. Focusing on key areas such as NEV and PV applications, we develop environmentally friendly and intelligent products to contribute to global greenhouse gas reduction initiatives and support broader societal goals, including China's carbon peaking and carbon neutrality targets.

- ***Risk management***: We have in place a robust risk management and internal control system overseeing operational aspects such as financial reporting, compliance, IP and anti-corruption. Please see "- Internal Control and Risk Management" in this section for further details on our quality management policies and practices.

- ***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 for anonymous reporting.

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.

Metrics and Targets

We actively promote carbon reduction and environmental protection principles by implementing a series of environmental protection measures to address environmental risks such as climate change and energy shortages. Through environmental impact assessments, we ensure that our products meet sustainable development standards. We have established an efficient energy management strategy and a rigorous environmental metrics monitoring system to ensure that all energy consumption aligns with our ESG governance framework and green energy-saving objectives. We continuously optimize overall energy efficiency to achieve sustainable development.

Our core business involves the R&D, design and sales of products under a fabless model. The primary raw materials we procure are wafers, and we outsource a majority of related packaging and testing processes to external professional processing service providers. Neither our Company nor our subsidiaries are directly engaged in manufacturing activities.

During the Track Record Period, we experienced significant increase in greenhouse gas emission, water consumption and electricity consumption from 2022 to 2024, as a result of the business expansion. The following table sets forth metrics on our greenhouse gas emission, electricity and water consumption during the Track Record Period:

	Year ended December 31,		
	2022	**2023**	**2024**
Greenhouse gas emission (tCO_2e)[(1)]	1,263.3	3,768.7	7,244.4
Water consumption (tons)	1,508.7	3,985.0	8,724.0
Electricity consumption (kWh)	2,211,867.7	6,608,207.0	12,702,719.0

Note:

(1) tCO_2e refers to tons of carbon dioxide equivalent and is the standard unit for measuring carbon footprint. The greenhouse gas emission in the table above includes only scope 2 emissions, which refer to indirect emissions resulting from the generation of purchase or acquired electricity, heating, cooling and steam consumed within our Group.

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:

- *Water Conservation*: we enhance water conservation practices by displaying informational posters to promote responsible usage;

- *Electricity saving*: in the workplace, we promote energy efficiency by ensuring all applicable lighting and electrical equipment are turned off after working hours, avoiding unnecessary use of lighting in unoccupied areas, and setting seasonal temperature guidelines for air conditioning. Employees are also encouraged to minimize the frequent restarting of office electric equipment to reduce energy consumption. We have incorporated rooftop PV systems in our new Suzhou office since 2023 to reduce reliance on traditional energy sources and enhance the use of clean energy; and

- *Paper saving*: we promote paper-saving practices by adopting electronic office processes to reduce paper usage and encourage double-sided printing and copying and proper paper recycling.

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.

We believe that ESG governance plays a critical role in addressing physical and transitional risks. To manage the uncertainties and risks posed by climate change, we have developed environmental management strategies that include improving resource efficiency, promoting green technology innovation and enhancing the sustainability of our supply chain.

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.

We are committed to giving back to society in various ways and contributing positively to the community. We place great importance on talent development and have collaborated with universities to establish talent training bases, providing practical opportunities for students to inspire their interest and enthusiasm for technological innovation while nurturing more industry talent for society.

Employee Wellbeing

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 are committed to fostering an inclusive and equitable workplace. We embrace diversity in hiring, provide equal employment opportunities and strictly prohibit discrimination based on gender, age, race, religion or physical status. Our recruitment process ensures fair assessment of candidates based solely on their qualifications and experience. We encourage employees and applicants to raise concerns, which are promptly addressed in line with our commitment to fairness and respect. We hold regular roundtables where our management and employees engage in face-to-face interactions to discuss business updates and promptly address employee queries. We also hold townhall meetings to share industry trends, business updates, vital achievements by various internal departments and exchange of corporate value and culture.

Besides competitive compensation and benefits, we conduct various employee engagement activities throughout the year, such as monthly tea breaks, Women's Day events, sports events and holiday celebrations, to foster a inclusive and cohesive workplace culture.

We have a diverse employee composition. The table below sets forth our employee composition as of December 31, 2024, in terms of gender, age and education level:

	Number of employees
By Gender	
Male	770
Female	402
By age group	
50 and above	4
40 to 49	158
30 to 39	608
Below 30	402
By education level	
Doctors and professors	19
Masters	458
Bachelors and below	695
Total	**1,172**

Employee Safety and Health

We have established a comprehensive employee safety and health system to ensure that employees work in a safe environment. We also place great emphasis on enhancing employees' safety awareness and their ability to handle emergency situations.

We prioritize employee health and safety through regular training programs. These programs focus on occupational health and safety management to ensure employees are equipped with essential safety knowledge and skills, promoting a safe and secure working environment.

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 are committed to fostering the professional growth of our employees through comprehensive training and development initiatives. Our training programs cover a wide range of topics, including general knowledge, professional skills, management practices and business-specific expertise. Employees are provided with access to both online and offline courses tailored to their developmental needs and business requirements, promoting a culture of continuous learning and knowledge sharing.

We are committed to building a learning-oriented organization and a global talent system through sustained investment in employer branding and organizational talent development. We have implemented a structured and tiered training system that addresses the needs of employees at different career stages, covering both new employee onboarding and professional development for all staff. Our talent development programs are continuously updated and refined to align with the evolving needs of our workforce. By adopting a "standardized + customized" training model, we empower employees to realize their career potential while ensuring a strong talent foundation for our high-quality growth.

Supply Chain Management

Our supply chain plays a critical role in our operations and product delivery. Failure to select high-quality, reliable third-party suppliers, including those for wafer manufacturing, packaging and testing, or to effectively manage these suppliers, could adversely impact our business and harm our reputation.

We have implemented a comprehensive supply chain management system that encompasses the entire lifecycle of supplier engagement, including inspection, admission, performance evaluation, auditing and exit. Our supplier evaluation process incorporates (i) TQRDC (Technology, Quality, Response, Delivery and Cost) criteria, with additional (ii) ESG dimensions to ensure sustainability, social responsibility, and (iii) security, including cybersecurity, information security, and employee safety.

Anti-Corruption and Anti-Bribery

To uphold our strong business reputation and ethical standards, we have implemented a strict anti-corruption and anti-bribery policy. This policy is designed to prevent and prohibit any form of corruption or bribery, ensuring that our employees adhere to high standards of integrity and transparency in all business activities.

We maintain a zero-tolerance approach to corruption and bribery and strictly enforce internal controls to enhance employees' legal awareness and ethical principles. We have established secure, confidential and effective reporting channels to encourage employees and partners to report or file complaints about any suspected corruption or bribery. All reports are thoroughly investigated, and the rights of whistleblowers are fully protected.

Through background checks and compliance reviews, we ensure that all third-party business partners adhere to the same anti-corruption and anti-bribery standards before entering into any collaboration.

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.

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 in place a robust risk management and internal control system. We adopted and continually improve our internal control mechanisms, consisting of policies and procedures tailored to our business operations, to safeguard our business operations and assets at all times. Our Board is collectively responsible for establishing and implementing such risk management mechanisms and overseeing our overall risk management.

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 established an Audit Committee to review and supervise our financial reporting process and internal control system.

Compliance Risk Management

We have established sound compliance risk management procedures to achieve effective identification and management of compliance risk, and ensure that our operations are in compliance with applicable laws and regulations. In accordance with such procedures, our legal team carefully reviews the contracts we enter into with customers, suppliers and business partners. our legal team is also responsible for obtaining any requisite governmental permits, approvals or consents. In addition, we continually monitor changes in relevant laws and regulations as well as the regulatory environment to ensure compliance in our business operations.

Intellectual Property Risk Management

As a knowledge- and technology-intensive company, we have been and may continue to be subject to claims from companies holding patents or other intellectual property rights, alleging infringement of such rights or otherwise asserting their rights and urging us to obtain licenses in the course of our operations. See "Risk Factors – 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." To ensure proper management of our intellectual property and avoid litigation concerning intellectual property infringement, we have implemented various internal policies and established an internal intellectual property management system. Please see "– Intellectual Property."

Anti-corruption Risk Management

We uphold business ethics and integrity through comprehensive policies, including the anti-bribery code of conduct. We maintain a whistleblower mechanism for anonymous reporting, with oversight by the internal audit department. All reports will be investigated per an approved plan, with findings documented and submitted to relevant management. The internal audit department ensures strict confidentiality for whistleblowers. In addition, we require our business partners to sign the code of business conduct for business partners or other integrity agreement as part of the onboarding process.

As of the Latest Practicable Date, we have not been involved in legal proceedings related to corruption, bribery, or fraud.

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. 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.

The following table sets forth certain material licenses, approvals and permits:

License/Approval/Permit	Granting Authority	Grant Date	Expiration Date
Registration certificate for Customs Declaration	Suzhou Industrial Park Customs, PRC	May 10, 2016	N/A
Registration for Import and Export Consignees and Consignors	Pudong Customs, PRC	May 24, 2017	N/A
Registration for Import and Export Consignees and Consignors	Chongqing Lianglucuntan Bonded Port Area Water Port Functional Area	June 12, 2020	N/A

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
Excellent Chip China 2024 Innovation Application Award	2024	China Semiconductor Industry Association and China IC Design Innovation Alliance
"China Chip" Excellent Technology Innovation Products	2021, 2023 and 2024	China Academy of Information and Communications Technology
Jiangsu Analog and Mixed Signal Chip Engineering Research Center	2024	Jiangsu Provincial Development and Reform Commission
Top 10 Chinese Semiconductor MEMS Companies	2019-2021, and 2023	China Semiconductor Industry Association
Jiangsu Provincial Level Enterprise Technology Center	2022	Jiangsu Provincial Department of Industry and Information Technology, Jiangsu Provincial Development and Reform Commission, Jiangsu Provincial Department of Science and Technology, Jiangsu Provincial Department of Finance and Jiangsu Provincial Taxation Bureau of the State Administration of Taxation

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 IFRS Accounting Standards. You should read the entire Accountants' 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 consider all of the information provided in this document.

OVERVIEW

We are a leading analog chip provider in China. As a fabless company, we offer a comprehensive portfolio of high-performance and reliable products and solutions for application sectors such as (i) automotive electronics, (ii) energy and industrial automation and (iii) consumer electronics. Our three core product categories – sensor products, signal chain chips and power management chips – form a complete chain that covers (i) sensing, (ii) signal processing and (iii) system power supply and power drive. These products play a critical role in enabling the connection and interaction between the physical and digital worlds.

Our revenue amounted to RMB1,670.4 million, RMB1,310.9 million and RMB1,960.3 million in 2022, 2023 and 2024, respectively.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations are affected by a number of general factors, including:

- overall economic growth and conditions in China and globally;
- technological advancement in the industry in which we operate;
- geopolitical relations; 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 analog IC products is one of the primary factors influencing our financial conditions and results of operations. During the Track Record Period, our primary product categories included (i) sensor products, (ii) signal chain chips and (iii) power management chips. Our products are well recognized for their outstanding performance and robust and reliable quality. In 2022, 2023 and 2024, our aggregate sales volume of (i) sensor products, (ii) signal chain chips and (iii) power management chips amounted to 1,430.9 million, 1,915.5 million and 3,001.3 million units, 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 end customers in various application fields.

During the Track Record Period, we primarily derived our revenue from sale of (i) sensor products, (ii) signal chain chips and (iii) power management chips. We price each product based on a variety of factors, including costs, gross margin and market conditions. In 2022, 2023 and 2024, our gross profit margin was 48.5%, 33.9% and 28.0%, respectively. 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, broaden our customer base and maintain a strong focus on high-margin product categories. By continuously refining our product mix and leveraging technological innovation, we are committed to sustain robust financial performance and drive 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 analog IC products. The overall growth of global and China's analog IC market is mainly driven by growing downstream industries, the escalating demand for high-efficiency solutions in AI infrastructure, power systems for new energy vehicles and smart devices. According to Frost & Sullivan, the global analog IC market increased from RMB383.9 billion in 2020 to RMB565.7 billion in 2024, with a CAGR of 10.2%. The market is expected to further grow from RMB565.7 billion in 2024 to RMB803.5 billion in 2029, with a CAGR of 7.3%. Driven by the robust market demand, China's analog IC market has achieved rapid expansion, with a market size of RMB195.3 billion in 2024, accounted for approximately 35% of the global market share. 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 analog IC industry is experiencing trends such as increasing domestic substitution, higher integration level and development towards more intelligent products. According to Frost & Sullivan, benefiting from the booming development of new energy vehicles and the rapid growth in demand for automotive electronics, the market size of China's automotive Analog ICs reached RMB37.1 billion in 2024, and is expected to further increase to RMB85.8 billion by 2029, with a CAGR of 18.3%. China's sensor market is also growing rapidly with the development of new energy and intelligent vehicles, energy and industrial automation, and smart consumer electronics. In 2024, China's sensor market size reached RMB272.5 billion, with magnetic sensors accounting for RMB7.1 billion. Furthermore, China's sensor market is expected to reach RMB601.3 billion by 2029, with a CAGR of 17.1%, and the market size of magnetic sensors is expected to increase to RMB19.0 billion by 2029, representing the fastest growth rate among all sensor segments.

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 product offering, proven track record of business growth, and our ability to constantly innovate and adapt to evolving technological advancements, combined with our strong R&D capabilities in analog IC design well-position us to capture the market opportunities in global and China's growing analog IC industry.

Competitive landscape within our industry

Our financial performance may be affected by the competitive landscape in the global and Chinese analog IC markets. According to Frost & Sullivan, the analog IC industry is highly competitive, with foreign companies maintaining dominant positions as a result of their advanced technological expertise across semiconductor segments, extensive product portfolios and economies of scale. These industry leaders exert considerable competitive pressure, for instance, in terms of product pricing, which can materially affect the pricing strategies and gross margins of domestic players, including us. According to Frost & Sullivan, in recent years, intensified price competition from leading global players has created challenges for the business of domestic analog IC companies, requiring them to adjust our pricing and impacting their profitability.

However, according to Frost & Sullivan, despite the competitive pressure, Chinese companies, including us, have demonstrated notable growth by delivering tailored products that address specific industry requirements and customer needs. In 2024, we ranked 14th in terms of revenue of analog ICs in the Chinese market, being one of the top five domestic players in the same market, according to Frost & Sullivan.

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

Upstream supply and production capacity

We operate with the fabless model, focusing on the R&D and design of ICs while outsourcing wafer fabrication to trusted third-party partners. We arrange subsequent chip packaging and testing with our packaging and testing partners, or to a much lesser extent, at our own facilities. During the Track Record Period, we established strong and long-term cooperation with our major suppliers. See "Business – Procurement and Suppliers – Our Suppliers" for more details. 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 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 are exposed to concentration risk of reliance on our major suppliers" for more details. During the Track Record Period, we were not subject to any material 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.

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 2024, we recorded R&D expenses of RMB403.8 million, RMB521.6 million and RMB540.0 million. Specifically, the progress of our technology and product development depends largely on our R&D talents. As of December 31, 2024, our R&D team consisted of 560 members, representing 47.8% of total employees as of the same date. Employee compensation for our research and development staff amounted to 47.3%, 49.6% and 70.0% of our research and development expenses in 2022, 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.

Our ability to maintain and improve operating efficiency

Our profitability depends in part on our ability to manage costs and optimize our operating efficiency. In 2022, 2023 and 2024, we incurred selling and marketing expenses of RMB70.0 million, RMB117.4 million and RMB188.9 million, representing 4.2%, 9.0% and 9.6% of our total revenue during the same years, respectively, and our administrative expenses amounted to RMB169.1 million, RMB245.1 million and RMB286.9 million, representing 10.1%, 18.7% and 14.6% of our total revenue during the same years, 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 marketing 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.

BASIS OF PREPARATION AND PRESENTATION

Our historical financial information has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standard Board ("**IASB**"). The measurement basis used in the preparation of the historical financial information is the historical cost basis except the financial assets and liabilities measured at FVPL, the financial assets measured at FVOCI and contingent liabilities assumed in business combination and are stated at their fair values as explained in Note 2(f) and Note 2(s)(ii) to the Accountants' Report in Appendix I to this document.

The preparation of historical financial information in conformity with IFRS Accounting Standards requires our management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Judgments made by our management in the application of IFRS Accounting Standards that have significant effect on the historical financial information and major sources of estimation uncertainty are discussed in Note 3 to the Accountants' Report set out in Appendix I to this document.

MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are material 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, inventories, cash and cash equivalents, property, plant and equipment and depreciation, as detailed in Note 2 of the Accountants' Report set out in Appendix I to this document and (ii) accounting judgments and estimates including net realisable value of inventories, impairment of goodwill and deferred tax assets, as set forth in details in Notes 3 to the Accountants' Report set out in Appendix I to this document are critical and/or involve the most important estimates and judgments we used in preparing our financial statements.

NON-IFRS MEASURE

To supplement our consolidated financial statements, which are presented in accordance with IFRS Accounting Standards, we also use adjusted profit/(loss) before taxation (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS Accounting Standards.

The following table reconciles our profit/(loss) before taxation for the years presented in accordance with IFRS Accounting Standards to adjusted profit/(loss) before taxation (non-IFRS measure).

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before taxation	253,148	(297,060)	(404,155)
Add:			
Equity-settled share-based transactions	196,705	221,073	70,895
Adjusted profit/(loss) before taxation (non-IFRS measure)	449,853	(75,987)	(333,260)

We define adjusted profit/(loss) before taxation (non-IFRS measure) as profit/(loss) before taxation, excluding equity-settled share-based transactions. We have made the following adjustment consistently during the Track Record Period.

- Equity-settled share-based transactions represent the non-cash employee benefit expenses incurred in connection with our award to key employees. Such expenses in any specific period are not expected to result in future cash payments.

We believe that adjusted profit/(loss) before taxation (non-IFRS measure) provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our non-IFRS measure does not have a standardized meaning prescribed by IFRS Accounting Standards, and our presentation of adjusted profit/(loss) before taxation (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted profit/(loss) before taxation (non-IFRS measure) has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

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 (i) sensor products, (ii) signal chain chips and (iii) power management chips. 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) material costs, (ii) processing fees, (iii) other costs and (iv) impairment loss of inventories.

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 Net Income

Our other net income primarily consist of (i) bank interest income, (ii) investment income on wealth management products, (iii) changes in fair value of financial assets measured at FVPL, (iv) government grants, (v) net profits on disposal a subsidiary, or an associate (vi) interest income on capacity deposit, (vii) net foreign exchange gain/(loss), (viii) value-added tax deduction, (ix) dividend income from investment in a financial asset measured at FVPL and (x) changes in fair value of contingent consideration payable.

Selling and Marketing Expenses

Our selling and marketing expenses mainly consist of (i) employee compensation, which primarily include salaries, bonus and welfare paid to our sales and marketing staff, (ii) equity-settled share-based transactions, (iii) promotion and advertising expenses, (iv) traveling expenses and (v) business entertainment expenses.

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) equity-settled share-based transactions, (iii) depreciation and amortization related to our operational infrastructure, (iv) professional service fees, which include our auditing fees and consultation fee, (v) office expenses, (vi) certification service fees, (vii) leased property expenses and (viii) traveling expenses.

Research and Development Expenses

Our research and development expenses mainly consist of (i) employee compensation, which primarily include the salaries, bonus and welfare paid to our R&D staff, (ii) equity-settled share-based transactions, (iii) materials, testing and verification expenses, which primarily include cost of R&D materials, testing and verification expenses related to our R&D activities and consumables expenses and (iv) depreciation and amortization related to our R&D infrastructure.

Impairment Loss on Trade Receivables

Our impairment loss on trade receivables mainly resulted from trade receivables.

Finance Costs

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

Share of Losses and Provision for Impairment of Associates and Joint Ventures

Our share of losses and provision for impairment of associates and joint ventures mainly consist of investment losses from our associates and joint ventures accounted for under the equity method, and the impairment loss recognized in respect of our investment in an associate, Xiangyang Zhenxin Sensing Technology Co., Ltd..

Income Tax

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, and such qualification may be renewed every three years. Our Company was entitled to such rate as a High and New Technology Enterprise under the relevant PRC laws and regulations from 2022 to 2024. Our subsidiaries, namely MagnTek, MagnTek Electronics (Shanghai) Co., Ltd., Shenzhen MagnTek Technology Co., Ltd. and Chongqing QstMagnTek Microelectronics Co., Ltd., all of which were acquired in October 2024, were also previously certified as High and New Technology Enterprises and as a result, were subject to income tax rate at 15% for the two months ended 31 December 2024 during the Track Record Period.

The provision for Hong Kong Profits Tax was taxed at 8.25% on taxable income for the first Hong Kong dollar 2,000,000 and the remaining taxable income was taxed at 16.5%. Taxation for our overseas subsidiaries was charged at the appropriate current rates of taxation ruling in the relevant countries. See Note 7 of the Accountants' Report in Appendix I to this document for more details.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

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

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Revenue	**1,670,393**	**100.0**	**1,310,927**	**100.0**	**1,960,274**	**100.0**
Cost of sales	(860,119)	(51.5)	(866,865)	(66.1)	(1,410,928)	(72.0)
Gross profit	**810,274**	**48.5**	**444,062**	**33.9**	**549,346**	**28.0**
Other net income	119,944	7.2	158,195	12.1	98,529	5.0
Selling and marketing expenses	(69,980)	(4.2)	(117,444)	(9.0)	(188,942)	(9.6)
Administrative expenses	(169,111)	(10.1)	(245,083)	(18.7)	(286,872)	(14.6)
Research and development expenses	(403,812)	(24.2)	(521,614)	(39.8)	(539,992)	(27.5)
Impairment loss on trade receivables	(6,711)	(0.4)	(574)	–	(13,466)	(0.7)
Profit/(loss) from operations	**280,604**	**16.8**	**(282,458)**	**(21.5)**	**(381,397)**	**(19.4)**
Finance costs	(7,454)	(0.4)	(6,383)	(0.5)	(16,435)	(0.8)
Share of losses and provision for impairment of associates and joint ventures	(20,002)	(1.2)	(8,219)	(0.6)	(6,323)	(0.3)
Profit/(loss) before taxation	**253,148**	**15.2**	**(297,060)**	**(22.6)**	**(404,155)**	**(20.5)**
Income tax	(3,027)	(0.2)	(8,275)	(0.6)	1,277	0.1
Profit/(loss) for the year	**250,121**	**15.0**	**(305,335)**	**(23.2)**	**(402,878)**	**(20.4)**
Other comprehensive income for the year	–	–	106	–	(749)	–
Total comprehensive income for the year	**250,121**	**15.0**	**(305,229)**	**(23.2)**	**(403,627)**	**(20.4)**

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 years indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Sensor Products	111,110	6.7	165,754	12.6	273,981	14.0
Signal Chain Chips	1,045,665	62.6	705,306	53.8	963,251	49.1
Power Management Chips	509,762	30.5	427,808	32.6	703,171	35.9
Others[(1)]	3,856	0.2	12,059	1.0	19,871	1.0
Total	**1,670,393**	**100.0**	**1,310,927**	**100.0**	**1,960,274**	**100.0**

Note:

(1) Others primarily included our revenue from customization services and sales of ancillary components.

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

	Year ended December 31,		
	2022	2023	2024
	'000	*'000*	*'000*
Sensor Products	53,171	62,960	291,531[(1)]
Signal Chain Chips	1,141,447	1,624,994	2,260,842
Power Management Chips	236,283	227,578	448,905
Total	**1,430,900**	**1,915,532**	**3,001,278**

Note:

(1) Including 155,905 thousand units sold through MagnTek since the completion of its acquisition by us in October 2024.

During the Track Record Period, we primarily generated revenue from the sales of products, including (i) sensor products, (ii) signal chain chips and (iii) power management chips. Our revenue amounted to RMB1,670.4 million, RMB1,310.9 million and RMB1,960.3 million in 2022, 2023 and 2024, respectively.

Comparison between 2024 and 2023: Our revenue increased by 49.5% from RMB1,310.9 million in 2023 to RMB1,960.3 million in 2024, primarily driven by the increase in revenue from sales of (i) sensor products, (ii) signal chain chips and (iii) power management chips, mainly due to the increased sales volume in line with the increasing demand from end customers, particularly in the automotive electronics sector.

- *Sensor Products*: Our revenue from sales of sensor products increased by 65.3% from RMB165.8 million in 2023 to RMB274.0 million in 2024, primarily due to (i) our acquisition of MagnTek, a company focusing on the design and production of high-performance magnetic sensors, in October 2024. The acquisition contributed to the increase in the number of sensor products sold as a result of the consolidation of the business and financial performances of MagnTek. The revenue growth rate for our sensor products from 2023 to 2024 is lower than the sales volume growth rate, primarily due to the relatively lower prices and large sales volume of magnetic sensor products sold through MagnTek and (ii) our continuous efforts to launch new sensor products for our automotive and consumer electronics customers.

- *Signal Chain Chips*: Our revenue from sales of signal chain chips increased by 36.6% from RMB705.3 million in 2023 to RMB963.3 million in 2024, primarily due to an increase in our sales volume of signal chain chips from 1,625.0 million units in 2023 to 2,260.8 million units in 2024, as a result of (i) growing demand from the downstream consumer electronics and automotive electronics sectors, for example, the increase in sales of our microphone signal conditioning ASIC chips and isolators; and (ii) our continuous efforts to expand our customer base and product portfolio through ongoing market development and new product launches.

- *Power Management Chips*: Our revenue from sales of power management chips increased by 64.4% from RMB427.8 million in 2023 to RMB703.2 million in 2024, primarily due to an increase in our sales volume of power management chips from 227.6 million units in 2023 to 448.9 million units in 2024 as a result of steady growth in the NEV industry during the year, which led to a significant year-on-year increase in sales of gate drivers within our power management product portfolio.

Comparison between 2023 and 2022: Our revenue decreased by 21.5% from RMB1,670.4 million in 2022 to RMB1,310.9 million in 2023, primarily due to the decrease in revenue from signal chain chips and power management chips, mainly as a result of intensified price competition from leading global companies, which led us to adjust our product pricing accordingly.

- *Sensor Products*: Our revenue from sales of sensor products increased by 49.2% from RMB111.1 million in 2022 to RMB165.8 million in 2023, primarily due to an increase in our sales volume of sensor products from 53.2 million units in 2022 to 63.0 million units in 2023 as a result of the successful integration of our new magnetic sensor products into the products of certain of our end customers, which drove higher demand and order volumes in 2023.

- *Signal Chain Chips*: Our revenue from sales of signal chain chips decreased by 32.5% from RMB1,045.7 million in 2022 to RMB705.3 million in 2023, primarily due to (i) weakened customer demand for products such as isolators and signal conditioning chips, as end customers in the energy and industrial automation sectors were undergoing an inventory destocking phase and (ii) a decline in our average selling prices of signal chain chips in response to intensified market competition.

- *Power Management Chips*: Our revenue from sales of power management chips decreased by 16.1% from RMB509.8 million in 2022 to RMB427.8 million in 2023, primarily due to an decrease in our sales volume of power management chips from 236.3 million units in 2022 to 227.6 million units in 2023, due to the weakened customer demand, as end customers in the energy and industrial automation sectors (the PV and power storage sectors, in particular) were undergoing an inventory destocking phase.

Revenue by Application Sectors

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

	Year ended December 31,					
	2022		**2023**		**2024**	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Automotive Electronics	386,327	23.1	404,053	30.8	718,906	36.7
Energy and Industrial Automation	1,157,432	69.3	771,141	58.8	975,539	49.8
Consumer Electronics	126,634	7.6	135,733	10.4	265,829	13.5
Total	**1,670,393**	**100.0**	**1,310,927**	**100.0**	**1,960,274**	**100.0**

The table below sets forth our product sales volume by application sectors in terms of number of units during the Track Record Period:

	Year ended December 31,		
	2022[(1)]	**2023**[(1)]	**2024**[(1)(2)]
	'000	*'000*	*'000*
Automotive Electronics	130,087	163,962	362,802
Energy and Industrial Automation	523,784	374,466	667,687
Consumer Electronics	777,029	1,377,103	1,970,789
Total	**1,430,900**	**1,915,532**	**3,001,278**

Note:

(1) excluding products that are (i) not sensor products, signal chain chips or power management chips, or (ii) any customization services.

(2) Including 155,905 thousand units of sensor products sold through MagnTek since the completion of its acquisition by us in October 2024.

Comparison between 2024 and 2023: Our revenue increased by 49.5% from RMB1,310.9 million in 2023 to RMB1,960.3 million in 2024, primarily driven by the increase in revenue from products used in all three application sectors of automotive electronics, energy and industrial automation and consumer electronics.

- *Automotive Electronics*: Our revenue from sales of products in automotive electronics increased by 77.9% from RMB404.1 million in 2023 to RMB718.9 million in 2024, primarily due to an increase in our product sales volume in automotive electronics from 164.0 million units in 2023 to 362.8 million units in 2024, as a result of (i) strong demand driven by the growth of the NEV market; and (ii) our launch of certain new products tailored to automotive applications to address various performance and functionality needs of the automotive market.

- *Energy and Industrial Automation*: Our revenue from sales of products in energy and industrial automation increased by 26.5% from RMB771.1 million in 2023 to RMB975.5 million in 2024, primarily due to an increase in our product sales volume in energy and industrial automation from 374.5 million units in 2023 to 667.7 million units in 2024, as a result of the recovery of market demand in certain specific sectors such as industrial and power supply sectors.

- *Consumer Electronics*: Our revenue from sales of products in consumer electronics increased by 95.8% from RMB135.7 million in 2023 to RMB265.8 million in 2024, primarily due to an increase in our product sales volume in consumer electronics from 1,377.1 million units in 2023 to 1,970.8 million units in 2024, as a result of (i) the recovery in the consumer electronics sector, which led to increased demand from customers in this sector and, the increase in sales of our microphone signal conditioning ASIC chips, (ii) the revenue growth from certain of our newly launched products in 2024 and (iii) sales of MagnTek's products used in consumer electronics sector.

Comparison between 2023 and 2022: Our revenue decreased by 21.5% from RMB1,670.4 million in 2022 to RMB1,310.9 million in 2023, primarily due to the decrease in revenue from products in energy and industrial automation.

- *Automotive Electronics*: Our revenue from sales of products in automotive electronics increased by 4.6% from RMB386.3 million in 2022 to RMB404.1 million in 2023, primarily due to an increase in our product sales volume in automotive electronics from 130.1 million units in 2022 to 164.0 million units in 2023, as a result of (i) the development of automotive electronics sector and the increased demand from customers in this sector and, in particular, the increase in sales of our automotive LED drivers, despite the decrease in average selling price and (ii) our continuous efforts to expand our customer base and product portfolio through new product launches.

- *Energy and Industrial Automation*: Our revenue from sales of products in energy and industrial automation decreased by 33.4% from RMB1,157.4 million in 2022 to RMB771.1 million in 2023, primarily due to reduced demand in certain specific sectors such as the industrial, PV and energy storage sectors as these sectors underwent a period of inventory adjustment and slower market activity.

- *Consumer Electronics*: Our revenue from sales of products in consumer electronics increased by 7.2% from RMB126.6 million in 2022 to RMB135.7 million in 2023, primarily due to an increase in our product sales volume in consumer electronics from 777.0 million units in 2022 to 1,377.1 million units in 2023, as a result of the development of consumer electronics sector and the increased demand from customers in this sector.

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 indicated:

	Year ended December 31,					
	2022		**2023**		**2024**	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Cost of sales						
Material Costs	396,456	46.1	393,574	45.4	664,442	47.1
Processing Fees	357,262	41.5	289,001	33.3	527,614	37.4
Other Costs	81,325	9.5	122,489	14.2	127,236	9.0
Subtotal	**835,043**	**97.1**	**805,064**	**92.9**	**1,319,292**	**93.5**
Impairment Loss of Inventories	25,076	2.9	61,801	7.1	91,636	6.5
Total	**860,119**	**100.0**	**866,865**	**100.0**	**1,410,928**	**100.0**

As a fabless company, our cost of sales mainly consists of (i) material costs, (ii) processing fees, (iii) other costs and (iv) impairment loss of inventories. In 2022, 2023 and 2024, our cost of sales amounted to RMB860.1 million, RMB866.9 million and RMB1,410.9 million, respectively. Material costs is the largest component of our cost of sales, accounting for 46.1%, 45.4% and 47.1% of our cost of sales for the same years.

Comparison between 2024, 2023 and 2022: Our cost of sales increased by 0.8% from RMB860.1 million in 2022 to RMB866.9 million in 2023, and further increased by 62.8% to RMB1,410.9 million in 2024, which was generally in line with our sales expansion and business growth. Our impairment loss of inventories increased from RMB25.1 million in 2022 to RMB61.8 million in 2023, and further to RMB91.6 million in 2024, primarily due to our recognition of inventory impairment for ageing products.

Gross Profit and Gross Profit Margin

The table below sets forth our gross profit and gross profit margin for the years indicated:

	Year ended December 31,					
	2022		**2023**		**2024**	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Before impairment loss of inventories						
Sensor Products	61,604	55.4	86,245	52.0	119,994	43.8
Signal Chain Chips	552,990	52.9	285,460	40.5	362,126	37.6
Power Management Chips	218,835	42.9	126,398	29.5	157,636	22.4
Others[1]	1,921	49.8	7,760	64.4	1,226	6.2
Subtotal	**835,350**	**50.0**	**505,863**	**38.6**	**640,982**	**32.7**
Impairment Loss of Inventories	(25,076)		(61,801)		(91,636)	
Gross profit and gross profit margin	**810,274**	**48.5**	**444,062**	**33.9**	**549,346**	**28.0**

Note:

(1) Others primarily included our revenue from customization services and sales of ancillary components.

Our gross profit margin decreased from 48.5% in 2022 to 33.9% in 2023, and further decreased to 28.0% in 2024. The gross profit margins of our three main categories of products, namely sensor products, signal chain chips and power management chips, also experienced a consistent decrease from 2022 to 2023 and further to 2024. The decrease in gross profit margins during the Track Record Period was mainly because of the intense market competition from leading global analog IC companies, which led us to adjust our prices to remain competitive price-wise. However, the rate of the overall gross profit margin decline from 2023 to 2024 was relatively smaller than the decline from 2022 to 2023, primarily due to our cost-saving efforts, including enhanced manufacturing efficiency and more effective control over production costs.

Selling and Marketing Expenses

In 2022, 2023 and 2024, our selling and marketing expenses amounted to RMB70.0 million, RMB117.4 million and RMB188.9 million, representing 4.2%, 9.0% and 9.6%, respectively, of our total revenue.

The table below sets forth a breakdown of our selling and marketing expenses, both in absolute amounts and as percentages of our total selling and marketing expenses, for the years indicated:

	Year ended December 31,					
	2022		**2023**		**2024**	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Employee compensation	55,396	79.2	78,963	67.2	137,533	72.8
Equity-settled share-based transactions	2,553	3.6	12,728	10.8	16,870	8.9
Promotion and advertising expenses	6,406	9.2	10,952	9.3	14,786	7.8
Traveling expenses	2,914	4.2	7,632	6.5	9,535	5.0
Business entertainment expenses	1,819	2.6	4,219	3.6	5,347	2.8
Others[1]	892	1.2	2,950	2.6	4,871	2.6
Total	**69,980**	**100.0**	**117,444**	**100.0**	**188,942**	**100.0**

Note:

(1) Others primarily included office expenses, professional service fees and depreciation and amortization.

Comparison between 2024 and 2023: Our selling and marketing expenses increased by 60.9% from RMB117.4 million in 2023 to RMB188.9 million in 2024, primarily due to the increase in employee compensation of RMB58.6 million attributable primarily to the increasing sales personnel headcounts.

Comparison between 2023 and 2022: Our selling and marketing expenses increased by 67.8% from RMB70.0 million in 2022 to RMB117.4 million in 2023, primarily due to (i) the increase in employee compensation of RMB23.6 million, attributable primarily to the increasing sales personnel salaries and headcounts and (ii) the increase in equity-settled share-based transactions of RMB10.2 million, primarily in relation to our employee share incentive plans.

Administrative Expenses

In 2022, 2023 and 2024, our administrative expenses amounted to RMB169.1 million, RMB245.1 million and RMB286.9 million, representing 10.1%, 18.7% and 14.6%, 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 years indicated:

	Year ended December 31,					
	2022		**2023**		**2024**	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Employee compensation	65,152	38.5	100,343	40.9	133,011	46.4
Equity-settled share-based transactions	28,394	16.8	35,425	14.5	18,079	6.3
Depreciation and amortization	23,128	13.7	34,199	14.0	41,147	14.3
Professional service fees	22,979	13.6	39,367	16.1	29,285	10.2
Office expenses	13,537	8.0	17,820	7.3	37,768	13.2
Certification service fees	5,203	3.1	4,478	1.8	6,640	2.3
Leased property expenses	2,239	1.3	6,739	2.7	9,731	3.4
Traveling expenses	855	0.5	3,497	1.4	3,715	1.3
Others(1)	7,624	4.5	3,215	1.3	7,496	2.6
Total	**169,111**	**100.0**	**245,083**	**100.0**	**286,872**	**100.0**

Note:

(1) Others primarily included business entertainment expenses and tax and surcharges.

Comparison between 2024 and 2023: Our administrative expenses increased by 17.1% from RMB245.1 million in 2023 to RMB286.9 million in 2024, primarily due to increases in (i) employee compensation of RMB32.7 million, attributable primarily to the rising administrative staff headcounts and salaries and (ii) office expenses of RMB19.9 million as a result of higher utility and property management costs in connection with our office buildings in Suzhou and Shanghai.

Comparison between 2023 and 2022: Our administrative expenses increased by 44.9% from RMB169.1 million in 2022 to RMB245.1 million in 2023, primarily due to increases in (i) employee compensation of RMB35.2 million, attributable primarily to the rising administrative staff headcounts and salaries and (ii) depreciation and amortization of RMB11.1 million as a result of an increase in our leased premises, which resulted in higher depreciation of right-of-use assets recognized under administrative expenses.

Research and Development Expenses

In 2022, 2023 and 2024, our research and development expenses amounted to RMB403.8 million, RMB521.6 million and RMB540.0 million, representing 24.2%, 39.8% and 27.5%, 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 years indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Employee compensation	191,150	47.3	258,922	49.6	377,853	70.0
Equity-settled share-based transactions	165,759	41.0	172,872	33.1	35,807	6.6
Materials, testing and verification expenses	36,221	9.0	72,297	13.9	100,191	18.6
Depreciation and amortization	8,306	2.1	11,645	2.2	19,656	3.6
Others[(1)]	2,376	0.6	5,878	1.1	6,485	1.2
Total	**403,812**	**100.0**	**521,614**	**100.0**	**539,992**	**100.0**

Note:

(1) Others primarily included traveling expenses.

Comparison between 2024 and 2023: Our research and development expenses increased by 3.5% from RMB521.6 million in 2023 to RMB540.0 million in 2024, primarily due to the increase in (i) employee compensation of RMB118.9 million, attributable to primarily to the rising R&D staff headcount and salaries and (ii) materials, testing and verification expenses of RMB27.9 million, attributable primarily to a greater number of R&D projects in 2024, leading to higher spending on R&D project evaluation materials and certification service fees.

Comparison between 2023 and 2022: Our research and development expenses increased by 29.2% from RMB403.8 million in 2022 to RMB521.6 million in 2023, primarily due to increases in employee compensation of RMB67.8 million, attributable primarily to the rising R&D staff headcount and salaries.

Other Net Income

In 2022, 2023 and 2024, our other net income amounted to RMB119.9 million, RMB158.2 million and RMB98.5 million, representing 7.2%, 12.1% and 5.0%, respectively, of our total revenue.

The following table sets forth a breakdown of our other income, both in absolute amounts and as percentages of our total other net income for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Other Net Income						
Bank interest income	23,208	19.3	36,794	23.3	38,121	38.7
Investment income on wealth management products	49,653	41.4	66,613	42.1	36,187	36.7
Changes in fair value of financial assets measured at FVPL	13,695	11.4	3,639	2.3	4,417	4.5
Government grants	15,681	13.1	17,053	10.8	11,260	11.4
Net profits on disposal a subsidiary or an associate	9,674	8.1	2,000	1.3	–	–
Interest income on capacity deposit	6,129	5.1	6,226	3.9	4,591	4.7
Net foreign exchange gain/(loss)	2,331	1.9	(2,078)	(1.3)	(602)	(0.6)
Value-added tax deduction	–	–	26,694	16.9	5,398	5.5
Dividend income from investment in a financial asset measured at FVPL	–	–	367	0.2	37	–
Changes in fair value of contingent consideration payable	–	–	–	–	(145)	(0.1)
Others[(1)]	(427)	(0.3)	887	0.5	(735)	(0.8)
Total	**119,944**	**100.0**	**158,195**	**100.0**	**98,529**	**100.0**

Note:

(1) Others primarily included net (losses)/profits on disposal of property, plant and equipment and right-of- use assets and others.

Comparison between 2024 and 2023: Our other net income decreased by 37.7% from RMB158.2 million in 2023 to RMB98.5 million in 2024, primarily due to (i) the decrease in investment income on wealth management products and (ii) the decrease in value-added tax deduction. Starting from September 2023, we were eligible for the preferential value-added tax deduction policies applicable to IC enterprises, which was promulgated by the PRC Ministry of Finance and the State Taxation Administration. The value-added tax deduction was higher in 2023 compared to 2024, because of payments for our purchase of an office building in Shanghai and the construction of office building in Suzhou, which resulted in higher value-added tax deductions.

Comparison between 2023 and 2022: Our other net income increased by 31.9% from RMB119.9 million in 2022 to RMB158.2 million in 2023, primarily due to the increase in (i) value-added tax deduction. The abovementioned value-added tax deduction policies was promulgated in 2023, as a result of which we did not record any such value-added tax deduction in 2022, (ii) investment income on wealth management products and (iii) bank interest income as a result of increased bank deposit.

Government grants we received during the Track Record Period mainly represented (i) the financial support we received from relevant local governments to incentivize our R&D projects and (ii) job-subsidy program of local authorities in the PRC according to the respective local government policies. Our government grants are typically non-recurring in nature with no unfulfilled conditions or contingencies attached to them, and the amount of the grants were subject to the discretion of the relevant government authority. See "Risk Factors – Failure to obtain or maintain any of the government grants or preferential tax treatments could adversely affect our business, results of operations, financial condition" for more details.

Impairment Loss on Trade Receivables

We recognized impairment loss on trade receivables of RMB6.7 million, RMB0.6 million and RMB13.5 million in 2022, 2023 and 2024, primarily due to changes in the balances of trade and bills receivables and other receivables at the end of the respective years, which impacted the provisions for expected credit losses.

Comparison between 2024 and 2023: Our impairment loss on trade receivables increased from RMB0.6 million in 2023 to RMB13.5 million in 2024, primarily due to the expansion of our sales during 2024. As a result, the balance of trade and other receivables as of the end of 2024 increased substantially compared to the end of 2023, leading to a higher provision for expected credit losses based on aging analysis.

Comparison between 2023 and 2022: Our impairment loss on trade receivables decreased from RMB6.7 million in 2022 to RMB0.6 million in 2023, as the balance of trade and other receivables at the end of 2023 did not experience significant increase compared to the end of 2022. Accordingly, the provision for expected credit losses based on aging analysis was relatively small in 2023.

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 years indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Finance Costs						
Interest on						
Loans	6,392	85.8	5,384	84.3	15,588	94.8
Lease liabilities	1,062	14.2	999	15.7	847	5.2
Total	**7,454**	**100.0**	**6,383**	**100.0**	**16,435**	**100.0**

Comparison between 2024 and 2023: Our finance costs increased by 157.5% from RMB6.4 million in 2023 to RMB16.4 million in 2024, primarily due to the increase in loans resulting from our business expansion including the acquisition of MagnTek and the purchase of an office building for our subsidiary, Shanghai Naxi.

Comparison between 2023 and 2022: Our finance costs decreased by 14.4% from RMB7.5 million in 2022 to RMB6.4 million in 2023, primarily due to the decrease in loans and lease liabilities resulting from the decrease of interest rate on loans in 2023.

Share of Losses and Provision for Impairment of Associates and Joint Ventures

We recognized share of losses and provision for impairment of associates and joint ventures of RMB20.0 million, RMB8.2 million and RMB6.3 million in 2022, 2023 and 2024, primarily due to losses incurred by certain associates and joint ventures and the impairment loss recognized in respect of our investment in an associate, Xiangyang Zhenxin Sensing Technology Co., Ltd., during the respective years.

Income Tax

The table below sets forth a breakdown of our income tax expense for the years indicated:

	Year ended December 31,					
	2022		**2023**		**2024**	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Income Tax						
Current tax	26,805	885.5	1,793	21.7	4,124	(322.9)
Deferred tax	(23,778)	(785.5)	6,482	78.3	(5,401)	422.9
Total	**3,027**	**100.0**	**8,275**	**100.0**	**(1,277)**	**100.0**

In 2022, our effective tax rate calculated as our income tax expense divided by our profit before taxation, was 1.2%, which was lower than the 25% statutory rate, primarily because we and our subsidiaries enjoyed preferential tax treatments. See Note 7 to the Accountants' Report in Appendix I to this document for more details.

Our income tax expense increased by 173.4% from RMB3.0 million in 2022 to RMB8.3 million in 2023, primarily because the reversal of deferred tax in 2023. In 2024, our income tax expense turned into a net tax credit of RMB1.3 million (comprised a current income tax expense of RMB4.1 million, offset by a deferred tax credit of RMB5.4 million), representing a 115.4% decrease from 2023, primarily due to the increase in our loss before taxation.

Profit/(Loss) for the Year

As a result of the foregoing, we recorded profit of RMB250.1 million in 2022 and loss of RMB305.3 million in 2023 and RMB402.9 million in 2024. Our losses in 2023 and 2024 were primarily due to (i) intensified market competition, which led us to adjust our product prices to remain competitive price-wise, (ii) our substantial investment in R&D and market expansion, and (iii) equity-settled share-based transactions in relation to the implementation of a restricted share incentive plan following our A-share listing. We plan to improve our profitability by implementing business initiatives of achieving sustained growth in revenue, managing gross profit profile and enhancing operating efficiency. See "Business – Challenges to our Industry and Business" for more details.

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, investing activities and financing activities. As of December 31, 2024, we had RMB1,012.2 million of available cash and cash equivalents. As of December 31, 2024, our financial assets measured at FVPL (current) amounted to RMB2,080.1 million. Our financial assets measured at FVPL (current) comprise structured deposits with low risks. See Note 17 and 22(a) to the Accountants' Report set out in Appendix I to this document 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]**.

See " – Selected Balance Sheet Items" for discussions of our working capitals.

Working Capital Sufficiency

Taking into account the net **[REDACTED]** from the **[REDACTED]** and the financial resources available to us, including cash and cash equivalents, financial assets measured at FVPL and cash flows from operating activities, our Directors believe that we have sufficient working capital for our present requirements, that is, for at least 12 months following the date of this document.

Cash Flows Analysis

The following table sets forth selected cash flow statement information for the years indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Net cash (used in)/generated from operating activities	(228,831)	(139,409)	95,054
Net cash (used in)/generated from investing activities	(3,971,619)	296,008	(1,099,795)
Net cash generated from financing activities	5,389,880	332,157	266,812
Net increase/(decrease) in cash and cash equivalents	**1,189,430**	**488,756**	**(737,929)**
Cash and cash equivalents at the beginning of the year	77,738	1,264,617	1,751,191
Effect of foreign exchange rate changes	(2,551)	(2,182)	(1,047)
Cash and cash equivalents at the end of the year	**1,264,617**	**1,751,191**	**1,012,215**

Operating Activities

Our cash flows from operating activities reflect: (i) our profit/(loss) before taxation adjusted for (a) non-cash and non-operating items such as depreciation and amortization, equity-settled share-based transactions, investment income on wealth management products, changes in fair value of financial assets measured at FVPL, bank interest income of time deposit, finance costs, dividends received from investments in financial asset measured at FVPL, net (losses)/profits on disposal of property, plant and equipment and right-of- use assets, net profits on disposal a subsidiary or an associate, share of loss of associates and joint ventures, provision for impairment of interests in associates and joint ventures, write down of inventories, impairment loss on trade receivables, changes in fair value of contingent consideration payable, foreign exchange gain/(loss) of non-operating activities and non-operating income, (b) the effects of movement in working capital such as inventories and contract costs, trade and other receivables, other non-current asset, trade and other payables, contract liabilities, refund liabilities from right of return, deferred income and restricted bank deposit and (ii) income tax paid. Cash flows from operating activities can be significantly affected by factors such as the timing of collection of trade receivables from customers and the timing 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 generated from operating activities in 2024 was RMB95.1 million, primarily attributable to our loss before taxation of RMB404.2 million, as adjusted for (i) non-cash and non-operating items such as depreciation and amortization of RMB157.5 million, equity-settled share-based transactions of RMB70.9 million and investment income on wealth management products of RMB36.2 million, (ii) the effects of movement in working capital such as the increase in trade and other payables of RMB135.3 million, the decrease in inventories and contract costs of RMB88.4 million and the decrease in other non-current asset of RMB77.3 million, partially offset by the increase in trade and other receivables of RMB80.1 million and (iii) income tax paid of RMB1.4 million.

Our net cash flow used in operating activities in 2023 was RMB139.4 million, primarily attributable to our loss before taxation of RMB297.1 million, as adjusted for (i) non-cash and non-operating items such as equity-settled share-based transaction of RMB221.1 million, depreciation and amortization of RMB107.9 million and investment income on wealth management products of RMB66.6 million, (ii) the effects of movement in working capital such as the increase in trade and other payables of RMB91.9 million and the decrease in other non-current asset of RMB74.8 million, partially offset by the increase in inventories and contract costs of RMB238.5 million and the increase in trade and other receivables of RMB68.9 million and (iii) income tax paid of RMB1.9 million.

Our net cash flow used in operating activities in 2022 was RMB228.8 million, primarily attributable to our profit before taxation of RMB253.1 million, as adjusted for (i) non-cash and non-operating items such as equity-settled share-based transaction of RMB196.7 million, depreciation and amortisation of RMB65.5 million and investment income on wealth management products of RMB49.7 million, (ii) the effects of movement in working capital such as the increase in trade and other payables of RMB137.6 million, partially offset by the increase in inventories and contract costs of RMB399.9 million, the increase in other non-current asset of RMB261.8 million and the increase in trade and other receivables of RMB163.6 million and (iii) income tax paid of RMB30.3 million.

Investing Activities

In 2024, our net cash used in investing activities amounted to RMB1,099.8 million, which primarily resulted from payment for the purchase of financial asset measured at FVPL of RMB9,694.8 million, payment for acquisition of subsidiary of RMB740.4 million and payment for the purchase of property, plant and equipment and intangible assets of RMB397.0 million, partially offset by proceeds from disposal of financial asset measured at FVPL of RMB9,734.1 million and investment income received of RMB36.2 million.

In 2023, our net cash generated from investing activities amounted to RMB296.0 million, which primarily resulted from proceeds from disposal of financial asset measured at FVPL of RMB14,222.5 million and investment income received of RMB66.6 million, partially offset by payment for the purchase of financial asset measured at FVPL of RMB13,088.0 million and payment for the purchase of property, plant and equipment and intangible assets of RMB890.5 million.

In 2022, our net cash used in investing activities amounted to RMB3,971.6 million, which primarily resulted from payment for the purchase of financial asset measured at FVPL of RMB12,530.2 million and payment for the purchase of property, plant and equipment and intangible assets of RMB397.5 million, partially offset by proceeds from disposal of financial asset measured at FVPL of RMB8,997.8 million.

Financing Activities

In 2024, our net cash generated from financing activities amounted to RMB266.8 million, which primarily resulted from proceeds from bank loans of RMB495.4 million, partially offset by repayment of bank loans of RMB279.9 million.

In 2023, our net cash generated from financing activities amounted to RMB332.2 million, which primarily resulted from proceeds from bank loans of RMB744.1 million, partially offset by payment for repurchase of shares of RMB200.1 million and repayment of bank loans of RMB183.2 million.

In 2022, our net cash generated from financing activities amounted to RMB5,389.9 million, which primarily resulted from issue of ordinary shares by initial public offering in our A Share's listing, net of transaction costs, of RMB5,567.8 million and proceeds from bank loans of RMB355.5 million, partially offset by repayment of bank loans of RMB435.7 million.

SELECTED BALANCE SHEET ITEMS

Net Current Assets

The following table sets out our current assets and liabilities as of the dates indicated:

	As of December 31,			As of February 28,
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets				
Inventories and contract costs	605,471	827,794	832,556	881,461
Contract assets	–	–	285	285
Trade and other receivables	389,707	470,231	646,981	717,324
Time deposits	–	–	94,334	91,534
Financial assets measured at FVPL	3,463,590	2,249,639	2,080,083	1,778,871
Restricted bank deposits	568	–	20,835	20,835
Cash and cash equivalents	1,264,617	1,751,191	1,013,079	1,001,425
Total current assets	**5,723,953**	**5,298,855**	**4,688,153**	**4,491,735**
Current liabilities				
Trade and other payables	266,149	287,059	627,878	486,865
Contract liabilities	22,279	16,500	16,136	16,581
Interest-bearing borrowings	21,350	264,100	62,382	62,382
Lease liabilities	16,438	15,554	7,822	4,764
Current taxation	458	324	3,666	–
Refund liabilities from right of return	–	–	39,178	43,571
Total current liabilities	**326,674**	**583,537**	**757,062**	**614,163**
NET CURRENT ASSETS	**5,397,279**	**4,715,318**	**3,931,091**	**3,877,572**

Our net current assets decreased from RMB5,397.3 million as of December 31, 2022 to RMB4,715.3 million as of December 31, 2023, primarily due to the decrease in financial assets measured at FVPL of RMB1,214.0 million, partially offset by increase in cash and cash equivalents of RMB486.6 million.

Our net current assets decreased from RMB4,715.3 million as of December 31, 2023 to RMB3,931.1 million as of December 31, 2024, primarily due to the decrease in cash and cash equivalents of RMB738.1 million, partially offset by the decrease in interest-bearing borrowings of RMB201.7 million.

Our net current assets decreased from RMB3,931.1 million as of December 31, 2024 to RMB3,877.6 million as of February 28, 2025, primarily due to the decrease in financial assets measured at FVPL of RMB301.2 million, partially offset by the increase in inventories and other contract costs of RMB48.9 million.

Inventories and Contract Costs

Inventories

Our inventories comprise (i) raw materials, primarily consisting of foundry-manufactured wafers, (ii) work in progress, (iii) finished goods, (iv) goods in transit and (v) goods delivered to customers. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	126,878	301,711	202,684
Work in progress	256,126	225,850	296,680
Finished goods	204,143	274,302	313,571
Goods in transit	2,307	269	4,314
Goods delivered to customers	3,618	3,304	5,601
Total	**593,072**	**805,436**	**822,850**

Our inventories increased by 35.8% from RMB593.1 million as of December 31, 2022 to RMB805.4 million as of December 31, 2023, primarily because we increased our wafer inventory in light of a broader range of product models. Our inventories remained relatively stable at RMB805.4 million as of December 31, 2023 and RMB822.9 million as of December 31, 2024.

We have evaluated and made provisions of inventory impairment based on the current market conditions and historical experience of selling production of similar nature, and net realizable value of the inventory. See Note 19(b) to the Accountants' Report in Appendix I to this document for more details.

The following table sets forth the turnover days of our inventories for the years indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
Inventory turnover days [1]	172	294	211

Note:

(1) Average inventory turnover days were calculated based on the average of the beginning and ending balances of inventories of a given year divided by the cost of sales for that corresponding year and multiplied by 365 days for a year.

Our inventory turnover days increased from 172 days in 2022 to 294 days in 2023, primarily due to a period of inventory adjustment among our end customers, which resulted in decreased demand for our products and consequently slower inventory turnover. Our inventory turnover days decreased from 294 days in 2023 to 211 days in 2024, primarily due to our increased sales and enhanced inventory management.

As of February 28, 2025, RMB318.0 million, or 36.3% of our inventory as of December 31, 2024 had been utilized or sold.

Contract Costs

Our contract costs represented the costs we incurred in relation to provision of customization services to our customers. These costs will not be immediately recognized as cost of sales before the check and acceptance by our customers. Our contract costs increased from RMB12.4 million as of December 31, 2022 to RMB22.4 million as of December 31, 2023, as we incurred more costs in preparation of provisions for customization services. Our contract costs decreased from RMB22.4 million as of December 31, 2023 to RMB9.7 million as of December 31, 2024, primarily because (i) some of the costs incurred have been recognized as our cost of sales as the customization services we provided have been checked and accepted by our customers and (ii) we made provisions to contract costs in 2024.

Trade and Other Receivables

The balance of our trade and other receivables mainly represented receivables from customers for sales of our products. We generally grant credit terms of 30 to 90 days to our customers. The table below sets forth our trade and other receivables as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	188,465	179,207	392,573
Bills receivables	9,124	7,312	30,094
Bills receivables, measures at fair value through other comprehensive income	22,513	11,199	22,727
Other receivables	19,967	20,431	24,168
Capacity deposits	58,223	73,899	76,138
Receivables from disposal of an associate	–	30,000	–
Receivables from disposal of a financial asset measured at FVPL	19,955	–	–
Value-added tax recoverable	17,147	82,381	22,606
Prepayment	42,218	56,963	51,855
Others	12,095	8,839	26,820
Total	**389,707**	**470,231**	**646,981**

Our balance of trade and other receivables increased from RMB389.7 million as of December 31, 2022 to RMB470.2 million as of December 31, 2023 and further increased to RMB647.0 million as of December 31, 2024, primarily due to (i) our business expansion and (ii) we granted more flexible credit periods to a few major customers on a case by case basis, based on our comprehensive assessment.

The following table sets forth an ageing analysis of the trade receivables and bills receivables, based on the due date and net of loss allowance, as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	197,392	186,208	420,527
Over 1 year but less than 2 years	197	311	2,120
Over 2 years but less than 3 years	–	–	20
Total	**197,589**	**186,519**	**422,667**

The following table sets forth our trade receivables and bills receivables turnover days during the years indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
Trade receivables and bills receivables turnover days[(1)]	34	53	57

Note:

(1) Trade receivables and bills 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, divided by the revenue for the same year and multiplied by 365 days for the year.

Our trade receivables and bills receivables turnover days increased from 34 days in 2022 to 53 days in 2023, and further to 57 days in 2024, primarily due to an increased proportion of revenue generated from direct sales customers, to whom we generally granted longer credit terms.

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 February 28, 2025, RMB272.0 million, or 65.6% of our total trade receivables as of December 31, 2024, had been settled.

Financial Assets Measured at Fair Value through Profit or Loss

Our financial assets measured at fair value through profit or loss (current) primarily consists of structured deposits with low risks, primarily to generate additional returns on cash reserves, while ensuring liquidity and capital preservation. The returns of our structured deposits are tied to the performance of certain financial assets portfolio. Our financial assets at fair value through profit or loss (current) decreased from RMB3,463.6 million as of December 31, 2022 to RMB2,249.6 million as of December 31, 2023 and further decreased to RMB2,080.1 million as of December 31, 2024, mainly due to the maturity of structured deposits. See Note 17 to the Accountants' Report set out in Appendix I to this document for more details.

Our investment policies and strategies with respect to financial products mainly include: (i) we minimize financial risks by matching the maturities of the portfolio with anticipated operating cash needs, while aiming to generate reasonable investment returns for the benefits of our shareholders; (ii) investment in high-risk products is not allowed; (iii) the proposed investment must not interfere with our business operations or capital expenditures; and (iv) the financial products we invest in should guarantee returns and should be issued by a reputable bank. We primarily invest in financial products issued by major commercial banks in mainland China with low risks and a short-to-mid-term. We make investment decisions related to financial products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to the macro-economic environment, general market conditions, the risk control and credit levels of the issuing banks, our working capital needs, and the expected profit or potential loss of the investment. To monitor and control the investment risks associated with our financial product portfolio, we have adopted a comprehensive set of internal procedures to manage our investment in financial products. With the authorization of the Board and the supervision by our finance director, our capital management department, which is comprised by certain members of our finance department with financial and cash management capabilities as well as prior work experience in investment funds and financial institutions, is responsible for analyzing, evaluating and determining the investment plans with respect to financial products in accordance with our cash management policies and internal approval process. Prior to modifying our existing investment portfolio, the proposal must be approved by our finance director and our chairman of the Board. For details of our finance director's expertise in this regard, see "Directors, Supervisors and Senior Management."

After **[REDACTED]**, our investments in financial products will be subject to compliance with Chapter 14 of the Listing Rules.

Trade and Other Payables

Our trade and other payables primarily consisting of payments due to our suppliers for wafer manufacturing and chip packaging and testing services. Our trade payables are non-interest-bearing and are normally settled within one year or are repayable on demand. The table below sets forth our trade and other payables as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	143,592	150,648	271,997
Accrual payroll	109,153	103,115	191,372
Other taxes and surcharges payables	11,493	28,766	32,971
Other payables	1,911	4,530	25,562
Payable for acquisition of subsidiaries	–	–	105,976
Total	**266,149**	**287,059**	**627,878**

Our trade and other payables increased from RMB266.1 million as of December 31, 2022 to RMB287.1 million as of December 31, 2023 and further increased to RMB627.9 million as of December 31, 2024, primarily due to (i) our increased procurement needs resulting from business expansion and increased production and (ii) our efforts to negotiate more favorable commercial terms with our suppliers in light of the latest industry developments and our business growth.

The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	139,172	149,448	268,297
Over 1 year but less than 2 years	4,417	1,130	2,797
Over 2 years but less than 3 years	3	67	655
Over 3 years	–	3	248
Total	**143,592**	**150,648**	**271,997**

The following table sets forth our trade payables turnover days during the dates indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
Trade payable turnover days [1]	46	62	55

Note:

(1) The trade payables turnover days is the average of the opening and closing trade payable divided by our total cost of sales for that year and multiplied by 365 days for the year.

Our trade payables turnover days increased from 46 days in 2022 to 62 days in 2023, primarily due to adjustments in credit terms granted by our suppliers. Our trade payables turnover days remained relatively stable at 62 days in 2023 and 55 days in 2024.

Our Directors confirm that we did not have any material defaults in payment of trade or other payables during the Track Record Period and up to the Latest Practicable Date.

As of February 28, 2025, RMB196.5 million, or 72.2% of our total trade payables as of December 31, 2024, had been settled.

Contract Liabilities

Our contract liabilities include prepayment received from our customers based on sales order in advance of our delivery of products under the contracts.

Our contract liabilities decreased from RMB22.3 million as of December 31, 2022 to RMB16.5 million as of December 31, 2023 and further decreased to RMB16.1 million as of December 31, 2024, primarily attributable to an decrease in advance payments for sales of our products as a result of our customers' growth and our robust collaborative relationships.

Interest-bearing Borrowings

Our current interest-bearing borrowings increased from RMB21.4 million as of December 31, 2022 to RMB264.1 million as of December 31, 2023, primarily due to additional bank loans obtained for business operations. Our current interest-bearing borrowings decreased from RMB264.1 million as of December 31, 2023 to RMB62.4 million as of December 31, 2024, primarily because we partially repaid the loan principals in 2024. As of December 31, 2022, the range of the effective interest rate of our current interest-bearing borrowings was 2.1% to 3.8% per annum, as of December 31, 2023, the effective interest rate of our current interest-bearing borrowings was 2.1% to 2.8% per annum, and as of December 31, 2024, the effective interest rate of our current interest-bearing borrowings was 2.69% per annum.

Our current interest-bearing borrowings during the Track Record Period were primarily used for business operation purposes. As of February 28, 2025, all of our current interest-bearing borrowings were fixed-rate borrowings repayable within one year, and all of our borrowings were denominated in Renminbi.

Lease Liabilities

Our current lease liabilities decreased from RMB16.4 million as of December 31, 2022 to RMB15.6 million as of December 31, 2023 and further decreased to RMB7.8 million as of December 31, 2024, primarily due to (i) our payment of lease liabilities and (ii) termination of certain lease agreements.

Non-current Assets/Liabilities

The following table sets out our non-current assets and liabilities as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	544,023	1,284,570	1,523,589
Right-of-use assets	25,008	23,239	16,440
Intangible assets	28,128	45,019	390,732
Goodwill	–	–	504,142
Interests in associates and joint ventures	95,717	74,998	96,675
Financial assets measured at FVPL	52,500	155,543	290,129
Time deposits	50,000	50,000	–
Other non-current assets	304,545	200,513	137,840
Deferred tax assets	26,579	23,577	25,876
Total non-current assets	**1,126,500**	**1,857,459**	**2,985,423**
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	7,008	330,422	791,421
Lease liabilities	5,743	6,119	6,434
Payable for acquisition of subsidiaries	–	–	55,037
Deferred income	12,514	16,425	31,244
Deferred tax liabilities	–	–	48,516
Refund liabilities from right of return	–	12,289	4,393
Financial liability measured at FVPL	–	–	32,355
Total non-current liabilities	**25,265**	**365,255**	**969,400**

Property, Plant and Equipment

Our property, plant and equipment primarily consist of general equipment, special equipment, motor vehicles, buildings, construction in process 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,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
General equipment	15,871	15,834	33,514
Special equipment	328,383	558,015	692,476
Motor vehicles	10	7	4
Buildings	–	–	730,270
Construction in process	191,356	697,261	46,967
Leasehold improvements	8,403	13,453	20,358
Total	**544,023**	**1,284,570**	**1,523,589**

Our property, plant and equipment increased from RMB544.0 million as of December 31, 2022 to RMB1,284.6 million as of December 31, 2023, primarily due to an increase in construction in progress attributable to our office building in construction. Our property, plant and equipment increased from RMB1,284.6 million as of December 31, 2023 to RMB1,523.6 million as of December 31, 2024, primarily due to (i) the increase in buildings attributable to (a) our purchase of a building in Shanghai for R&D and office use and (b) the continued construction of our office buildings in Suzhou, which resulted in the increase in buildings and decrease in construction in progress, and (ii) the increase in our purchase of special equipment for our product design and production.

Right-of-use Assets

Our right-of-use assets primarily consist of leasehold buildings. Our right-of-use assets decreased, from RMB25.0 million as of December 31, 2022 to RMB23.2 million as of December 31, 2023 and further decreased to RMB16.4 million as of December 31, 2024, mainly due to depreciation of our right-of-use assets.

Intangible Assets

Our intangible assets primarily consist of software, intellectual properties and patents. The following table sets forth the breakdown of our intangible assets of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Software	27,549	41,917	71,527
Intellectual properties	579	3,102	2,306
Patents	–	–	316,899
Total	**28,128**	**45,019**	**390,732**

Our intangible assets increased from RMB28.1 million as of December 31, 2022 to RMB45.0 million as of December 31, 2023, mainly due to the increase in software attributable to our purchase of software. Our intangible assets increased from RMB45.0 million as of December 31, 2023 to RMB390.7 million as of December 31, 2024, mainly due to our acquisition of MagnTek, which granted us its patents portfolio.

Goodwill

We recorded goodwill of RMB504.1 million as of December 31, 2024. Our acquired goodwill arose from our, acquisitions of MagnTek and Shanghai Lairui and Shanghai Liuci in October 2024. See "History and Corporate Structure – Major Acquisitions, Disposals and Mergers – Acquisition of MagnTek" for more details. The goodwill is not deductible for income tax purposes. Assumptions were, used in the value in use calculation of the cash-generating units as of December 31, 2024. See Note 14 to the Accountants' Report set out in Appendix I to this document.

Interest-bearing Borrowings

Our non-current interest-bearing borrowings increased from RMB7.0 million as of December 31, 2022 to RMB330.4 million as of December 31, 2023, primarily due to our subsidiary, Shanghai Naxi, obtaining bank financing for the purchase of an office building. Our non-current interest-bearing borrowings increased from RMB330.4 million as of December 31, 2023 to RMB791.4 million as of December 31, 2024, primarily because we sought financing for the acquisition of MagnTek in 2024. As of December 31, 2022, the range of the effective interest rate of our non-current interest-bearing borrowings was 3.8% per annum, as of December 31, 2023, the effective interest rate of our non-current interest-bearing borrowings was 2.68% per annum, and as of December 31, 2024, the effective interest rate of non-current our non-current interest-bearing borrowings was 2.69% per annum.

Our non-current interest-bearing borrowings during the Track Record Period were primarily used for business operation purposes, and the purchase of an office building by Shanghai Naxi and our acquisition of MagnTek. As of February 28, 2025, all of our non-current interest-bearing borrowings were fixed-rate borrowings, and all of our borrowings were denominated in Renminbi.

Lease Liabilities

Our non-current lease liabilities increased from RMB5.7 million as of December 31, 2022 to RMB6.1 million as of December 31, 2023 and further increased to RMB6.4 million as of December 31, 2024, primarily due to the increase in office lease arrangements during the Track Record Period.

INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of February 28,
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current				
Interest-bearing borrowings	21,350	264,100	62,382	62,382
Lease liabilities	16,438	15,554	7,822	4,764
Non-current				
Interest-bearing borrowings	7,008	330,422	791,421	829,592
Lease liabilities	5,743	6,119	6,434	8,816
Total	**50,539**	**616,195**	**868,059**	**905,554**

Interest-bearing Borrowings

As of December 31, 2022, 2023 and 2024, we had outstanding aggregate unpaid interest-bearing borrowings of RMB28.4 million, RMB594.5 million and RMB853.8 million, respectively. See "– Selected Balance Sheet Items – Net Current Assets – Interest-bearing borrowings" and "– Selected Balance Sheet Items – Non-current Assets/Liabilities – Interest-bearing borrowings" for more details.

Our Directors confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

As of February 28, 2025, our total facilities for bank borrowings amounted to RMB800 million, of which nil had been utilized.

Lease Liabilities

As of December 31, 2022, 2023 and 2024, we had outstanding aggregate unpaid contractual lease payments (present value of lease payments for the remainder of relevant lease terms) of RMB22.2 million, RMB21.7 million and RMB14.3 million, respectively, in relation to the corresponding lease liabilities. See "– Selected Balance Sheet Items – Net Current Assets – Lease Liabilities" and "– Selected Balance Sheet Items – Non-current Assets/Liabilities – Lease Liabilities" for more details.

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 February 28, 2025. Our Directors confirm that there have been no material adverse change in our indebtedness since December 31, 2024 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of December 31, 2022, 2023 and 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

The following table sets forth a breakdown of our capital expenditures for the years indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Payment for the purchase of property, plant and equipment and intangible assets	397,543	890,496	397,026
Acquisition of subsidiaries, net of cash acquired	–	–	740,432

The acquisition of subsidiaries, net of cash acquired, represents our capital expenditures in the acquisition of MagnTek in October 2024.

We expect to fund our future capital expenditures with our operating cash flows as well as with our own funds or other funds raised. 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

We had the following capital commitments mainly related to acquisition of property, plant and equipment as of the date indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for acquisition of property, plant and equipment	94,503	27,661	38,913

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 34 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 DIVIDENDS 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 paid dividends of RMB80.9 million, RMB80.9 million and nil in 2022 and 2023 and 2024, respectively.

Pursuant to our Articles of Association and in accordance with 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 (2025 Revision) (《上市公司監管指引第3號－上市公司現金分紅(2025年修訂)》), we shall, where specific conditions are met, distribute cash dividends in an amount not less than 10% of the distributable profit realized for that year after making the required appropriations to statutory reserves. 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]** million (or HK$**[REDACTED]** million, representing **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]**) (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the indicative **[REDACTED]** range) and no exercise of the **[REDACTED]**), of which (i) approximately RMB**[REDACTED]** million, directly attributable to the issue of our **[REDACTED]**, will be subsequently charged to equity upon completion of the proposed **[REDACTED]**, (ii) approximately RMB**[REDACTED]** million will be expensed in our consolidated statements of profit or loss for the year ended December 31, 2025.

KEY FINANCIAL RATIOS

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

	As of or for the year ended December 31,		
	2022	**2023**	**2024**
Revenue growth rate	N/A	(21.5)%	49.5%
– Automotive electronics	N/A	4.6%	77.9%
– Energy and industrial automation	N/A	(33.4)%	26.5%
– Consumer electronics	N/A	7.2%	95.8%
Current ratio(1)	17.5 times	9.1 times	6.2 times
Liability-to-asset ratio(2)	5.1%	13.3%	22.5%

Notes:

(1) Current ratio was calculated by dividing current assets by current liabilities.

(2) Liability-to-asset ratio was calculated by dividing total liabilities by total assets.

Current Ratio

Our current ratio decreased from 17.5 times in 2022 to 9.1 times in 2023 and further decreased to 6.2 times in 2024, primarily due to an increase in trade payables in line with our growing procurement needs during the Track Record Period. In addition, given the relatively low base of our current liabilities, even small changes in current liabilities may lead to fluctuations in our current ratio. Nevertheless, our current ratio remained above 1.0 throughout the Track Record Period, indicating a healthy level of liquidity.

Liability-to-asset Ratio

Our liability-to-asset ratio increased from 5.1% in 2022 to 13.3% in 2023, primarily due to the addition of interest-bearing bank borrowings by our subsidiary, Shanghai Naxi, which obtained an external loan to fund the purchase of an office building. Our liability-to-asset ratio increased from 13.3% in 2023 to 22.5% in 2024, primarily due to the acquisition of MagnTek in 2024, for which we obtained an external loan to finance the acquisition.

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 32(a) 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, 2023 and 2024, please see Note 32(b) to the Accountants' Report set out 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/(loss) after tax for each year of the Track Record Period, please see Note 32(d) to the Accountants' Report set out in Appendix I to this document.

UNAUDITED [REDACTED] ADJUSTED COMBINED NET TANGIBLE ASSETS

Please see Appendix II to this document for details.

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 December 31, 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.

FINANCIAL INFORMATION OF MAGNTEK

We completed the acquisition of MagnTek in October 2024. This following is a discussion of MagnTek's results of operation for the years/periods indicated.

Consolidated Income Statements

The table below sets forth the consolidated statements of profit or loss of MagnTek from January 1, 2022 to October 18, 2024 derived from the, consolidated statements of profit or loss of MagnTek set out in Note 35 to the Accountants' Report included in Appendix I to this document.

	Year ended December 31,				**Period ended October 18,**			
	2022		**2023**		**2023**		**2024**	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)			
Revenue	**268,559**	**100.0**	**289,931**	**100.0**	**229,584**	**100.0**	**335,937**	**100.0**
Cost of sales	(126,782)	(47.2)	(151,554)	(52.3)	(118,912)	(51.8)	(169,553)	(50.5)
Gross profit	**141,777**	**52.8**	**138,377**	**47.7**	**110,672**	**48.2**	**166,384**	**49.5**
Other net income	5,923	2.2	12,463	4.3	5,480	2.4	3,898	1.2
Selling and marketing expenses	(14,354)	(5.3)	(18,218)	(6.3)	(14,868)	(6.5)	(20,211)	(6.0)
Administrative expenses	(39,986)	(14.9)	(46,710)	(16.1)	(40,991)	(17.9)	(46,796)	(13.9)
Research and development expenses	(59,001)	(22.0)	(69,755)	(24.1)	(55,177)	(24.0)	(58,369)	(17.4)
Impairment loss on trade and other receivables	(2,350)	(0.9)	(1,982)	(0.7)	(1,608)	(0.7)	(1,544)	(0.5)
Profit from operations	**32,009**	**11.9**	**14,175**	**4.8**	**3,508**	**1.5**	**43,362**	**12.9**
Finance costs	(1,276)	(0.5)	(1,958)	(0.6)	(1,654)	(0.7)	(1,268)	(0.4)
Profit before taxation	**30,733**	**11.4**	**12,217**	**4.2**	**1,854**	**0.8**	**42,094**	**12.5**
Income tax	(1,102)	(0.4)	1,287	0.5	1,064	0.5	(156)	–
Profit for the year/period	**29,631**	**11.0**	**13,504**	**4.7**	**2,918**	**1.3**	**41,938**	**12.5**
Total comprehensive income for the year/period	**29,631**	**11.0**	**13,504**	**4.7**	**2,918**	**1.3**	**41,938**	**12.5**

Discussion of Certain Key Income Statements Items

Revenue

Revenue of MagnTek primarily consists of revenue from sales of sensor products and others. The following table sets forth the components of revenue of MagnTek for the years/periods indicated.

	Year ended December 31,				Period ended October 18,			
	2022		2023		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)			
Sales of sensor products	256,626	95.6	284,195	98.0	226,688	98.7	331,443	98.7
Others	11,933	4.4	5,736	2.0	2,896	1.3	4,494	1.3
Total	**268,559**	**100.0**	**289,931**	**100.0**	**229,584**	**100.0**	**335,937**	**100.0**

Revenue of MagnTek increased from RMB268.6 million in 2022 to RMB289.9 million in 2023, and increased from RMB229.6 million for the period ended October 18, 2023 to RMB335.9 million for the period ended October 18, 2024, primarily due to (i) the competitiveness of the magnetic sensors of MagnTek and (ii) the growing demand for magnetic sensors driven by ongoing domestic substitution.

Cost of Sales

Cost of Sales of MagnTek consists of (i) material costs, (ii) processing fees, (iii) other costs and (iv) impairment loss of inventories.

The following table sets out a breakdown of the cost of sales of MagnTek by nature in absolute amounts and as percentages of MagnTek's cost of sales for the years/periods indicated:

	Year ended December 31,				Period ended October 18,			
	2022		2023		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)			
Material costs	75,517	59.6	91,282	60.2	72,617	61.1	99,371	58.6
Processing fees	45,780	36.1	53,705	35.4	42,724	35.9	62,045	36.6
Other costs	2,508	2.0	3,703	2.4	3,056	2.6	2,877	1.7
Impairment loss of inventories	2,977	2.3	2,864	2.0	515	0.4	5,260	3.1
Total	**126,782**	**100.0**	**151,554**	**100.0**	**118,912**	**100.0**	**169,553**	**100.0**

Cost of Sales of MagnTek increased from RMB126.8 million in 2022 to RMB151.6 million in 2023, primarily because of (i) the business expansion of MagnTek and (ii) the higher wafer procurement costs. Certain wafers were procured in 2022 at high prices but the products produced from these wafers were sold in 2023, which resulted in higher costs recognized in 2023. Cost of Sales of MagnTek increased from RMB118.9 million for the period ended October 18, 2023 to RMB169.6 million for the period ended October 18, 2024, primarily due to the business expansion of MagnTek.

Gross Profit and Gross Profit Magin

Gross profit of MagnTek decreased from RMB141.8 million in 2022 to RMB138.4 million in 2023. Gross profit of MagnTek increased from RMB110.7 million for the period ended October 18, 2023 to RMB166.4 million for the period ended October 18, 2024.

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

	Year ended December 31,				Period ended October 18,			
	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)			
Sales of sensor products	137,052	53.4	137,247	48.3	109,580	48.3	165,335	49.9
Others	4,725	39.6	1,130	19.7	1,092	37.7	1,049	23.3
Total	**141,777**	**52.8**	**138,377**	**47.7**	**110,672**	**48.2**	**166,384**	**49.5**

Gross profit margin of MagnTek decreased from 52.8% in 2022 to 47.7% in 2023, primarily because (i) we adopted more competitive pricing strategies to sensor products used in the PV sector and (ii) we sold a greater proportion of low-margin products in 2023. Gross profit margin of MagnTek slightly increased from 48.2% for the period ended October 18, 2023 to 49.5% for the period ended October 18, 2024, primarily due to the decrease in the wafer procurement costs in 2024 compared to 2023.

Other Net Income

Other net income of MagnTek consists of bank interest income, changes in fair value of wealth management products, government grants, net foreign exchange gain/(loss), value-added tax deduction and net losses on disposal of property, plant and equipment and right-of-use assets. Other net income of MagnTek amounted to RMB5.9 million in 2022 and RMB12.5 million in 2023. Other net income of MagnTek amounted to RMB5.5 million for the period ended October 18, 2023 and RMB3.9 million for the period ended October 18, 2024. The relatively higher amount of other net income in 2023, as compared to 2022 and for the period ended October 18, 2024, was primarily because of the increase in the government grants received by MagnTek in that year.

Selling and Marketing Expenses

Selling and marketing expenses of MagnTek consist of employee compensation, equity-settled share-based transactions, promotion and advertising expenses, business entertainment expenses, traveling expenses and depreciation and amortization.

The following table sets out a breakdown of the major components of the selling and marketing expenses of MagnTek in absolute amounts and as percentages of its selling and marketing expenses for the years/periods indicated:

	Year ended December 31,				Period ended October 18,			
	2022		2023		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)			
Employee compensation	9,379	65.3	12,943	71.0	10,656	71.7	12,530	62.0
Equity-settled share-based transactions	1,553	10.8	210	1.2	175	1.2	715	3.5
Promotion and advertising expenses	969	6.8	1,110	6.1	859	5.8	4,031	19.9
Business entertainment expenses	610	4.2	1,100	6.0	872	5.9	929	4.6
Traveling expenses	784	5.5	1,200	6.6	965	6.5	962	4.8
Depreciation and amortization	31	0.2	491	2.7	408	2.7	40	0.2
Others	1,669	7.2	1,164	6.4	933	6.2	1,004	5.0
Total	**14,354**	**100.0**	**18,218**	**100.0**	**14,868**	**100.0**	**20,211**	**100.0**

Selling and marketing expenses of MagnTek increased from RMB14.4 million in 2022 to RMB18.2 million in 2023, and increased from RMB14.9 million for the period ended October 18, 2023 to RMB20.2 million for the period ended October 18, 2024, primarily because (i) the growth of the business of Magntek led to an increase in sales staff headcounts and business entertainment expenses and (ii) MagnTek increased spending on marketing efforts to support future business expansion.

Administrative Expenses

Administrative expenses of MagnTek consist of employee compensation, equity-settled share-based transactions, depreciation and amortization, professional service fees, business entertainment expenses, traveling expenses, and office expenses.

The following table sets out a breakdown of the major components of the administrative expenses of MagnTek in absolute amounts and as percentages of its administrative expenses for the years/periods indicated:

	Year ended December 31,				Period ended October 18,			
	2022		2023		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)			
Employee compensation	19,780	49.5	24,710	52.9	22,985	56.1	24,035	51.4
Equity-settled share-based transactions	12,310	30.8	13,366	28.6	11,138	27.2	15,757	33.7
Depreciation and amortization	1,690	4.2	1,280	2.7	947	2.3	662	1.4
Professional service fees	1,495	3.7	2,432	5.2	1,405	3.4	1,555	3.3
Business entertainment expenses	1,060	2.7	1,145	2.5	969	2.4	1,105	2.4
Traveling expenses	490	1.2	484	1.0	378	0.9	345	0.7
Office expenses	1,492	3.7	1,587	3.4	857	2.1	959	2.0
Others	1,669	4.2	1,706	3.7	2,312	5.6	2,378	5.1
Total	**39,986**	**100.0**	**46,710**	**100.0**	**40,991**	**100.0**	**46,796**	**100.0**

Administrative expenses of MagnTek increased from RMB40.0 million in 2022 to RMB46.7 million in 2023 and increased from RMB41.0 million for the period ended October 18, 2023 to RMB46.8 million for the period ended October 18, 2024, primarily due to the business expansion of MagnTek and its rising administrative staff headcounts and salaries.

Research and Development Expenses

Research and development expenses of MagnTek consist of employee compensation, equity-settled share-based transactions, materials, testing and verification expenses, depreciation and amortization and traveling expenses.

The following table sets out a breakdown of the major components of the research and development expenses of MagnTek in absolute amounts and as percentages of its research and development expenses for the years/periods indicated:

	Year ended December 31,				Period ended October 18,			
	2022		2023		2023		2024	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
					(unaudited)			
Employee compensation	36,599	62.0	45,352	65.0	38,509	69.8	37,304	63.9
Equity-settled share-based transactions	3,723	6.3	4,536	6.5	3,822	6.9	2,066	3.5
Materials, testing and verification expenses	15,122	25.6	15,792	22.6	10,016	18.2	16,231	27.8
Depreciation and amortization	1,780	3.0	2,579	3.7	2,040	3.7	2,037	3.5
Traveling expenses	365	0.6	578	0.8	462	0.8	573	1.0
Others	1,412	2.5	918	1.4	328	0.6	158	0.3
Total	**59,001**	**100.0**	**69,755**	**100.0**	**55,177**	**100.0**	**58,369**	**100.0**

Research and development expenses of MagnTek increased from RMB59.0 million in 2022 to RMB69.8 million in 2023, primarily due to the rising research and development staff headcounts and salaries. Research and development expenses of MagnTek remained relatively stable at RMB55.2 million and RMB58.4 million for the period ended October 18, 2023, 2024, respectively.

Impairment Loss on Trade and Other Receivables

Impairment loss on trade and other receivables of MagnTek mainly resulted from trade and other receivables. Impairment loss on trade and other receivables of MagnTek remained relatively stable at RMB2.4 million, RMB2.0 million in 2022 and 2023, respectively, and at RMB1.6 million and RMB1.5 million for the period ended October 18, 2023 and 2024, respectively.

Finance Costs

Finance costs of MagnTek consist of interest on (i) loans and borrowings and (ii) lease liabilities. Finance costs of MagnTek slightly increased from RMB1.3 million in 2022 to RMB2.0 million in 2023, primarily due to the increase in loans and borrowings of MagnTek to support its business operations. Finance costs of MagnTek slightly decreased from RMB1.7 million for the period ended October 18, 2023 to RMB1.3 million for the period ended October 18, 2024, primarily due to the repayment of loans and borrowings of MagnTek.

Income Tax

Income tax of MagnTek decreased from RMB1.1 million in 2022 to negative RMB1.3 million in 2023, primarily due to the decrease in profit before taxation of MagnTek in 2023. Income tax of MagnTek increased from negative RMB1.1 million for the period ended October 18, 2023 to RMB0.2 million for the period ended October 18, 2024, primarily due to the increase in profit before taxation of MagnTek.

Profit for the Year/Period

As a result of the foregoing, Magntek recorded profit of RMB29.6 million in 2022 and RMB13.5 million in 2023 and profit of RMB2.9 million for the period ended October 18, 2023 and RMB41.9 million for the period ended October 18, 2024.

Cash Flows

The following table sets forth selected cash flow statement information for the years/periods indicated:

	Year ended December 31,		Period ended October 18,	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Net cash generated from operating activities	24,048	54,680	13,711	40,002
Net cash (used in)/generated from investing activities	(20,046)	(62,283)	(25,461)	21,015
Net cash generated from/(used in) financing activities	3,552	227	367	(24,525)
Net increase/(decrease) in cash and cash equivalents	**7,554**	**(7,376)**	**(11,383)**	**36,492**
Cash and cash equivalents at the beginning of the year/period	11,326	18,880	18,880	11,504
Cash and cash equivalents at the end of the year/period	**18,880**	**11,504**	**7,497**	**47,996**

Current Assets and Current Liabilities

The following table sets forth MagnTek's current assets and liabilities as of the dates indicated:

	As of December 31,		As of October 18,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Inventories	79,581	83,158	101,676
Trade and other receivables	65,374	65,066	88,959
Financial assets measured at fair value through profit or loss ("**FVPL**")	12,552	55,040	–
Time deposits	–	–	10,000
Cash and cash equivalents	18,880	11,504	47,996
Total current assets	**176,387**	**214,768**	**248,631**
Current liabilities			
Trade and other payables	45,698	55,970	73,424
Contract liabilities	637	2,483	998
Interest-bearing borrowings	11,400	–	–
Lease liabilities	939	1,091	395
Current taxation	2,188	–	605
Refund liabilities from right of return	–	10,896	9,564
Total current liabilities	**60,862**	**70,440**	**84,986**
NET CURRENT ASSETS	**115,525**	**144,328**	**163,645**

OVERVIEW

Pursuant to the Acting-in-Concert Agreement entered into on March 8, 2016, as supplemented on September 30, 2020 and with an effective period of 60 months commencing from the date on which our A Shares were listed on the STAR Market of the Shanghai Stock Exchange, Mr. Wang Shengyang, Mr. Sheng Yun and Mr. Wang Yifeng agreed, among other things, that (i) each of them together with the entities they control, shall act in concert when voting at general meetings of our Company and meetings of our Board; (ii) Mr. Sheng Yun and Mr. Wang Yifeng shall follow Mr. Wang Shengyang's vote to arrive at a unanimous consent in case there is any disagreement; and (iii) the Acting-in-Concert Agreement shall be automatically renewed before its expiry unless terminated by Mr. Wang Shengyang, Mr. Sheng Yun and Mr. Wang Yifeng. As of the Latest Practicable Date, our Company was owned as to (i) 10.87% directly by Mr. Wang Shengyang; (ii) 10.13% directly by Mr. Sheng Yun; (iii) 3.80% directly by Mr. Wang Yifeng; (iv) 4.58% by Ruixi Information Consulting, which was owned as to 45% by Mr. Wang Shengyang as the general partner, and as to 40% and 15% by Mr. Sheng Yun and Mr. Wang Yifeng, respectively, as limited partners; (v) 2.72% by Naxin No.1, which was owned by Mr. Wang Shengyang as to 2.17% as the general partner; (vi) 1.47% by Naxin No.2, which was owned by Mr. Wang Shengyang as to 3.43% as the general partner; and (vii) 0.95% by Naxin No.3, which was owned by Mr. Wang Shengyang as to 13.64% as the general partner (together with Mr. Wang Shengyang, Mr. Sheng Yun, Mr. Wang Yifeng, Ruixi Information Consulting, Naxin No.1 and Naxin No.2, being the "**Single Largest Shareholder Group**"). For more details, see "History and Corporate Structure – Corporate Structure" in this document.

As of the Latest Practicable Date, by virtue of the Acting-in-Concert Agreement and Mr. Wang Shengyang's role as the general partner of Ruixi Information Consulting, Naxin No.1, Naxin No.2 and Naxin No.3. Mr. Wang Shengyang, Mr. Sheng Yun, Mr. Wang Yifeng, Ruixi Information Consulting, Naxin No.1, Naxin No.2 and Naxin No.3 constitute our Single Largest Shareholder Group, and our Single Largest Shareholder Group in aggregate were interested in 49,187,880 Shares of our Company, representing approximately 34.54% of the voting power of our Company (excluding the 118,216 A Shares held by our Company as treasury Shares).

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), our Single Largest Shareholder Group will collectively be entitled to exercise **[REDACTED]**% of the voting power at general meetings of our Company. Upon **[REDACTED]**, they will become our Single Largest Shareholder Group, and the Company will not have any controlling shareholders as defined under the Listing Rules.

NON-COMPETITION UNDERTAKINGS

Each of Mr. Wang Shengyang, Mr. Sheng Yun and Mr. Wang Yifeng has provided non-competition undertakings in favor of our Company dated May 18, 2021, pursuant to which each of them has undertaken that, among others:

(i) he does not directly or indirectly hold any equity or interests in any other entities, organizations or economic associations which conduct or engage in the same or similar business as, or business in any aspect competing with, the business of our Company and its subsidiaries, nor does he serve as a director, senior management or the key technical staff in any of such entities, organizations or economic associations;

(ii) he has not engaged and will not engage in any form of business or activities that compete or may compete with the business of our Company and its subsidiaries, nor will he provide in any way any financial, commercial, technical or management assistance to any entities, organizations or economic associations competing with our Company and its subsidiaries;

(iii) he and any enterprises controlled by him would avoid competing with our Company and its subsidiaries within the same industry in the future. If there are any opportunities to engage in, participate in or invest in any business which may compete with the business of our Company and its subsidiaries, he would, per our Company's request, give priority in referring such opportunities to our Company and/or its subsidiaries;

(iv) if he fails to fulfill the above undertakings, he would indemnify our Company and its subsidiaries for any loss suffered as a result thereof; and

(v) the above undertakings shall be legally and irrevocably binding on him, remain in effect and expire on the date when he ceases to be a controlling shareholder (as defined under applicable PRC laws and rules) or an actual controller of our Company.

INDEPENDENCE FROM OUR SINGLE LARGEST SHAREHOLDER GROUP

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Single Largest Shareholder Group and their respective close associates upon **[REDACTED]**.

Management Independence

Upon **[REDACTED]**, our Board will comprise nine Directors, including four executive Directors, one non-executive Director and four 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 of time and have substantial and extensive relevant industry experience and expertise as set out in "Directors, Supervisors and Senior Management." Save for Mr. Wang Shengyang, Mr. Sheng Yun and Mr. Wang Yifeng, who are members of our Single Largest Shareholder Group and executive Directors, none of our Directors or members of the senior management is a member of our Single Largest Shareholder Group or holds any directorship or executive position in our Single Largest Shareholder Group or their close associates.

Our Directors consider that our Board and senior management will function independently of our Single Largest Shareholder Group 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 should not allow any conflict of interests between his or her duties as a Director and his or her personal interests;

(ii) our daily management and operation decisions are made by all our executive Directors and senior management, all of whom have substantial experience in the industry in which we are engaged and will be able to make business decisions that are in the best interests of our Group. For details of the industry experience of our executive Directors and senior management, see "Directors, Supervisors and Senior Management" in this document;

(iii) 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;

(iv) 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 and shall abstain from voting in respect of such transaction and not be counted towards the quorum at the relevant Board meetings of our Company; and

(v) we have appointed four independent non-executive Directors, comprising more than one third of the total members of our Board, who have sufficient knowledge, experience and competence to ensure that the decisions of our Board are made after due consideration of independent and impartial opinions and in the best interests of our Company and our 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 Single Largest Shareholder Group and their respective close associates after **[REDACTED]**.

Operational Independence

We have full rights to make all decisions regarding, and carry out, our business operations independently. 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 Single Largest Shareholder Group and their respective close associates. We have independent access to suppliers and customers. We are also in possession of all 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 Single Largest Shareholder Group and their respective close associates after **[REDACTED]**.

Financial Independence

We have the ability to operate independently of our Single Largest Shareholder Group 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 financial staff responsible for financial control, accounting and reporting function, and an audit committee comprising solely of independent non-executive Directors to oversee our accounting and financial reporting processes. We have adequate financial resources and credit facilities to support our daily operation without relying on any guarantee or security provided by our Single Largest Shareholder Group and their respective close associates.

We do not rely on our Single Largest Shareholder Group 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 Single Largest Shareholder Group or their respective close associates. As of the Latest Practicable Date, none of the member of the Single Largest Shareholder Group or their respective close associates 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 Single Largest Shareholder Group 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 conflict of interests with our Single Largest Shareholder Group 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) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the Board meetings on matters in which such Director or any of his/her close associates have a material interest ;

(iii) our Company has established internal control mechanisms to identify connected transactions. Upon **[REDACTED]**, if our Company enters into connected transactions with our Single Largest Shareholder Group or any of their associates, our Company will comply with the applicable requirements under the Listing Rules; and

(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 four 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 Somerley 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.

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the issued share capital of our Company consisted of 142,528,433 A Shares (including 118,216 treasury Shares) with a nominal value of RMB1.00 each, all of which are listed on the STAR Market of the Shanghai Stock Exchange.

	Number of Shares	Approximately % of issued share capital
A Shares in issue	142,528,433[(1)]	100%

Note:

(1) Including 118,216 A Shares which are held by our Company as treasury Shares.

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	142,528,433[(1)]	**[REDACTED]**
H Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**[REDACTED]**

Note:

(1) Including 118,216 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	142,528,433[(1)]	**[REDACTED]**
H Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**[REDACTED]**

Note:

(1) Including 118,216 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 **[REDACTED]** between legal or natural persons in mainland China.

Shanghai-Hong Kong Stock Connect, activated on November 17, 2014, 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 **[REDACTED]** 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 listing and trading on the Stock Exchange.

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 April 11, 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 **[REDACTED]** 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 eligible institutional **[REDACTED]** and a **[REDACTED]** for subscription in Hong Kong.

(iii) **Target [REDACTED].** The H Shares shall be **[REDACTED]** to **[REDACTED]** in Hong Kong under the **[REDACTED]** and international **[REDACTED]**, qualified domestic **[REDACTED]** eligible to **[REDACTED]** in overseas securities according to the PRC law and other **[REDACTED]** who comply with the relevant regulatory requirements.

(iv) **Price determination basis.** The **[REDACTED]** of the H Shares will be determined, among others, after due consideration of the interests of existing Shareholders, acceptance of investors and the risks related to the **[REDACTED]**, according to international practice, through the demands for **[REDACTED]** and **[REDACTED]** process, subject to the domestic and overseas capital market conditions and with reference to the valuation level of comparable companies in domestic and overseas markets.

(v) **Validity period.** The **[REDACTED]** of H Shares and **[REDACTED]** of H Shares on the Stock Exchange shall be completed within 18 months from the date when the Shareholders' meeting was held on April 11, 2025.

There is no other approved **[REDACTED]** plan for the H 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 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.

SUBSTANTIAL SHAREHOLDERS

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.

					Assuming the Overallotment Option are not exercised		Assuming the Overallotment Option are fully exercised	
Name of Shareholder	**Name of Shareholder**	**Description of Shares**	**Number of Shares directly or indirectly held**	**Approximate percentage of interest in the total issued share capital of our Company as of the Latest Practicable Date**	**Approximate % of shareholding in our A Shares immediately after the [REDACTED]**	**Approximate % of shareholding in the total share capital(2) of our Company immediately after the [REDACTED]**	**Approximate % of shareholding in our A Shares immediately after the [REDACTED]**	**Approximate % of shareholding in the total share capital(2) of our Company immediately after the [REDACTED]**
Mr. Wang Shengyang(3)(4)(5)	Beneficial owner Interest in controlled corporation Interest held jointly with other persons	A Shares	49,187,880	34.51%	34.51%	**[REDACTED]**	34.51%	**[REDACTED]**
Mr. Sheng Yun(5)(6)	Beneficial owner Interest in controlled corporation Interest held jointly with other persons	A Shares	49,187,880	34.51%	34.51%	**[REDACTED]**	34.51%	**[REDACTED]**
Mr. Wang Yifeng(5)	Beneficial owner Interest held jointly with other persons	A Shares	49,187,880	34.51%	34.51%	**[REDACTED]**	34.51%	**[REDACTED]**

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of **[REDACTED]** Shares including the 118,216 A Shares held by our Company as treasury 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, Mr. Wang Shengyang directly held 15,487,920 A Shares.

(4) As of the Latest Practicable Date, Mr. Wang Shengyang was the general partner of Ruixi Information Consulting, Naxin No.1, Naxin No. 2 and Naxin No.3. By virtue of the SFO, Mr. Wang Shengyang is deemed to be interested in the total 13,852,440 A Shares held by Ruixi Information Consulting, Naxin No.1, Naxin No.2 and Naxin No.3.

(5) Mr. Wang Shengyang, Mr. Sheng Yun and Mr. Wang Yifeng have entered into the Acting-in-Concert Agreement. Please refer to "Relationship with Our Single Largest Shareholder Group - Overview" for more details. By virtue of the SFO, they are deemed to be interested in the Shares and underlying Shares held by each other.

(6) As of the Latest Practicable Date, Ruixi Information Consulting was owned by Mr. Sheng Yun as to 40%. By virtue of the SFO, Mr. Sheng Yun was deemed to be interested in the 6,526,800 A Shares held by Ruixi Information Consulting.

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 comprises nine Directors, including four executive Directors, one non-executive Director and four independent non-executive Directors, namely:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with Supervisors and other Directors, members of senior management
Mr. Wang Shengyang (王升楊)	40	Executive Director, chairman of the Board and general manager	May 2013	May 2013	Overall management, strategic planning and decision-making for key business and operational matters of our Group	None
Mr. Sheng Yun (盛雲)	43	Executive Director, deputy general manager and head of research and development	May 2013	September 2013	Decision-making for key business and operational matters and leading the overall research and development of our Group	None
Mr. Wang Yifeng (王一峰)	40	Executive Director and deputy general manager	September 2013	March 2016	Strategic planning and decision-making for key business and operational matters of our Group	None
Mr. Jiang Chaoshang (姜超尚)	37	Executive Director and secretary to the Board	February 2020	November 2020	Strategic planning and decision-making for key business and operational matters and overseeing the capital market operation and securities affairs of our Group	None
Mr. Wu Jie (吳傑)	40	Non-executive Director	August 2020	August 2020	Providing advice on the operation and management of our Group	None
Dr. Hong Zhiliang (洪志良)	78	Independent non-executive Director	August 2020	August 2020	Providing independent advice on the operations and management of our Group	None
Dr. Chen Xichan (陳西嬋)	40	Independent non-executive Director	August 2020	August 2020	Providing independent advice on the operations and management of our Group	None

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with Supervisors and other Directors, members of senior management
Mr. Wang Ruwei (王如偉)	54	Independent non-executive Director	August 2020	August 2020	Providing independent advice on the operations and management of our Group	None
Ms. Du Linlin (杜琳琳)	34	Independent non-executive Director	April 2025	April 2025	Providing independent advice on the operations and management of our Group	None

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. Yan Fei (嚴菲)	45	Chairperson of the Board of Supervisors	August 2020	August 2020	Overseeing the performance of Directors and senior management of our Company	None
Mr. Wang Longxiang (王龍祥)	41	Supervisor	August 2020	August 2020	Overseeing the performance of Directors and senior management of our Company	None
Ms. Jiang Yilan (蔣怡瀾)	31	Employee representative Supervisor	September 2021	July 2023	Overseeing the performance of Directors and senior management of our Company	None

Our senior management team comprises the following members:

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. Wang Shengyang (王升楊)	40	Executive Director, Chairman of the Board and general manager	May 2013	May 2013	Overall management, strategic planning and decision-making for key business and operational matters of our Group	None
Mr. Sheng Yun (盛雲)	43	Executive Director, deputy general manager and head of research and development	May 2013	September 2013	Decision-making for key business and operational matters and leading the overall research and development of our Group	None
Mr. Wang Yifeng (王一峰)	40	Executive Director and deputy general manager	September 2013	September 2013	Strategic planning and decision-making for key business and operational matters of our Group	None
Mr. Jiang Chaoshang (姜超尚)	37	Executive Director and secretary to the Board	February 2020	November 2020	Strategic planning and decision-making for key business and operational matters and overseeing the capital market operation and securities affairs of our Group	None
Ms. Zhu Ling (朱玲)	35	Finance director	November 2014	November 2014	Financial operations and capital management of our Group	None

DIRECTORS

Executive Directors

Mr. Wang Shengyang (王升楊), aged 40, is our Director, chairman of the Board, general manager and our founder. Mr. Wang joined our group as our Director and general manager in May 2013, was appointed as our chairman of the Board and general manager in September 2013 and was redesignated as our executive Director on April 11, 2025, effective on the **[REDACTED]**. He is primarily responsible for the overall management, strategic planning and decision-making for key business and operational matters of our Group. Mr. Wang has been the executive Director and general manager of Shanghai Naxi Microelectronics Co., Ltd (上海納矽微電子有限公司), a subsidiary of our Group, since June 2016, responsible for the overall management and strategic planning.

Mr. Wang obtained a master's degree in electronics and communications engineering from Peking University (北京大學) in Beijing, the PRC, in July 2009.

Mr. Sheng Yun (盛雲), aged 43, is our Director, deputy general manager, head of research and development and our founder. Mr. Sheng joined our Group in May 2013. He has been our Director since September 2013 and was redesignated as an executive Director on April 11, 2025, effective on the **[REDACTED]**. He has also been our head of research and development since May 2013 and our deputy general manager since August 2020. He was our Supervisor from May 2013 to September 2013. He is primarily responsible for the decision-making for key business and operational matters and leading the overall research and development of our Group.

Mr. Sheng obtained a master's degree in microelectronics and solid-state electronics from Fudan University (復旦大學) in Shanghai, the PRC, in June 2008.

Mr. Wang Yifeng (王一峰), aged 40, is our Director and deputy general manager. In September 2013, Mr. Wang joined our Group as our Supervisor and sales director until March 2016. He served as our secretary to the Board from March 2016 to August 2020. Mr. Wang was appointed as our Director and deputy general manager in March 2016 and was redesignated as an executive Director on April 11, 2025, effective on the **[REDACTED]**. He is primarily responsible for the strategic planning and decision-making for key business and operational matters of our Group.

Mr. Wang obtained a master's degree in electronics and communications engineering from Peking University (北京大學) in Beijing, the PRC, in July 2009.

Mr. Jiang Chaoshang (姜超尚), aged 37, is our Director and secretary to the Board. Mr. Jiang joined our Group as our head of the office of the secretary to the Board in February 2020 until July 2020. He has served as the secretary to the Board since August 2020. Mr. Jiang was appointed as our Director in November 2020, and was redesignated as an executive Director on April 11, 2025, effective on the **[REDACTED]**. He is primarily responsible for the strategic planning and decision-making for key business and operational matters and overseeing the capital market operation and securities affairs of our Group.

Mr. Jiang worked at Soochow Securities Co., Ltd. (東吳證券股份有限公司), a securities company listed on the Shanghai Stock Exchange (stock code: 601555.SH), as a project manager and business director successively from July 2011 to January 2020.

Mr. Jiang obtained an MBA degree from Soochow University (蘇州大學) in Suzhou, Jiangsu Province, the PRC, in July 2022.

Non-executive Director

Mr. Wu Jie (吳傑), aged 40, is our Director. Mr. Wu joined our Group as our Director in August 2020 and was redesignated as a non-executive Director on April 11, 2025, effective on the **[REDACTED]**. He is primarily responsible for providing advice on the operation and management of our Group.

Mr. Wu worked at Guangdong Midea Refrigeration Equipment Co., Ltd.* (廣東美的製冷設備有限公司), a subsidiary of Midea Group Co., Ltd. (美的集團股份有限公司), a manufacturer of household electrical appliances, motors and their parts listed on Shenzhen Stock Exchange (stock code: 000333.SZ) and HKEX (stock code: 00300.HK), as an engineer and manager from July 2005 to December 2011. He served as a deputy general manager at Guangdong Hai Wu Technology Co., Ltd. (廣東海悟科技有限公司), a company primarily engaged in the manufacturing of electrical machinery and equipment, from January 2013 to September 2017. He has been the vice president of investment, rotating general manager and partner successively at Shenzhen Hengxin Huaye Equity Investment Fund Management Co., Ltd. (深圳市恒信華業股權投資基金管理有限公司) since September 2017.

Mr. Wu held directorship in Shanghai Pret Composites Co., Ltd. (上海普利特複合材料股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 002324.SZ) from May 7, 2021, to September 13, 2022.

Mr. Wu obtained an MBA degree from Peking University (北京大學) in Beijing, the PRC, in July 2020.

Independent Non-Executive Directors

Dr. Hong Zhiliang (洪志良), aged 78, has been our independent Director since August 2020, and was appointed as an independent non-executive Director on April 11, 2025, effective on the **[REDACTED]**. He is primarily responsible for providing independent advice on the operations and management of our Group.

Dr. Hong has been a professor in the field of integrated circuit design of Fudan University (復旦大學) since 1991. He has been the executive director at Shanghai Hongbo Micro-Electronic Co., Ltd. (上海洪博微電子有限公司) since July 2003. He has also been serving as a director at Fengjia Technology (Shanghai) Co., Ltd. (奉加科技(上海)股份有限公司) since January 2023.

Dr. Hong holds or held independent directorship in several listed companies, including:

- Sino Wealth Electronic Ltd. (中穎電子股份有限公司, 300327.SZ) from December 2016 to December 2022;
- 3PEAK INCORPORATED (思瑞浦微電子科技(蘇州)股份有限公司, 688536.SH) since December 2019 to January 2025;
- Shanghai Bright Power Semiconductor Co., Ltd. (上海晶豐明源半導體股份有限公司, 688368.SH) since May 2020; and
- Infotmic Co., Ltd. (盈方微電子股份有限公司, 000670.SZ) from December 2019 to January 2024.

Dr. Hong obtained a doctorate degree in electronics from Swiss Federal Institute of Technology Zurich in Swiss in June 1985. In January 1986, Dr. Hong joined the postdoctoral research station at Fudan.

Dr. Chen Xichan (陳西嬋), aged 40, has been our independent Director since August 2020, and was appointed as an independent non-executive Director on April 11, 2025, effective on the **[REDACTED]**. She is primarily responsible for providing independent advice on the operations and management of our Group.

Dr. Chen was a lecturer and associate professor at Rongzhi College of Chongqing Technology and Business University (now known as Chongqing Finance and Economics College) (重慶工商大學（現重慶財經學院）融智學院) from July 2010 to March 2018. In July 2019, she was appointed as a lecturer and associate professor at the Department of Accounting of Dongwu Business School, Soochow University (蘇州大學東吳商學院會計系) . Subsequent to that, she has been working as a lecturer, associate professor and assistant to the dean successively at the School of Internal Audit, Nanjing Audit University (南京審計大學內部審計學院) since October 2023.

Dr. Chen obtained a doctoral degree in management from Chongqing University (重慶大學) in Chongqing, the PRC, in June 2019, and postdoctoral certificate from Soochow University (蘇州大學) in Suzhou, Jiangsu Province, the PRC, in January 2023.

Mr. Wang Ruwei (王如偉), aged 54, has been our independent Director since August 2020, and was appointed as an independent non-executive Director on April 11, 2025, effective on the **[REDACTED]**. He is primarily responsible for providing independent advice on the operations and management of our Group.

Mr. Wang worked at the Suzhou International Exchange Center (蘇州市國際交流中心) , currently known as Suzhou Foreign Affairs Translation Center (蘇州市外事翻譯中心), an institution under the Foreign Affairs Office of Suzhou Municipal People's Government (蘇州市人民政府外事辦公室), as a staff member from August 1992 to July 2003. He served as the deputy director and director of the law enforcement division of Suzhou Industrial Park Urban Management Bureau (蘇州工業園區城市管理局執法處) from August 2003 to August 2012. He has been also a lawyer at Beijing Yingke Law Firm (Suzhou Office) (北京市盈科(蘇州)律師事務所) since November 2018.

Mr. Wang obtained a bachelor's degree in international politics from Fudan University (復旦大學) in Shanghai, the PRC in July 1992. He obtained a legal professional qualification certificate in September 2002.

Ms. Du Linlin (杜琳琳) (**former name Du Lin (杜琳)**), aged 34, was appointed as our independent non-executive Director on April 11, 2025, effective on the **[REDACTED]**. She is primarily responsible for providing independent advice on the operations and management of our Group.

Ms. Du served as an analyst at the Corporate Finance Department of BOCI Securities Limited (中銀國際證券有限責任公司), currently known as BOC International (China) Co., Ltd. (中銀國際證券股份有限公司), a securities company listed on the Shanghai Stock Exchange (stock code: 601696.SH), from July 2014 to September 2015. Subsequently, she assumed the positions of the secretary to the board and director of the investment and financing department successively at Gosun Holding Co., Ltd. (高升控股股份有限公司), a cloud infrastructure service provider listed on the Shenzhen Stock Exchange (stock code: 000971) from November 2015 to May 2018. She was then the investment operation director at the Cloud and Intelligent Industry Business Group of Tencent Technology (Shenzhen) Company Limited (騰訊科技(深圳)有限公司), a subsidiary of Tencent Holdings Limited, which is listed on the HKEX (stock code: 00700.HK), from June 2018 to December 2023. Since December 2023, she has been serving as the vice president at the investment management department of China Merchants Venture Capital Management Co., Ltd. (招商局創新投資管理有限責任公司).

Ms. Du obtained a masters' degree of finance from Renmin University of China (中國人民大學) in Beijing, PRC in June 2014. Ms. Du has been a member of the Chinese Institute of Certified Public Accountants since April 2014.

SUPERVISORS

Ms. Yan Fei (嚴菲), aged 45, is the chairperson of the Board of Supervisors. Ms. Yan joined our Group in August 2020 as a director of human resources and administration. She was appointed as our Supervisor in August 2020 and subsequently as the chairperson of the Board of Supervisors in July 2023. She is primarily responsible for overseeing the performance of Directors and senior management of our Company.

Prior to joining our Group, Ms. Yan worked at Texas Instruments Semiconductor Technologies (Shanghai) Co., Ltd. (德州儀器半導體技術（上海）有限公司) as a human resources manager from March 2011 to July 2020. Prior to that, she was a recruiting consultant at the Shanghai branch of Freescale Semiconductor (China) Co., Ltd. (飛思卡爾半導體（中國）有限公司上海分公司) from July 2004 to March 2011.

Ms. Yan obtained a master's degree from Nankai University (南開大學) in Tianjin, the PRC, in July 2004, majoring in corporate management.

Mr. Wang Longxiang (王龍祥), aged 41, is our Supervisor. Mr. Wang joined our Group as a Supervisor in August 2020. He is primarily responsible for overseeing the performance of Directors and senior management of our Company.

From April 2008 to October 2014, Mr. Wang served as a manager of research and development at Huizhou Speed Wireless Technology Co., Ltd. (惠州碩貝德無線科技股份有限公司), a company in the mobile communications industry listed on Shenzhen Stock Exchange (stock code: 300322.SZ). From October 2014 to September 2018, he served as an investment director at Suzhou Addor Huizhi Equity Investment Management Enterprise (Limited Partnership) (蘇州毅達匯智股權投資管理企業(有限合夥)), a subsidiary of Jiangsu Addor Equity Investment Fund Management Co., Ltd. (江蘇毅達股權投資基金管理有限公司). He has been a managing director and partner at SIP Oriza PE Fund Management Co., Ltd. (蘇州工業園區元禾重元股權投資基金管理有限公司) since September 2018.

Mr. Wang has been a supervisor at Suzhou Delphi Laser Co., Ltd. (蘇州德龍激光股份有限公司), a company in the laser equipment rental and laser processing industry listed on the Shanghai Stock Exchange (stock code: 688170.SH), since June 28, 2021.

Mr. Wang obtained an MBA degree from Xiamen University (廈門大學) in Xiamen, Fujian Province, the PRC, in June 2015.

Ms. Jiang Yilan (蔣怡瀾), aged 31, is our employee representative Supervisor. Ms. Jiang joined our Group in September 2021 as our internal auditor. She was appointed as our employee representative Supervisor in July 2023. She is primarily responsible for overseeing the performance of Directors and senior management of our Company.

Prior to joining our Group, Ms. Jiang worked at Grant Thornton China (致同會計師事務所（特殊普通合夥）) as an auditing project manager from August 2017 to June 2021.

Ms. Jiang obtained a master's degree from Soochow University (蘇州大學) in Suzhou, Jiangsu Province, the PRC, in June 2017, majoring in accounting.

SENIOR MANAGEMENT

Our senior management team is responsible for the day-to-day management and operation of our business. Mr. Wang Shengyang, our executive Director, chairman of the Board and general manager; Mr. Sheng Yun, our executive Director, deputy general manager and head of research and development; Mr. Wang Yifeng, our executive Director and deputy general manager; and Mr. Jiang Chaoshang, our executive Director and secretary to the Board are also members of our senior management. For their biographies, see "– Directors – Executive Directors" in this section.

Ms. Zhu Ling (朱玲), aged 35, has been our finance director since November 2014. She is primarily responsible for financial operations and capital management of our Group.

Prior to joining our Group, Ms. Zhu worked at Singatron Electronic (China) Co., Ltd. (信音電子（中國）股份有限公司), a company primarily engaged in the development, manufacturing and sales of connectors and listed on the Shenzhen Stock Exchange (stock code: 301329.SZ) from April 2012 to July 2014. Prior to that, she worked at Suzhou Zhaoke Electronics Co., Ltd. (蘇州兆科電子股份有限公司, currently known as Legend Union (Dalian) Tourism Development Group Co., Ltd. (聯程合眾(大連)旅遊項目開發股份有限公司), from August 2010 to March 2012.

Ms. Zhu completed her undergraduate study in accounting at Xiamen University (廈門大學) through online education in June 2022. She graduated from Jiangsu Radio & Television University (now known as Jiangsu Open University) (江蘇廣播電視大學（現江蘇開放大學）) in Nanjing, Jiangsu Province, the PRC, in July 2010, majoring in accounting and statistical accounting.

JOINT COMPANY SECRETARIES

Ms. Wang Yifei (王一飛), our securities affairs representative, was appointed as one of our joint company secretaries on March 26, 2025, effective on the **[REDACTED]**. Ms. Wang joined our Group as a legal specialist in June 2020 until April 2022. Since April 2022, she served as our securities affairs representative, responsible for assisting the secretary to the Board to deal with the securities affairs of our Company. Before joining our Group, she worked at Soochow Securities Co., Ltd. (東吳證券股份有限公司), a securities company listed on the Shanghai Stock Exchange (stock code: 601555.SH), as a project manager, lawyer and vice president of business successively from July 2015 to May 2020.

She obtained a master's degree in law from Soochow University (蘇州大學) in Suzhou, Jiangsu Province, the PRC, in June 2015. She obtained a legal professional qualification certificate in March 2014.

Mr. Cheng Ching Kit (鄭程傑) was appointed as one of our joint company secretaries on March 26, 2025, effective on the **[REDACTED]**. He is currently an assistant vice president of Corporate Secretarial Department of SWCS Corporate Services Group (Hong Kong) Limited, a professional service provider specializing in corporate services. He has over 12 years of experience in the company secretarial profession since December 2012.

He obtained a Master of Laws in Chinese Law from the University of Hong Kong in November 2022. He has been an associate of both the Hong Kong Chartered Governance Institute and the Chartered Governance Institute since June 2018.

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 March 26, 2025, 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 our 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.

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.

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 Ms. Du Linlin, Mr. Wang Ruwei and Dr. Chen Xichan, with Ms. Du Linlin (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 to our Directors and other senior management. The Remuneration and Appraisal Committee comprises Dr. Hong Zhiliang, Dr. Chen Xichan and Ms. Du Linlin, with Dr. Hong Zhiliang 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 other senior management. The Nomination Committee comprises Mr. Wang Ruwei, Ms. Du Linlin and Mr. Wu Jie, with Mr. Wang Ruwei as the chairperson.

Strategy and ESG Committee

Our Board has established a 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 and major investment decisions. The Strategy and ESG Committee comprises Mr. Wang Shengyang, Mr. Sheng Yun, Mr. Wang Yifeng, Dr. Hong Zhiliang and Mr. Wu Jie, with Mr. Wang Shengyang 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. Wang Shengyang performs both the roles of the chairman of our Board and general manager of our Company. Our Board believes that, in view of his experience, personal profile and understanding of our business operations, Mr. Wang Shengyang is the Director best suited to identify strategic opportunities and vesting the roles of both chairman and general manager in Mr. Wang Shengyang 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 general manager 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 embrace the benefits of having a diverse Board and see 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 two female and seven male Directors ranging from 34 to 78 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 developing microelectronics and semiconductors. They obtained degrees in various majors including electronics and communications engineering, microelectronics and solid-state electronics 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 retirement schemes and discretionary bonuses and equity-settled share-based transactions. 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, 2023 and 2024 were RMB11.4 million, RMB9.0 million and RMB8.1 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 RMB7.9 million.

The five highest paid individuals of our Group for the years ended December 31, 2022, 2023 and 2024 did not include any Directors. During the same periods, the aggregate amount of remuneration of the five highest paid individuals were RMB39.1 million, RMB45.5 million and RMB33.7 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 Somerley 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 proceeds 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 listed 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$**[REDACTED]** per Share (being the mid-point of the **[REDACTED]** Range stated in this document), we estimate that we will receive net proceeds of approximately HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million) 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]** million (equivalent to approximately RMB**[REDACTED]** million), is expected to be used for enhancing our foundational R&D capabilities and manufacturing process platforms. In particular:

  (i) approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), will be used for procuring R&D equipment to support our continuous technology iteration and R&D capability building;

  (ii) approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), will be used to attract and retain 106 R&D talents as well as talents from world-class universities in the next five years, thereby continuously enhancing our R&D capabilities;

  (iii) approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), will be used for rental and property management expenses for our R&D center and R&D facilities;

  (iv) approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), will be used for R&D software tools, such as EDA software and multi-time programmable IP, and the development of a shared IP platform to facilitate our chip design; and

  (v) approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), will be used to support our process engineering and development efforts. In particular, we plan to incur costs relating to photomasks, consumables auxiliary materials and engineering verification required for process validation, and yield optimization.

- approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), is expected to be used to further enrich our product portfolio, with a focus on expanding products in automotive electronics applications:

  (i) approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), will be used to enhance our product portfolio by expanding into a full-spectrum range of analog IC, ensuring coverage across key application areas. Specifically, we plan to incur additional cost in (a) procuring wafers and chip packaging and testing services for product development and supporting capacity enhancement at our packaging and testing service suppliers through investment in critical equipment and (b) recruiting and retaining 78 product development personnel in the next five years with extensive experience in sensor products, signal chain chips and power management chips to assist with the development of products that cater to the needs of end customers. Through sustained product innovation, we will continue addressing evolving customer needs and reinforcing our industry influence; and

  (ii) approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), will be used to further refine our automotive product matrix, focusing on applications such as body electronics, thermal management, and smart cockpit systems. Additionally, we will expand into intelligent driving, chassis safety, and next-generation in-vehicle experiences. By broadening our product categories, we anticipate increasing the value of our products per vehicle and further solidifying our leadership in the automotive electronics sector. We expect to incur additional cost in (a) the product certification process, (b) procuring wafers and chip packaging and testing services for product development and supporting capacity enhancement at our packaging and testing service suppliers through investment in critical equipment, and (c) recruiting and retaining 114 product development personnel in the next five years with extensive experience in automotive markets.

- approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), is expected to be used for expanding our overseas sales network and promoting our products in overseas markets. Specifically, we expect that:

  (i) approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million) be used to build a global sales network to assist with the expansion of our sales coverage and provide prompt sales services to overseas customers. We expect to incur costs in (i) recruiting approximately 58 sales staff in the next five years, and (ii) leasing overseas office space;

(ii) approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million) be used to acquire and engage top-tier international customers, deepening our relationships with leading global industry players. We plan to incur costs in (i) collaborating with local distributors and sales channel partners, (ii) marketing initiatives for overseas customer engagement, such as, among others, launching promotion campaigns, and participating in exhibitions and forums to further enhance our brand awareness; and

(iii) approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million) be used to strengthen our global supply chain and logistics system, to ensure seamless product delivery, improve customer satisfaction, and mitigate supply chain risks. We plan to incur costs in (i) recruiting approximately 11 supply chain personnel in the next five years, and (ii) investing in overseas logistics and warehousing infrastructure to improve delivery efficiency.

- approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), 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 in in both domestic and international markets, aim to expand our product portfolio, enhance our market reach, and fortify our supply chain capabilities. We evaluate investment opportunities in semiconductor ecosystem infrastructure, including advanced packaging, testing, and process technology, to further secure our competitive edge. Through effective industry resource integration, we will strengthen our competitive positioning and drive sustainable long-term value creation. In addition to acquisitions, we plan to explore strategic partnerships with leading technology companies, universities, and research institutions to drive collaborative innovation. Currently, we are still in the process of searching for potential targets and have not identified any specific target, or participated in any commercial negotiation or entered into any memorandum of understanding or letter of intent with respect to any potential target.

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

To the extent that the net proceeds 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 proceeds from the exercise of the **[REDACTED]**), we will adjust our allocation of the net proceeds 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 proceeds from the **[REDACTED]**.

To the extent that the net proceeds 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 will only deposit such net proceeds 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). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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The following is the text of a report set out on pages I-1 to I-108, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 蘇州納芯微電子股份有限公司 SUZHOU NOVOSENSE MICROELECTRONICS CO., LTD.*, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, CITIC SECURITIES (HONG KONG) LIMITED AND CCB INTERNATIONAL CAPITAL LIMITED.

INTRODUCTION

We report on the historical financial information of Suzhou Novosense Microelectronics Co., Ltd.* 蘇州納芯微電子股份有限公司 (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-108, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2022, 2023 and 2024, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2022, 2023 and 2024 (the "**Track Record Period**"), and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-108 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 initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

DIRECTORS' RESPONSIBILITY FOR HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company 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 (the "**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.

* *for identification purpose only*

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' judgment, 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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 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 purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2022, 2023 and 2024, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED 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 31(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[Date]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

*(Expressed in Renminbi ("**RMB**"))*

		Year ended December 31,		
	Note	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*4*	1,670,393	1,310,927	1,960,274
Cost of sales		(860,119)	(866,865)	(1,410,928)
Gross profit		810,274	444,062	549,346
Other net income	*5*	119,944	158,195	98,529
Selling and marketing expenses		(69,980)	(117,444)	(188,942)
Administrative expenses		(169,111)	(245,083)	(286,872)
Research and development expenses		(403,812)	(521,614)	(539,992)
Impairment loss on trade receivables		(6,711)	(574)	(13,466)
Profit/(loss) from operations		280,604	(282,458)	(381,397)
Finance costs	*6(a)*	(7,454)	(6,383)	(16,435)
Share of losses and provision for impairment of associates and joint ventures	*16*	(20,002)	(8,219)	(6,323)
Profit/(loss) before taxation	*6*	253,148	(297,060)	(404,155)
Income tax	*7*	(3,027)	(8,275)	1,277
Profit/(loss) for the year		250,121	(305,335)	(402,878)
Attributable to:				
Equity shareholders of the Company		250,574	(305,335)	(402,878)
Non-controlling interests		(453)	–	–
Profit/(loss) for the year		250,121	(305,335)	(402,878)
Earnings/(loss) per share				
Basic and Diluted (RMB)	*10*	1.93	(2.16)	(2.86)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*(Expressed in Renminbi ("**RMB**"))*

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) for the year	250,121	(305,335)	(402,878)
Other comprehensive income for the year			
Item that is or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
– financial statements of overseas subsidiaries	–	106	(749)
Total comprehensive income for the year	250,121	(305,229)	(403,627)
Attributable to:			
Equity shareholders of the Company	250,574	(305,229)	(403,627)
Non-controlling interests	(453)	–	–
Total comprehensive income for the year	250,121	(305,229)	(403,627)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*(Expressed in Renminbi ("**RMB**"))*

		As at December 31,		
	Note	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*11*	544,023	1,284,570	1,523,589
Right-of-use assets	*12*	25,008	23,239	16,440
Intangible assets	*13*	28,128	45,019	390,732
Goodwill	*14*	–	–	504,142
Interests in associates and joint ventures	*16*	95,717	74,998	96,675
Financial assets measured at fair value through profit or loss ("**FVPL**")	*17*	52,500	155,543	290,129
Time deposits		50,000	50,000	–
Other non-current assets	*18*	304,545	200,513	137,840
Deferred tax assets	*28(b)*	26,579	23,577	25,876
		1,126,500	1,857,459	2,985,423
Current assets				
Inventories and contract costs	*19*	605,471	827,794	832,556
Contract assets	*20(a)*	–	–	285
Trade and other receivables	*21*	389,707	470,231	646,981
Financial assets measured at FVPL	*17*	3,463,590	2,249,639	2,080,083
Time deposits		–	–	94,334
Restricted bank deposits	*22(e)*	568	–	20,835
Cash and cash equivalents	*22(a)*	1,264,617	1,751,191	1,013,079
		5,723,953	5,298,855	4,688,153
Current liabilities				
Trade and other payables	*23*	266,149	287,059	627,878
Contract liabilities	*20(b)*	22,279	16,500	16,136
Interest-bearing borrowings	*24*	21,350	264,100	62,382
Lease liabilities	*25*	16,438	15,554	7,822
Current taxation	*28(a)*	458	324	3,666
Refund liabilities from right of return	*29*	–	–	39,178
		326,674	583,537	757,062
Net current assets		5,397,279	4,715,318	3,931,091
Total assets less current liabilities		6,523,779	6,572,777	6,916,514

	Note	As at December 31, 2022 RMB'000	2023 RMB'000	2024 RMB'000
Non-current liabilities				
Interest-bearing borrowings	*24*	7,008	330,422	791,421
Lease liabilities	*25*	5,743	6,119	6,434
Payable for acquisition of subsidiaries	*30(b)*	–	–	55,037
Deferred income	*26*	12,514	16,425	31,244
Deferred tax liabilities	*28(b)*	–	–	48,516
Refund liabilities from right of return	*29*	–	12,289	4,393
Financial liability measured at FVPL	*30(b)*	–	–	32,355
		25,265	365,255	969,400
NET ASSETS		6,498,514	6,207,522	5,947,114
CAPITAL AND RESERVES				
Share capital	*31*	101,064	142,529	142,529
Treasury shares	*31*	–	(200,106)	(14,907)
Reserves	*31*	6,396,430	6,264,079	5,814,722
Total equity attributable to equity shareholders of the company		6,497,494	6,206,502	5,942,344
Non-controlling interests		1,020	1,020	4,770
TOTAL EQUITY		6,498,514	6,207,522	5,947,114

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

*(Expressed in Renminbi ("**RMB**"))*

		As at December 31,		
	Note	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*11*	489,389	727,077	820,780
Right-of-use assets		6,199	10,487	14,391
Intangible assets		24,710	41,477	58,324
Interests in subsidiaries	*15*	228,016	543,683	1,631,100
Interests in an associate	*16*	14,847	8,638	4,001
Financial assets measured at FVPL	*17*	30,000	60,000	64,456
Time deposits		50,000	50,000	–
Other non-current assets	*18*	302,747	199,272	132,574
Deferred tax assets		22,609	24,059	24,635
		1,168,517	1,664,693	2,750,261
Current assets				
Inventories and contract costs	*19(a)*	594,892	812,644	692,286
Trade and other receivables	*21*	415,905	567,012	805,595
Financial assets measured at FVPL	*17*	3,463,590	2,249,639	2,080,083
Time deposits		–	–	94,334
Restricted bank deposits		–	–	20,835
Cash and cash equivalents	*22(a)*	1,174,036	1,587,348	804,676
		5,648,423	5,216,643	4,497,809
Current liabilities				
Trade and other payables	*23*	217,398	240,571	505,067
Contract liabilities		21,301	7,952	9,488
Interest-bearing borrowings	*24*	21,350	243,188	40,029
Lease liabilities		2,065	7,350	5,558
Refund liabilities from right of return		–	–	27,717
		262,114	499,061	587,859
Net current assets		5,386,309	4,717,582	3,909,950
Total assets less current liabilities		6,554,826	6,382,275	6,660,211

		As at December 31,		
	Note	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Interest-bearing borrowings	*24*	7,008	–	432,317
Lease liabilities		78	4,332	6,434
Payable for acquisition of subsidiaries		–	–	42,395
Deferred income		12,514	16,425	27,649
Refund liabilities from right of return		–	12,289	4,393
Financial liability measured at FVPL	*30(b)*	–	–	32,355
		19,600	33,046	545,543
NET ASSETS		6,535,226	6,349,229	6,114,668
CAPITAL AND RESERVES				
Share capital	*31*	101,064	142,529	142,529
Treasury shares	*31*	–	(200,106)	(14,907)
Reserves	*31*	6,434,162	6,406,806	5,987,046
TOTAL EQUITY		6,535,226	6,349,229	6,114,668

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*(Expressed in Renminbi ("**RMB**"))*

		Attributable to equity shareholders of the Company						
	Note	**Share capital** *RMB'000*	**Capital reserve** *RMB'000*	**PRC statutory reserve** *RMB'000*	**Retained profits** *RMB'000*	**Sub total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at January 1, 2022		75,798	199,877	27,514	246,501	549,690	5,976	555,666
Changes in equity for 2022:								
Profit for the year		–	–	–	250,574	250,574	(453)	250,121
Total comprehensive income		–	–	–	250,574	250,574	(453)	250,121
Issue of ordinary shares by initial public offering on STAR Market of Shanghai Stock Exchange ("**A Share Listing**"), net of transaction costs	*31(c)*	25,266	5,555,981	–	–	5,581,247	–	5,581,247
Capital contribution from non-controlling interests		–	–	–	–	–	1,020	1,020
Equity-settled share-based transactions	27	–	196,705	–	–	196,705	–	196,705
Appropriation to statutory reserves		–	–	29,303	(29,303)	–	–	–
Dividends declared	*31(b)*	–	–	–	(80,851)	(80,851)	–	(80,851)
Tax effect from equity-settled share-based transactions	*28(b)*	–	129	–	–	129	–	129
Disposal of a subsidiary		–	–	–	–	–	(5,523)	(5,523)
Balance at December 31, 2022 and January 1, 2023		101,064	5,952,692	56,817	386,921	6,497,494	1,020	6,498,514

		Attributable to equity shareholders of the Company								
	Note	**Share capital** *RMB'000*	**Treasury shares** *RMB'000*	**Capital reserve** *RMB'000*	**Exchange reserve** *RMB'000*	**PRC statutory reserve** *RMB'000*	**Retained profits** *RMB'000*	**Sub total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at January 1, 2023		101,064	–	5,952,692	–	56,817	386,921	6,497,494	1,020	6,498,514
Changes in equity for 2023:										
Loss for the year		–	–	–	–	–	(305,335)	(305,335)	–	(305,335)
Other comprehensive income		–	–	–	106	–	–	106	–	106
Total comprehensive income		–	–	–	106	–	(305,335)	(305,229)	–	(305,229)
Issue of ordinary shares for equity-settled share-based transactions	*31(c)*	1,039	–	69,602	–	–	–	70,641	–	70,641
Purchase of own shares	*31(d)*	–	(200,106)	–	–	–	–	(200,106)	–	(200,106)
Equity-settled share-based transactions	*27*	–	–	221,073	–	–	–	221,073	–	221,073
Capital reserve converted into share capital	*31(c)*	40,426	–	(40,426)	–	–	–	–	–	–
Dividends declared	*31(b)*	–	–	–	–	–	(80,851)	(80,851)	–	(80,851)
Tax effect from equity-settled share-based transactions	*28(b)*	–	–	3,480	–	–	–	3,480	–	3,480
Balance at December 31, 2023 and January 1, 2024		142,529	(200,106)	6,206,421	106	56,817	735	6,206,502	1,020	6,207,522

		Attributable to equity shareholders of the Company								
	Note	**Share capital**	**Treasury shares**	**Capital reserve**	**Exchange reserve**	**PRC statutory reserve**	**Retained profits/ (accumulated losses)**	**Sub total**	**Non-controlling interests**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2024		142,529	(200,106)	6,206,421	106	56,817	735	6,206,502	1,020	6,207,522
Changes in equity for 2024:										
Loss for the year		–	–	–	–	–	(402,878)	(402,878)	–	(402,878)
Other comprehensive income		–	–	–	(749)	–	–	(749)	–	(749)
Total comprehensive income		–	–	–	(749)	–	(402,878)	(403,627)	–	(403,627)
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	3,750	3,750
Settlement of equity-settled share-based transactions	*31(d)*	–	185,199	(113,233)	–	–	–	71,966	–	71,966
Equity-settled share-based transactions	27	–	–	70,895	–	–	–	70,895	–	70,895
Tax effect from equity-settled share-based transactions	*28(b)*	–	–	(3,392)	–	–	–	(3,392)	–	(3,392)
Balance at December 31, 2024		142,529	(14,907)	6,160,691	(643)	56,817	(402,143)	5,942,344	4,770	5,947,114

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

*(Expressed in Renminbi ("**RMB**"))*

	Note	As at December 31,		
		2022	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Operating activities				
Cash (used in)/generated from operations	*22(b)*	(198,489)	(137,482)	96,441
Income tax paid	*28(a)*	(30,342)	(1,927)	(1,387)
Net cash (used in)/generated from operating activities		(228,831)	(139,409)	95,054
Investing activities				
Payment for the purchase of property, plant and equipment and intangible assets		(397,543)	(890,496)	(397,026)
Proceeds from disposal of property, plant and equipment		–	13	51
Proceeds from disposal of a subsidiary		40,226	–	–
Acquisition of subsidiaries, net of cash acquired	*30(c)*	–	–	(740,432)
Payment for the purchase of associates and a joint venture		(81,000)	(15,500)	(28,000)
Proceeds from disposal of an associate		–	–	30,000
Loans paid to an associate		(500)	–	–
Loans repaid by an associate		–	509	–
Payment for the purchase of time deposit		(50,000)	–	(40,000)
Payment for the purchase of financial asset measured at FVPL		(12,530,225)	(13,088,043)	(9,694,750)
Proceeds from disposal of financial asset measured at FVPL		8,997,770	14,222,545	9,734,138
Investment income received	*5*	49,653	66,613	36,187
Dividends received from investments in financial asset measured at FVPL	*5*	–	367	37
Net cash (used in)/generated from investing activities		(3,971,619)	296,008	(1,099,795)

	Note	As at December 31,		
		2022	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Financing activities				
Issue of ordinary shares by initial public offering on A Share Listing, net of transaction costs		5,567,781	–	–
Cash receipts from capital contributions from non-controlling interests of a subsidiary		1,020	–	3,750
Capital element of lease rentals paid	*22(c)*	(13,216)	(14,834)	(17,009)
Interest element of lease rentals paid	*22(c)*	(1,062)	(999)	(847)
Deposit element and value-added tax of lease rentals paid		(3,515)	(2,637)	(1,721)
Proceeds from deposit element of lease rentals		–	–	705
Payment for repurchase of shares	*31(d)*	–	(200,106)	–
Proceeds from bank loans	*22(c)*	355,467	744,100	495,430
Repayment of bank loans	*22(c)*	(435,744)	(183,157)	(279,863)
Repayment of capital investment	*30(a)*	–	–	(5,599)
Proceeds from shares issued for equity-settled share-based transactions	*31(c)*	–	70,641	–
Proceeds from settlement of equity-settled share-base transaction	*31(d)*	–	–	71,966
Dividends paid to equity shareholders of the Company	*31(b)*	(80,851)	(80,851)	–
Net cash generated from financing activities		5,389,880	332,157	266,812
Net increase/(decrease) in cash and cash equivalents		1,189,430	488,756	(737,929)
Cash and cash equivalents at January 1,		77,738	1,264,617	1,751,191
Effect of foreign exchange rate changes		(2,551)	(2,182)	(1,047)
Cash and cash equivalents at December 31,	*22(a)*	1,264,617	1,751,191	1,012,215

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Suzhou Novosense Microelectronics Co., Ltd. (蘇州納芯微電子股份有限公司), hereinafter referred to as the "**Company**", was established in Suzhou City, Jiangsu Province, People's Republic of China (the "**PRC**") on May 17, 2013 as a limited liability company under the PRC Company Law. In March 2016, the Company was converted into a joint stock limited liability company. In April 2022, the Company's A shares were listed on the STAR Market of the Shanghai Stock Exchange under the stock code 688052.

During the Track Record Period, the Company and its subsidiaries (together, "**the Group**") are principally engaged in design, research and development of various types of chip products.

In October 2024, the Company and its subsidiary, Suzhou Naxing Venture Capital Management Co., Ltd. (蘇州納星創業投資管理有限公司), completed the acquisition of 100% equity interest of Shanghai MagnTek Microelectronics Inc. (上海麥歌恩微電子股份有限公司) and its subsidiaries (together, the "**MagnTek**") and its shareholding platforms, Shanghai Lairui Enterprise Management Partnership (Limited Partnership) (上海萊睿企業管理合夥企業(有限合夥)) ("**Shanghai Lairui**") and Shanghai Liuci Enterprise Management Partnership (Limited Partnership) (上海留詞企業管理合夥企業(有限合夥)) (**"Shanghai Liuci**") (collectively as the "**MagnTek Group**"). Immediately before the acquisition by the Group: (i) the MagnTek was held as to 62.68% by QST Corporation Limited (上海矽睿科技股份有限公司) ("**QST**"), 17.56% by Shanghai Lairui and 19.76% by Shanghai Liuci; (ii) the partnership interests of Shanghai Lairui were held by QST and twenty-seven individuals; and (iii) the partnership interests of Shanghai Liuci were held by four individuals.

The financial statement of the Company and the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established. The statutory financial statements of the Company for the years ended December 31, 2022, 2023 and 2024 were prepared in accordance with the Accounting Standard for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Pan-China Certified Public Accountants (天健會計師事務所 (特殊普通合夥)). Information about the statutory financial statements of the subsidiaries within the Group are set out in Note 15.

The Historical Financial Information have been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**"). Further details of the material accounting policy information adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. The Group has not applied any new standard or interpretation that is not yet effective during the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective are set out in Note 38.

The Historical Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information are presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2 MATERIAL ACCOUNTING POLICIES INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except the financial assets and liabilities measured at FVPL, the financial assets measured at FVOCI and contingent liabilities assumed in business combination and are stated at their fair values as explained in Note 2(f) and Note 2(s)(ii).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("**NCI**") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(o) or 2(p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)), unless it is classified as held for sale (or included in a disposal Group classified as held for sale).

(d) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies.

An joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or a joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(f)(ii)). Any acquisition date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealized profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)(ii)).

(e) Business combination and goodwill

The Group accounts for the business combination using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. Business combination is accounted for using the acquisition method as at the acquisition date when control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquires includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The consideration transferred in acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction cost are expensed as incurred.

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 2(j)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 32(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

– Amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(t)(iii)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

– Fair value through other comprehensive income ("**FVOCI**") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortized cost. The difference between the fair value and the amortized cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

– Fair value through profit or loss ("**FVPL**") if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income (see Note 2(t)(ii)).

(g) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(j)(ii)). The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in profit or loss in the period in which it is incurred.

Construction in progress represents buildings and various machinery, plant and equipment under construction and pending installation, and is stated at cost less impairment losses (see Note 2(j)(ii)). Cost comprises direct costs of construction as well as interest charges during the periods of construction.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

–	General equipment	3 – 5 years
–	Special equipment	3 – 10 years
–	Motor vehicles	4 years
–	Buildings	30 years
–	Leasehold improvements	short of useful lives or lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalized development expenditure is subsequently measured at cost less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including patents, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses (see Note 2(j)(ii)).

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

–	Software	5 – 10 years
–	Intellectual properties	5 years
–	Non-patented technologies	5 years
–	Patents	10 years

Amortization methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(i) Lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalize the lease on a lease-by-lease basis. If not capitalized, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(g) and 2(j)(ii)). Depreciation is calculated using the straight-line method over unexpired term of lease.

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortized cost (see Notes 2(f)(i), 2(t)(iii) and 2(j)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables, contract assets and loans to associates).

Financial assets measured at fair value, including bills receivables measured at FVOCI (non-recycling) and equity securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following rates if the effect is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group take into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held).

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or being more than 90 days past due;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganization; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– Property, plant and equipment;

– Construction in process

– Intangible assets;

– Right-of-use assets;

– Goodwill;

– Interest in associates and joint ventures;

– Investment in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the assets carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credit to profit or loss in the year in which the reversals are recognised.

(k) Inventories and contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in process of production for such sale or in the form of material or supplies to be consumed in the production process or in the provision of services.

Inventories are carried at the lower of cost and net realizable value as follows:

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalized as inventory (see Note 2(k)(i)), property, plant and equipment (see Note 2(g)) or intangible assets (see Note 2(h)).

Incremental costs of obtaining a contract, e.g. sales commissions, are capitalized if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalized if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalized as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalized contract costs are stated at cost less accumulated amortization and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortization of capitalized contract costs is recognised in profit or loss when the revenue to which the asset relates is recognised (see Note 2(t)(i)).

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(t)(i)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see Note 2(j)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see Note 2(m)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(t)(i)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 2(m)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(t)(i)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. All receivables are subsequently stated at amortized cost (see Note 2(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see Note 2(j)(i)).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortized cost using the effective interest method. Interest expense is recognised in accordance with Note 2(v).

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

The Company grant the restricted share units ("**RSUs**") as incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of such 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 of the RSUs at the grant date. The fair value of RSUs granted is recognised as expenses with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the RSUs model, taking into account the terms and conditions upon which the RSUs were granted. Service and non-market performance conditions are not taken into account when determining the grant date fair value of RSUs, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of RSUs that will ultimately vest.

Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the RSUs, the total estimated fair value of the RSUs is expensed over the vesting period, taking into account the probability that the RSUs will vest. During the vesting period, the number of RSUs that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve.

On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of equity-settled share-based payments award that vest with a corresponding adjustment to the capital reserve.

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 and 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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and it is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(r) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income ("**OCI**").

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

(s) Provisions and contingent liabilities

(i) Provision and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 2(s)(i).

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of goods and provision of services

(a) Sale of chip products

Revenue is recognised when the Group transfers the control over the chip products to customers (i.e. goods accepted by customers) or satisfies the performance obligation in the contract.

(b) Provision of services

Revenue of management services is recognised over time during the contract period beginning on the date that the service is made available to the customer. Revenue of other services is recognised when the customer passes the acceptance and the development results are submitted.

(ii) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(iii) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants related to assets shall be recognised as deferred income in the balance sheet and recorded in other net income in a reasonable and systematic manner within the service life of the relevant assets. Government grants related to income, those to be used as compensation for future expenses or losses shall be recognised as deferred income and shall be recorded in other net income in the period in which the relevant expenses or losses are recognised; other government grants shall be recorded in other net income directly.

(u) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities 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).
- (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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 27 and 32(e) contains information about the assumptions and risk factors relating to fair value of equity-settled share-based transactions and other financial assets. Other key sources of estimation uncertainty are as follows:

(i) Net realisable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Special consideration is given to estimate the selling price of those technically obsolete and/or slow-moving inventory items.

Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realizable value.

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 14.

(iii) 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 utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service is as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15			
Disaggregated by major products or service lines			
– Sensor Products	111,110	165,754	273,981
– Signal Chain Chips	1,045,665	705,306	963,251
– Power Management Chips	509,762	427,808	703,171
– Others	3,856	12,059	19,871
	1,670,393	1,310,927	1,960,274

In 2024, revenue amounting of RMB8,494,000 is recognised at over time.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has also applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts for chip products that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of chip products that had an original expected duration of one year or less.

(b) Segment reporting

IFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the sales of chip products.

(i) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. All of its non-current assets and capital expenditure were located/incurred in Chinese Mainland. The geographical location of customers is based on the location at which the goods were sold or the services were provided.

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Chinese Mainland	1,500,882	1,149,028	1,654,860
Overseas	169,511	161,899	305,414
	1,670,393	1,310,927	1,960,274

(ii) Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the Track Record Period is set out below:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	216,703	217,040	N/A*

* Less than 10% of the Group's revenue in the respective year.

5 OTHER NET INCOME

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Bank interest income	23,208	36,794	38,121
Investment income on wealth management products	49,653	66,613	36,187
Changes in fair value of financial assets measured at FVPL	13,695	3,639	4,417
Government grants *(Note)*	15,681	17,053	11,260
Net profits on disposal a subsidiary or an associate	9,674	2,000	–
Interest income on capacity deposit	6,129	6,226	4,591
Net foreign exchange gain/(loss)	2,331	(2,078)	(602)
Value-added tax deduction	–	26,694	5,398
Dividend income from investment in a financial asset measured at FVPL	–	367	37
Changes in fair value of contingent consideration payable	–	–	(145)
Net (losses)/profits on disposal of property, plant and equipment and right-of-use assets	(384)	441	(1,025)
Others	(43)	446	290
	119,944	158,195	98,529

Note: Government grants primarily comprise subsidies received from the government for the encouragement of research and development projects.

6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
(a) Finance costs			
Interest on			
– loans *(Note 22(c))*	6,392	5,384	15,588
– lease liabilities *(Note 22(c))*	1,062	999	847
	7,454	6,383	16,435

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
(b) Staff costs			
Salaries, wages and other benefits	319,646	423,679	641,240
Contributions to defined contribution retirement plan *(Note)*	18,526	32,607	45,388
Equity-settled share-based transactions *(Note 27)*	196,705	221,073	70,895
	534,877	677,359	757,523

Note: **Defined contribution retirement plans**

Employees of the Company and its subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Company and its subsidiaries contributes funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
(c) Other items			
Depreciation charge			
– owned property, plant and equipment *(Note 11)*	42,949	77,789	116,636
– right-of-use assets *(Note 12)*	14,731	17,104	16,377
	57,680	94,893	133,013
Amortisation cost of intangible assets *(Note 13)*	7,819	12,987	24,512
Research and development expense *(Note)*	403,812	521,614	539,992
Cost of inventories *(Note 19)*	860,119	866,865	1,410,928

Note:

During the years ended December 31, 2022, 2023 and 2024, research and development expense include staff cost, depreciation expense and amortization expense of RMB365,214,000, RMB443,438,000 and RMB433,315,000, respectively, which amounts are also included in the respective total amounts disclosed separately above.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
Provision for the year	26,805	1,793	4,124
Deferred tax			
Origination and reversal of temporary differences *(Note 28(b))*	(23,778)	6,482	(5,401)
	3,027	8,275	(1,277)

Note:

(i) According to the Corporate Income Tax Law of China (the "**Tax Law**"), the Group's subsidiaries in the PRC are subject to statutory income tax rate of 25%, except for those which are entitled to a preferential tax rate applicable to advanced and new technology enterprises of 15%. The Company obtained the certificate of high-technology enterprise in 2021 and renewed in 2024 and it subject to income tax rate at 15% in the Track Record Period. The Company's subsidiaries Shanghai MagnTek Microelectronics Inc. (上海麥歌恩微電子股份有限公司) obtained the certificate of high-technology enterprise in 2024, and is subject to income tax rate at 15% from the acquisition date to December 31, 2024. The Company's subsidiaries MagnTek Electronics (Shanghai) Co., Ltd. (麥歌恩電子（上海）有限公司), Shenzhen Magen Technology Co., Ltd. (深圳麥歌恩科技有限公司) and Chongqing QstMagnTek Microelectronics Co., Ltd. (重慶睿歌微電子有限公司) obtained the certificate of high-technology enterprise in 2022, and are subject to income tax rate at 15% from the acquisition date to December 31, 2024.

(ii) The provision for Hong Kong Profits Tax was taxed at 8.25% on taxable income for the first Hong Kong dollar 2,000,000 and the remaining taxable income was taxed at 16.5%.

(iii) Taxation of subsidiaries are charged at the prevailing rates of respectively in the relevant countries and are calculated on a stand-alone basis.

(b) Reconciliation between tax expense/(benefit) and accounting profit/(loss) at applicable tax rates

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before taxation	253,148	(297,060)	(404,155)
Income tax expenses calculated at applicable tax rate	37,972	(44,559)	(60,623)
Effect of different tax rates applicable to subsidiaries	1,918	(8,337)	(7,962)
Effect of adjustment to income tax of prior periods	3	163	(145)
Effect of using deductible losses for which deferred tax assets were previously not recognised	–	–	(1,214)
Effect of non-deductible expenses	3,259	37,219	8,903
Effect of deductible temporary differences or deductible losses unrecognised in the current period	4,741	83,625	150,428
Effect of additional deduction on expenses	(44,866)	(59,836)	(90,664)
Actual tax expense/(benefit)	3,027	8,275	(1,277)

8 DIRECTORS' EMOLUMENTS

Directors' and Supervisors' emoluments as recorded in the financial statements are set out below:

Year ended December 31, 2022

	Note	**Directors' fees**	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Sub-Total**	**Share-based payments (Note xvi)**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman								
Mr. Wang Shengyang	*(i)*	–	1,359	–	43	1,402	1,594	2,996
Executive directors								
Mr. Sheng Yun	*(ii)*	–	1,555	–	63	1,618	–	1,618
Mr. Wang Yifeng	*(iii)*	–	1,187	–	43	1,230	–	1,230
Mr. Jiang Chaoshang	*(iv)*	–	1,093	–	43	1,136	1,383	2,519
Mr. Wu Jie	*(v) (xiv)*	–	–	–	–	–	–	–
Mr. Yin Yifeng	*(vi) (xiv)*	–	–	–	–	–	–	–
Independent non-executive directors								
Mr. Hong Zhiliang	*(vii)*	70	–	–	–	70	–	70
Ms. Chen Xichan	*(viii)*	70	–	–	–	70	–	70
Mr. Wang Ruwei	*(ix)*	70	–	–	–	70	–	70
Supervisors								
Mr. Chen Qihui	*(x)*	–	1,485	–	63	1,548	–	1,548
Ms. Yan Fei	*(xi)*	–	1,257	–	63	1,320	–	1,320
Mr. Wang Longxiang	*(xii) (xiv)*	–	–	–	–	–	–	–
		210	7,936	–	318	8,464	2,977	11,441

Year ended December 31, 2023

	Note	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Sub-Total *RMB'000*	Share-based payments (Note xvi) *RMB'000*	Total *RMB'000*
Chairman								
Mr. Wang Shengyang	*(i)*	–	1,104	–	46	1,150	1,594	2,744
Executive directors								
Mr. Sheng Yun	*(ii)*	–	1,228	–	68	1,296	–	1,296
Mr. Wang Yifeng	*(iii)*	–	1,042	–	46	1,088	–	1,088
Mr. Jiang Chaoshang	*(iv)*	–	956	–	52	1,008	1,141	2,149
Mr. Wu Jie	*(v) (xiv)*	–	–	–	–	–	–	–
Mr. Yin Yifeng	*(vi) (xiv)*	–	–	–	–	–	–	–
Independent non-executive directors								
Mr. Hong Zhiliang	*(vii)*	78	–	–	–	78	–	78
Ms. Chen Xichan	*(viii)*	78	–	–	–	78	–	78
Mr. Wang Ruwei	*(ix)*	78	–	–	–	78	–	78
Supervisors								
Ms. Yan Fei	*(xi)*	–	1,142	–	68	1,210	–	1,210
Mr. Wang Longxiang	*(xii) (xiv)*	–	–	–	–	–	–	–
Ms. Jiang Yilan	*(xiii)*	–	272	–	32	304	–	304
		234	5,744	–	312	6,290	2,735	9,025

Year ended December 31, 2024

	Note	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (Note xvi)	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman								
Mr. Wang Shengyang	*(i)*	–	1,051	–	47	1,098	1,495	2,593
Executive directors								
Mr. Sheng Yun	*(ii)*	–	1,217	–	71	1,288	–	1,288
Mr. Wang Yifeng	*(iii)*	–	1,047	–	47	1,094	–	1,094
Mr. Jiang Chaoshang	*(iv)*	–	1,060	–	71	1,131	99	1,230
Mr. Wu Jie	*(v)*	–	–	–	–	–	–	–
Mr. Yin Yifeng	*(vi)*	–	–	–	–	–	–	–
Independent non-executive directors								
Mr. Hong Zhiliang	*(vii)*	80	–	–	–	80	–	80
Ms. Chen Xichan	*(viii)*	80	–	–	–	80	–	80
Mr. Wang Ruwei	*(ix)*	80	–	–	–	80	–	80
Supervisors								
Ms. Yan Fei	*(xi)*	–	1,156	–	71	1,227	–	1,227
Mr. Wang Longxiang	*(xii) (xiv)*	–	–	–	–	–	–	–
Ms. Jiang Yilan	*(xiii)*	–	339	–	46	385	–	385
		240	5,870	–	353	6,463	1,594	8,057

Notes:

(i) Mr. Wang Shengyang was appointed as a Chairman of the Board of the Company on August 20, 2020.

(ii) Mr. Sheng Yun was appointed as an executive director of the Company on August 20, 2020.

(iii) Mr. Wang Yifeng was appointed as an executive director of the Company on August 20, 2020.

(iv) Mr. Jiang Chaoshang was appointed as an executive director of the Company on November 29, 2020.

(v) Mr. Wu Jie was appointed as an executive director of the Company on August 20, 2020.

(vi) Mr. Yin Yifeng was appointed as an executive director of the Company on August 20, 2020 and resigned from the Company on March 27, 2025.

(vii) Mr. Hong Zhiliang was appointed as a non-executive director of the Company on August 20, 2020.

(viii) Ms. Chen Xichan was appointed as a non-executive director of the Company on August 20, 2020.

(ix) Mr. Wang Ruwei was appointed as a non-executive director of the Company on August 20, 2020.

(x) Mr. Chen Qihui was appointed as a supervisor of the Company on August 20, 2020, and resigned on July 16, 2023.

(xi) Ms. Yan Fei was appointed as a supervisor of the Company on August 20, 2022.

(xii) Mr. Wang Longxiang was appointed as a supervisor of the Company on August 20, 2022.

(xiii) Ms. Jiang Yilan was appointed as a supervisor of the Company on July 17, 2023.

(xiv) The emoluments of Mr. Wu Jie, Mr. Yin Yifeng, and Mr. Wang Longxiang in relation to his services rendered for the Group were borne by the holding company and not allocated to the Group as management of the Company considers there is no reasonable basis for such allocation during the Track Record Period.

(xv) Ms. Du Linlin is appointed as a non-executive director of the Company on March 27, 2025.

(xvi) These represent the estimated value of share-based payment granted to the directors under the Company's share-based payment scheme as set out in Note 27. The value of these share-based payment is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(q)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of share-based payment granted, are disclosed in Note 27.

During the Track Record Period, no director or chief executive has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors and the chief executive as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, nil, nil and nil are directors whose emoluments are disclosed in Note 8 during the years ended December 31, 2022, 2023 and 2024, respectively. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	13,586	12,485	15,081
Retirement scheme contributions	240	320	334
Equity-settled share-based transactions	25,240	32,687	18,274
	39,066	**45,492**	**33,689**

The emoluments of the 5, 5 and 5 individuals with the highest emoluments are within the following bands:

	2022	**2023**	**2024**
	Number of individuals	*Number of individuals*	*Number of individuals*
HKD4,500,001 – HKD5,000,000	1	–	–
HKD5,500,001 – HKD6,000,000	1	–	1
HKD6,500,001 – HKD7,000,000	–	–	1
HKD7,000,001 – HKD7,500,000	1	–	–
HKD7,500,001 – HKD8,000,000	1	2	2
HKD9,000,001 – HKD9,500,000	1	-	1
HKD10,500,001 – HKD11,000,000	–	1	–
HKD11,500,001 – HKD12,000,000	–	1	–
HKD12,000,001 – HKD12,500,000	–	1	–

10 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The basic earnings/(loss) per share for the Track Record Period is calculated by dividing the profit/(loss) attributable to the equity shareholders of the Company by the weighted average number of ordinary shares in issue for the Track Record Period as follows:

As disclosed in Note 31(c), the capital reserve was converted into share capital on the basis of four new shares for every 10 shares. Accordingly, the weighted average number of ordinary shares has been adjusted retrospectively from January 1, 2022.

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) for the year attributable to equity shareholders of the Company for the year	250,574	(305,335)	(402,878)

Weighted average number of ordinary shares

	Year ended December 31,		
	2022	**2023**	**2024**
	'000	*'000*	*'000*
Issued ordinary shares at January 1	75,798	101,064	142,529
Effect of capital reserve converted into share capital *(Note 31(c))*	37,057	40,426	–
Effect of ordinary shares issued *(Note 31(c))*	16,844	493	–
Effect of treasury shares held *(Note 31(d))*	–	(357)	(1,342)
Weighted average number of ordinary shares at December 31	129,699	141,626	141,187

(b) Diluted earnings per share

For the years ended December 31, 2023 and 2024, the restricted shares (Note 27) were not included in the calculation of diluted loss per share because their inclusion would have been anti-dilutive. The Company does not have other potential ordinary shares and therefore the amount of diluted loss per share is the same as basic loss per share for those years.

For the year ended December 31, 2022, the diluted earnings per share is calculated by dividing the above profit attributable to the equity shareholders of the Company by the weighted average number of ordinary shares after adjusting the effect of dilutive potential ordinary shares in respect of the Company's equity-settled share-based payment schemes for the Track Record Period as follows:

Weighted average number of ordinary shares (diluted):

	Year ended December 31, 2022
	'000
Weighted average number of ordinary shares at December 31	129,699
Effect of deemed issue of restricted shares under the Company's restricted shares incentive scheme for 2022 *(Note27)*	203
Weighted average number of ordinary shares at December 31 (diluted)	129,902

11 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

The Group

	General equipment RMB'000	Special equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in process RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost:							
At January 1, 2022	9,367	202,038	256	–	34,548	7,191	253,400
Additions	14,394	140,614	10	–	213,028	7,843	375,889
Transfer from construction in progress	–	55,277	–	–	(55,277)	–	–
Disposal of a subsidiary	(750)	(7,789)	(256)	–	(943)	(2,279)	(12,017)
At December 31, 2022 and January 1, 2023	23,011	390,140	10	–	191,356	12,755	617,272
Additions	5,687	96,917	–	–	719,078	10,243	831,925
Transfer from construction in progress	1,731	196,847	–	–	(200,165)	1,587	–
Transfer to intangible assets	–	–	–	–	(13,008)	–	(13,008)
Disposals	(101)	(747)	–	–	–	–	(848)
At December 31, 2023 and January 1, 2024	30,328	683,157	10	–	697,261	24,585	1,435,341
Additions	13,525	62,427	–	–	219,641	13,904	309,497
Transfer from construction in progress	12,038	109,689	–	734,871	(858,861)	2,263	–
Transfer to intangible assets	–	–	–	–	(13,144)	–	(13,144)
Acquisition of subsidiaries	356	57,543	–	–	2,070	471	60,440
Disposals	(2,732)	(7,599)	–	–	–	–	(10,331)
At December 31, 2024	53,515	905,217	10	734,871	46,967	41,223	1,781,803
Accumulated amortisation and depreciation:							
At January 1, 2022	(3,434)	(28,949)	(244)	–	–	–	(32,627)
Charge for the year	(4,084)	(34,513)	–	–	–	(4,352)	(42,949)
Disposals of a subsidiary	378	1,705	244	–	–	–	2,327
At December 31, 2022 and January 1, 2023	(7,140)	(61,757)	–	–	–	(4,352)	(73,249)
Charge for the year	(7,454)	(63,552)	(3)	–	–	(6,780)	(77,789)
Written back on disposals	100	167	–	–	–	–	267
At December 31, 2023 and January 1, 2024	(14,494)	(125,142)	(3)	–	–	(11,132)	(150,771)
Charge for the year	(7,943)	(94,356)	(3)	(4,601)	–	(9,733)	(116,636)
Written back on disposals	2,436	6,757	–	–	–	–	9,193
At December 31, 2024	(20,001)	(212,741)	(6)	(4,601)	–	(20,865)	(258,214)
Net book value:							
At December 31, 2024	33,514	692,476	4	730,270	46,967	20,358	1,523,589
At December 31, 2023	15,834	558,015	7	–	697,261	13,453	1,284,570
At December 31, 2022	15,871	328,383	10	–	191,356	8,403	544,023

Property, plant and equipment with net book value of nil, RMB466,976,000 and RMB545,121,000 were secured for bank loans as at December 31, 2022, 2023 and 2024, respectively.

The Company

	General equipment *RMB'000*	Special equipment *RMB'000*	Buildings *RMB'000*	Construction in process *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
Cost:						
At January 1, 2022	5,292	194,839	–	32,709	2,347	235,187
Additions	3,699	139,906	–	188,574	1,353	333,532
Transfer from construction in progress	–	54,909	–	(54,909)	–	–
Disposals	(202)	(13,422)	–	–	–	(13,624)
At December 31, 2022 and January 1, 2023	8,789	376,232	–	166,374	3,700	555,095
Additions	3,998	88,652	–	245,692	4,161	342,503
Transfer from construction in progress	–	187,438	–	(187,438)	–	–
Transfer to intangible assets	–	–	–	(12,921)	–	(12,921)
Disposals	(31)	(29,618)	–	–	–	(29,649)
At December 31, 2023 and January 1, 2024	12,756	622,704	–	211,707	7,861	855,028
Additions	7,216	56,245	–	130,460	5,823	199,744
Transfer from construction in progress	4,816	95,141	186,705	(286,662)	–	–
Transfer to intangible assets	–	–	–	(12,214)	–	(12,214)
Disposals	(837)	(6,527)	–	–	–	(7,364)
At December 31, 2024	23,951	767,563	186,705	43,291	13,684	1,035,194
Accumulated amortisation and depreciation:						
At January 1, 2022	(2,215)	(27,484)	–	–	–	(29,699)
Charge for the year	(1,827)	(33,779)	–	–	(1,536)	(37,142)
Disposals	165	970	–	–	–	1,135
At December 31, 2022 and January 1, 2023	(3,877)	(60,293)	–	–	(1,536)	(65,706)
Charge for the year	(2,965)	(59,944)	–	–	(1,898)	(64,807)
Written back on disposals	30	2,532	–	–	–	2,562
At December 31, 2023 and January 1, 2024	(6,812)	(117,705)	–	–	(3,434)	(127,951)
Charge for the year	(3,479)	(84,840)	(1,556)	–	(3,158)	(93,033)
Written back on disposals	777	5,793	–	–	–	6,570
At December 31, 2024	(9,514)	(196,752)	(1,556)	–	(6,592)	(214,414)
Net book value:						
At December 31, 2024	14,437	570,811	185,149	43,291	7,092	820,780
At December 31, 2023	5,944	504,999	–	211,707	4,427	727,077
At December 31, 2022	4,912	315,939	–	166,374	2,164	489,389

12 RIGHT-OF-USE ASSETS

	Leasehold land *RMB'000*	Buildings *RMB'000*	Total *RMB'000*
Cost:			
At January 1, 2022	4,676	24,856	29,532
Additions	–	16,025	16,025
Disposals	–	(81)	(81)
At December 31, 2022 and January 1, 2023	4,676	40,800	45,476
Additions	–	24,727	24,727
Disposals	–	(24,092)	(24,092)
At December 31, 2023 and January 1, 2024	4,676	41,435	46,111
Additions	–	10,999	10,999
Acquisition of subsidiaries	–	828	828
Disposals	–	(28,549)	(28,549)
At December 31, 2024	4,676	24,713	29,389
Accumulated depreciation:			
At January 1, 2022	(156)	(5,662)	(5,818)
Charge for the year	(468)	(14,263)	(14,731)
Disposals	–	81	81
At December 31, 2022	(624)	(19,844)	(20,468)
Charge for the year	(468)	(16,636)	(17,104)
Disposals	–	14,700	14,700
At December 31, 2023 and January 1, 2024	(1,092)	(21,780)	(22,872)
Charge for the year	(468)	(15,909)	(16,377)
Disposals	–	26,300	26,300
At December 31, 2024	(1,560)	(11,389)	(12,949)
Net book value:			
At December 31, 2024	3,116	13,324	16,440
At December 31, 2023	3,584	19,655	23,239
At December 31, 2022	4,052	20,956	25,008

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:			
Leasehold land	468	468	468
Buildings	14,263	16,636	15,909
	14,731	17,104	16,377
Interest on lease liabilities	1,062	999	847
Expense relating to short-term leases	2,320	6,929	10,054

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Note 25.

Notes:

(i) Leasehold land

The Group has obtained land use right in the PRC with a lease period of 10 years when granted.

(ii) Buildings

The Group has obtained the right to use properties and land through tenancy agreements. The leases typically run for an initial period of 2 to 3 years.

13 INTANGIBLE ASSETS

	Software	Intellectual properties	Non-patented technologies	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *Note(ii)*	*RMB'000*
Cost:					
At January 1, 2022	15,981	–	6,917	–	22,898
Additions	22,420	649	–	–	23,069
Disposals	(753)	–	–	–	(753)
Disposals of a subsidiary	–	–	(6,917)	–	(6,917)
At December 31, 2022 and January 1, 2023	37,648	649	–	–	38,297
Additions	13,605	3,265	–	–	16,870
Transfer from construction in progress	13,008	–	–	–	13,008
At December 31, 2023 and January 1, 2024	64,261	3,914	–	–	68,175
Additions	29,983	–	–	–	29,983
Transfer from construction in progress	13,144	–	–	–	13,144
Acquisition of subsidiaries	4,828	–	–	322,270	327,098
Disposals	(14)	–	–	–	(14)
At December 31, 2024	112,202	3,914	–	322,270	438,386
Accumulated amortisation:					
At January 1, 2022	(3,152)	–	(2,442)	–	(5,594)
Charge for the year	(7,316)	(70)	(433)	–	(7,819)
Disposals	369	–	–	–	369
Disposals of a subsidiary	–	–	2,875	–	2,875
At December 31, 2023	(10,099)	(70)	–	–	(10,169)
Charge for the year	(12,245)	(742)	–	–	(12,987)
At December 31, 2023 and January 1, 2024	(22,344)	(812)	–	–	(23,156)
Charge for the year	(18,345)	(796)	–	(5,371)	(24,512)
Disposals	14	–	–	–	14
At December 31, 2024	(40,675)	(1,608)	–	(5,371)	(47,654)
Net book value:					
At December 31, 2024	71,527	2,306	–	316,899	390,732
At December 31, 2023	41,917	3,102	–	–	45,019
At December 31, 2022	27,549	579	–	–	28,128

Note:

(i) Intangible assets represent software, intellectual properties, non-patented technologies and patents acquired by the Group in connection with the acquisition of the MagnTek Group. The amortization charge for the Track Record Period is included in "Cost of sales", "Selling and marketing costs", "Administrative expense" and "Research and development expense" in the consolidated statement of profit or loss.

(ii) Patents were acquired through the business combination of MagnTek Group. They are recognised at fair value at the date of acquisition and is subsequently amortized on a straight-line basis over 10 years.

14 GOODWILL

	As at December 31, 2024
	RMB'000
Cost *(Note 30(b))*	504,142
Accumulated impairment loss	–
At December 31,	504,142

Goodwill arising from the Group's acquisition of the MagnTek Group in October 2024.

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGUs as follows:

	As at December 31, 2024
	RMB'000
MagnTek Group	504,142

The recoverable amount of the CGU is determined based on value-in-use calculations. The Group engaged an independent professional valuer to assist with the calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated terminal growth rate of 0%. The discount rate used is pre-tax and reflect specific risks relating to the relevant industry, the CGUs themselves and macro-environment. The key assumptions used in estimating the recoverable amount are as follows:

	As at December 31, 2024
Annual revenue growth rate during the forecast period (i):	from 10% to 20%
Gross profit margin	from 45.83% to 49.19%
Growth rate beyond the forecast period	0%
Pre-tax discount rate	11.75%

(i) The basis used to determine the value assigned to the annual growth rate of revenue was based on the average growth levels experienced over the past years and the estimated sales volume and price growth for the next five years.

(ii) The recoverable amount of the MagnTek Group is estimated to exceed its carrying amount at December 31, 2024 by approximately RMB71,800.000.

15 INVESTMENT IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business/ establishment	Particulars of issued capital	Particulars of paid-up capital	Proportion of ownership interest: Group's effective interest 2022	2023	2024	Held by the Company 2022	2023	2024	Held by subsidiaries 2022	2023	2024	Principal activity
Tele-Sight Technology International Limited 遠景科技國際有限公司 *(Note (i))*	Hong Kong July 23, 2015	USD100,000	USD100,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	–	–	–	Sales
Shanghai Naxi Microelectronics Co., Ltd. 上海納矽微電子有限公司 *(Notes (ii)(iii)(v))*	PRC June 24, 2016	RMB185,000,000	RMB185,000,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	–	–	–	R&D
Suzhou Wanxin Microelectronics Technology Co., Ltd. 蘇州萬芯微電子科技有限公司 *(Notes (ii)(iii)(v))*	PRC March 15, 2021	RMB1,000,000	–	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	–	–	–	Sales
Suzhou Nashwey Semiconductor Co., Ltd. 蘇州納希微半導體有限公司 *(Notes (ii)(iii)(v))*	PRC December 30, 2021	RMB50,000,000	RMB45,000,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	–	–	–	Test
Suzhou Naxing Venture Capital Management Co., Ltd. 蘇州納星創業投資管理有限公司 *(Notes (ii)(iii)(v))*	PRC February 14, 2022	RMB510,000,000	RMB419,761,661	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	–	–	–	Investment
Suzhou Xinji Management Consulting Partnership (Limited Partnership) 蘇州芯吉管理諮詢合夥企業(有限合夥) *(Notes (ii)(iii)(vi))*	PRC September 23, 2024	RMB22,500,000	RMB11,250,000	–	–	66.67%	–	–	–	–	–	66.67%	Investment
Shanghai Liuci Enterprise Management Partnership (Limited Partnership) 上海留詞企業管理合夥企業(有限合夥) *(Notes (ii)(iii)(vi))*	PRC June 17, 2014	RMB1,797,350	RMB1,797,350	–	–	100.00%	–	–	43.73%	–	–	56.27%	Investment
Shanghai Lairui Enterprise Management Partnership (Limited Partnership) 上海萊睿企業管理合夥企業(有限合夥) *(Notes (ii)(iv)(vi))*	PRC November 27, 2015	RMB13,065,935	RMB13,065,935	–	–	100.00%	–	–	87.26%	–	–	12.74%	Investment
Suzhou Hexu Management Consulting Partnership 蘇州和煦管理諮詢合夥企業 *(Notes (ii)(iii)(vi))*	PRC May 13, 2022	RMB10,000,000	RMB10,000,000	89.80%	89.80%	89.80%	–	–	–	89.80%	89.80%	89.80%	Investment
Shanghai MagnTek Microelectronics Inc. 上海麥歌恩微電子股份有限公司 *(Notes (ii)(iv)(v))*	PRC September 23, 2009	RMB35,822,488	RMB35,822,488	–	–	100.00%	–	–	68.28%	–	–	31.72%	Sales, R&D
MagnTek Electronics (Shanghai) Co., Ltd. 麥歌恩電子(上海)有限公司 *(Notes (ii)(v)(vii))*	PRC October 26, 2013	RMB1,962,624	RMB1,962,624	–	–	100.00%	–	–	–	–	–	100.00%	Sales, R&D

Name of company	Place of incorporation and business/ establishment	Particulars of issued capital	Particulars of paid-up capital	Proportion of ownership interest: Group's effective interest 2022	2023	2024	Held by the Company 2022	2023	2024	Held by subsidiaries 2022	2023	2024	Principal activity
Shenzhen Magen Technology Co., Ltd. 深圳麥歌恩科技有限公司 *(Notes (ii)(iv)(v))*	PRC April 12, 2019	RMB20,000,000	RMB2,000,000	–	–	100.00%	–	–	–	–	–	100.00%	Sales, R&D
Chongqing QstMagnTek Microelectronics Co., Ltd. 重慶睿歌微電子有限公司 *(Notes (ii)(iv)(v))*	PRC May 28, 2020	RMB20,000,000	RMB20,000,000	–	–	100.00%	–	–	–	–	–	100.00%	Sales, R&D
Shenzhen MagnTek Microelectronics Co., Ltd. 深圳麥歌恩微電子有限公司 *(Notes (ii)(iv)(v))*	PRC August 2, 2023	RMB2,000,000	RMB1,000,000	–	–	100.00%	–	–	–	–	–	100.00%	Sales
Shanghai Haichun Microelectronics Co., Ltd. 上海海春微電子有限公司 *(Notes (ii)(iii)(v))*	PRC February 5, 2021 (deregistration on 13 October 2023)	RMB10,000,000	RMB4,000,000	100.00%	–	–	100.00%	–	–	–	–	–	Sales, R&D
Naxin Microelectronics (Shenzhen) Co., Ltd. 納芯微電子(深圳)有限公司 *(Notes (ii)(iii)(v))*	PRC March 3, 2020 (deregistration on 24 December 2024)	RMB50,000,000	RMB36,000,000	100.00%	100.00%	–	100.00%	100.00%	–	–	–	–	Sales, R&D

Notes:

(i) The entity prepared the financial statements for the year ended December 31, 2022， 2023 and 2024 in accordance with the HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKCPA**"). The financial statements for the year ended 2022 and 2023 were audited by Vincent Mak C.P.A. Limited, certified public accountants registered in Hong Kong. As at the date of this report, no audited financial statements have been prepared for the year ended December 31, 2024.

(ii) The official names of these entities are in Chinese. The English names are for identification purpose only.

(iii) No audited financial statements have been prepared for these entities for the Track Record Period.

(iv) No audited financial statements have been prepared for these entities from the acquisition date to the year ended December 31, 2024.

(v) These entities are limited liability companies.

(vi) The entities are limited partnerships.

(vii) After the acquisition date, the entities prepared the financial statements for the year ended December 31, 2024 in accordance with the requirements of Accounting Standards for Business Enterprise, which are also referred to as China Accounting Standards, issued by the Ministry of Finance of the PRC. The financial statements for the year ended December 31, 2024 were audited by Suzhou Fangben Certified Public Accountants (蘇州方本會計師事務所), certified public accountants registered in PRC.

All companies comprising the Group have adopted December 31 as their financial year end date.

16 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Details of the Group's interest in associates as at December 31, 2022, 2023 and 2024, which is accounted for using equity.

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Associates and joint ventures	95,717	74,998	96,675

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Associate	14,847	8,638	4,001

The following list contains all of associates and joint ventures, all of which are unlisted corporate entities whose quoted market price is not available:

Name	Form of business structure	Place of incorporation and business	Particulars of issued capital	Particulars of paid-up capital	Proportion of ownership interest									Principal activity
					Group's effective interest			Held by the Company			Held by a subsidiary			
					2022	2023	2024	2022	2023	2024	2022	2023	2024	
Associates														
Xiangyang Zhenxin Sensing Technology Co., Ltd. *(Note (i))* 襄陽臻芯傳感科技有限公司	Incorporated	PRC	RMB7,686,869	RMB7,686,869	38.36%	38.36%	38.36%	38.36%	38.36%	38.36%	–	–	–	Trading of chip products
Shanghai Lanxin Semiconductor Co., Ltd. *(Note (ii))* 上海瀾芯半導體有限公司	Incorporated	PRC	RMB100,000,000	RMB30,000,000	30.00%	–	–	30.00%	–	–	–	–	–	Trading of chip products
Ningbo Baoxinyuan Power Semiconductor Co., Ltd. *(Note (iii))* 寧波寶芯源功率半導體有限公司	Incorporated	PRC	RMB14,285,700	RMB14,285,700	–	30.00%	30.00%	–	–	–	–	30.00%	30.00%	Trading of chip products
Go to Storage Technology (Suzhou) Co., Ltd. *(Note (iv))* 行至存儲科技(蘇州)有限公司	Incorporated	PRC	RMB7,589,280	RMB4,764,300	–	–	9.41%	–	–	–	–	–	9.41%	Trading of chip products
Joint ventures														
Suzhou Huaye Naxing Venture Capital Partnership Enterprise (Limited Partnership) *(Note (v))* 蘇州華業納星創業投資合夥企業(有限合夥)	Partnership	PRC	RMB360,000,000	RMB181,570,000	25%	25%	25%	–	–	–	25%	25%	25%	Investment
Jiaxing Xinde Naxing Venture Capital Partnership Enterprise (Limited Partnership) *(Note (vi))* 嘉興信德納星創業投資合夥企業(有限合夥)	Partnership	PRC	RMB168,000,000	RMB52,040,000	–	–	38.43%	–	–	–	–	–	38.43%	Investment

Note:

(i) In June 2022, the Group entered into an agreement with a third party, pursuant to which, the Group agreed to disposal its 45.00% equity interest in Xiangyang Zhenxin Sensing Technology Co., Ltd. ("**Xiangyang Zhenxin**") Upon the completion of the Group's disposal, the proportion of the Group's equity interest in Xiangyang Zhenxin has been diluted to 38.36% and Xiangyang Zhenxin ceased to be a subsidiary of the Group but become an associate of the Group, and a gain on disposal of RMB9,674,000 was recognised in profit or loss. The Group has a right to appoint one director to the board of Xiangyang Zhenxin in accordance with the articles of association, therefore the director of the Company is in the view that the Group can cast significant influence on Xiangyang Zhenxin and consider it is an associate of the Group.

(ii) In December 2022, the Group invested 30% of the equity interest in Shanghai Lanxin Semiconductor Co., Ltd. ("**Shanghai Lanxin**") through capital injection of RMB29,500,000 in December 2022 and RMB500,000 in February 2023. In December 2023, the Group entered into an arrangement with a third party to dispose the total equity interest in Shanghai Lanxin at a cash consideration of RMB30,000,000, and a gain on disposal of RMB2,000,000 was recognised in profit or loss.

(iii) In September 2023, the Group invested 30% of the equity interest in Ningbo Baoxinyuan Power Semiconductor Co., Ltd. ("**Ningbo Baoxinyuan**") through capital injection of RMB15,000,000.

(iv) In December 2024, the Group invested 9.412% of the equity interest in Go to Storage Technology (Suzhou) Co., Ltd. ("**Go to Storage**") through capital injection of RMB8,000,000. The Group has a right to appoint one director to the board of Go to Storage and a right to veto proposals in the board of directors in accordance with the shareholders agreement, therefore the director of the Company is in the view that the Group can cast significant influence on Go to Storage and consider it is an associate of the Group.

(v) In September 2022, the Group invested RMB51,500,000 of the equity interest in Suzhou Huaye Naxing Venture Capital Partnership Enterprise (Limited Partnership) ("**Huaye Naxing**") through cash payment and became the general partner and executive partner of Huaye Naxing in accordance with the agreement. Huaye Naxing is an unlisted limited partnership principally engaged in management of investment portfolios in the PRC. No single investor is in a position to control the investors' meeting or the partners' meeting. Therefore, the director of the Company considers Huaye Naxing to be a joint venture of the Group.

(vi) In March 2024, the Group invested RMB20,000,000 of the equity interest in Jiaxing Xinde Naxing Venture Capital Partnership Enterprise (Limited Partnership) ("**Jiaxing Xinde**") through cash payment and became the general partner and executive partner of Jiaxing Xinde in accordance with the agreement. Jiaxing Xinde is an unlisted limited partnership principally engaged in management of investment portfolios in the PRC. No single investor is in a position to control the investors' meeting or the partners' meeting. Therefore, the director of the Company considers Jiaxing Xinde to be a joint venture of the Group.

Movement of investments in associates and joint venture is disclosed below:

The Group

		As at December 31,	
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Associates			
As at the beginning of the year	–	44,217	23,498
Additions	64,219	15,500	8,000
Disposals	–	(28,000)	–
Share of loss of associates	(1,192)	(3,958)	(3,238)
	63,027	27,759	28,260
Less: Impairment loss *(Note)*	(18,810)	(4,261)	(1,671)
As at the end of the year	44,217	23,498	26,589
Joint ventures			
As at the beginning of the year	–	51,500	51,500
Additions	51,500	–	20,000
Share of loss of joint ventures	–	–	(1,414)
As at the end of the year	51,500	51,500	70,086
	95,717	74,998	96,675

The Company

		As at December 31,	
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Associate			
As at the beginning of the year	–	14,847	8,638
Additions	34,719	–	–
Share of loss of associates	(1,062)	(1,948)	(2,966)
	33,657	12,899	5,672
Less: Impairment loss *(Note)*	(18,810)	(4,261)	(1,671)
As at the end of the year	14,847	8,638	4,001

Note:

The Group and the Company assesses at the end of each reporting period to consider whether there is any indication for impairment on the interests in the associates and joint ventures and further assesses if they have suffered any impairment, in accordance with the accounting policy stated in Note 2(j)(ii). For the year ended December 31, 2022, 2023 and 2024, the impairment loss of interest in an associate, Xiangyang Zhenxin, of RMB18,810,000, RMB4,261,000 and RMB1,671,000 has been recognised. The cash flows are discounted using a discount rate of 14.36%, 14.73% and 14.39% as at December 31, 2021, 2022 and 2023, respectively. The discount rate used is pre-tax and reflects specific risks relating to the associate.

17 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Wealth management products	3,463,590	2,249,639	2,080,083
Non-current assets			
Investments not held for trading			
– Unlisted units in investment funds	52,500	143,500	266,836
– Unlisted investment	–	12,043	23,293
	52,500	155,543	290,129

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Wealth management products	3,463,590	2,249,639	2,080,083
Non-current assets			
Investments not held for trading			
– Unlisted units in investment funds	30,000	60,000	64,456

18 OTHER NON-CURRENT ASSETS

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Capacity deposit	261,777	187,601	113,732
Prepayments for property, plant and equipment	39,713	10,470	22,429
Others	3,055	2,442	1,679
	304,545	200,513	137,840

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Capacity deposit	261,777	187,601	111,112
Prepayments for property, plant and equipment	38,017	9,245	19,783
Others	2,953	2,426	1,679
	302,747	199,272	132,574

19 INVENTORIES AND CONTRACT COSTS

(a) Inventories in the consolidated statements of financial position comprise:

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Inventories			
Chip products			
– Raw materials	126,878	301,711	202,684
– Work in progress	256,126	225,850	296,680
– Finished goods	204,143	274,302	313,571
– Goods in transit	2,307	269	4,314
– Goods delivered to customers	3,618	3,304	5,601
	593,072	805,436	822,850
Contract costs	12,399	22,358	9,706
	605,471	827,794	832,556

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Inventories			
Chip products			
– Raw materials	126,652	300,313	180,336
– Work in progress	255,932	223,236	245,114
– Finished goods	202,131	270,906	257,872
– Goods in transit	2,307	269	4,314
– Goods delivered to customers	3,618	3,304	3,294
	590,640	798,028	690,930
Contract costs	4,252	14,616	1,356
	594,892	812,644	692,286

(b) The analysis of the amount of inventories and contract costs recognised as an expense and included in profit or loss is as follows:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	849,206	850,732	1,386,570
Write-down of inventories and contract costs	10,913	16,133	24,358
	860,119	866,865	1,410,928

Net realizable value of inventories and contract costs is estimated selling or provision of services price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale or provision of services. These estimates are based on the current market condition and historical experience of selling production of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	As at December 31, 2024
	RMB'000
Gross carrying amount	
Quality guarantee deposit	500
Less allowance provision	(215)
	285

(b) Contract liabilities

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Prepayment received from customers	22,279	16,500	16,136

Movements in contract liabilities

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	28,082	22,279	16,500
Net increase in contract liabilities during the year	20,296	12,384	14,837
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	(26,099)	(18,163)	(15,201)
Balance at the end of the year	22,279	16,500	16,136

21 TRADE AND OTHER RECEIVABLES

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	188,465	179,207	392,573
Bills receivables	9,124	7,312	30,094
Trade and bills receivables	197,589	186,519	422,667
Bills receivables, measures at fair value through other comprehensive income ("**FVOCI**")	22,513	11,199	22,727
Other receivables	19,967	20,431	24,168
Capacity deposits	58,223	73,899	76,138
Receivables from disposal of an associate	–	30,000	–
Receivables from disposal of a financial asset measured at FVPL	19,955	–	–
Value-added tax recoverable	17,147	82,381	22,606
Prepayment	42,218	56,963	51,855
Others	12,095	8,839	26,820
	389,707	470,231	646,981

All of the current portion of trade and other receivables are expected to be recovered within one year.

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	210,992	243,519	463,464
Bills receivables	9,124	7,312	9,465
Trade and bills receivables	220,116	250,831	472,929
Bills receivables, measures at fair value through other comprehensive income ("**FVOCI**")	20,346	7,244	4,940
Other receivables	17,223	121,056	172,343
Capacity deposits	58,223	73,899	76,138
Receivables from disposal of a financial asset measured at FVPL	19,955	–	–
Value-added tax recoverable	15,138	30,040	6,490
Prepayment	52,744	76,346	53,449
Others	12,160	7,596	19,306
	415,905	567,012	805,595

As at December 31, 2022, 2023 and 2024, the Group endorsed undue bills receivables of RMB9,031,000, RMB10,680,000, and RMB17,150,000 respectively to its suppliers to settle trade payables of the same amount and derecognised these bills receivables and payables to suppliers in their entirely from balance sheet as the Group's management considered that the risk and rewards of ownership of these undue bills have been substantially transferred.

As at December 31, 2022, 2023 and 2024, the Group endorsed undue bills receivables of nil, RMB10,000, and nil respectively to banks to discount at a discount rate negotiated with the banks and derecognised these bills receivables in their entirely from balance sheet as the Group's management considered that the risk and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue bills receivables is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills.

As at December 31, 2022, 2023 and 2024, the maximum exposure to loss from its continuous involvement represents the amount of bills receivables of RMB9,031,000, RMB10,690,000 and RMB17,150,000, which the Group endorsed to its suppliers and banks. These undue bills receivables were due within 7 months from date of issuance.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables and bills receivables, based on the due date and net of loss allowance, is as follows:

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	197,392	186,208	420,527
Over 1 year but less than 2 years	197	311	2,120
Over 2 years but less than 3 years	–	–	20
	197,589	186,519	422,667

Further details on the Group's credit policy and credit risk arising from trade receivables and bills receivable are set out in Note 32(a).

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	218,990	250,522	460,140
Over 1 year but less than 2 years	193	309	12,771
Over 2 years but less than 3 years	933	–	18
	220,116	250,831	472,929

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Deposits with other financial institutions	2	19	2
Cash at bank and on hand	1,264,615	1,751,172	1,013,077
Cash and cash equivalents in the consolidated statement of financial position	1,264,617	1,751,191	1,013,079
Accrued bank deposit interest	–	–	(864)
Cash and cash equivalents in the consolidated cash flow statement	1,264,617	1,751,191	1,012,215

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Deposits with other financial institutions	2	19	2
Cash at bank and on hand	1,174,034	1,587,329	804,674
	1,174,036	1,587,348	804,676

(b) Reconciliation of profit/(loss) before taxation to cash generated from operations:

	Note	As at December 31,		
		2022	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before taxation		253,148	(297,060)	(404,155)
Adjustments for:				
Depreciation and amortisation	*6(c)*	65,499	107,880	157,525
Equity-settled share-based transactions	*27*	196,705	221,073	70,895
Investment income on wealth management products	*5*	(49,653)	(66,613)	(36,187)
Changes in fair value of financial assets measured at FVPL	*5*	(13,695)	(3,639)	(4,417)
Bank interest income of time deposit		–	–	(5,198)
Finance costs	*6(a)*	7,454	6,383	16,435
Dividends received from investments in financial asset measured at FVPL	*5*	–	(367)	(37)
Net (losses)/profits on disposal of property, plant and equipment and right-of- use assets	*5*	384	(441)	1,025
Net profits on disposal a subsidiary or an associate	*5*	(9,674)	(2,000)	–
Share of loss of associates and joint ventures	*16*	1,192	3,958	4,652
Provision for impairment of interests in associates and joint ventures	*16*	18,810	4,261	1,671
Write-down of inventories	*19*	10,913	16,133	24,358
Impairment loss on trade receivables		6,711	574	13,466
Changes in fair value of contingent consideration payable	*30(b)*	–	–	145
Foreign exchange gain of non-operating activities		2,552	2,125	299
Non-operating income		–	(16)	(6)
Changes in working capital:				
(Increase)/decrease in inventories and contract costs	*19*	(399,861)	(238,456)	88,391
Increase in trade and other receivables	*21*	(163,616)	(68,925)	(80,135)
(Increase)/decrease in restricted bank deposit	*22(e)*	(568)	568	–
(Increase)/decrease in other non-current asset	*18*	(261,832)	74,789	77,252
Increase in trade and other payables	*23*	137,574	91,870	135,287
Decrease in contract liabilities	*20(b)*	(5,803)	(5,779)	(1,362)
Increase in refund liabilities from right of return	*29*	–	12,289	21,718
Increase in deferred income	*26*	5,271	3,911	14,819
Cash (used in)/generated from operations		(198,489)	(137,482)	96,441

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Interest-bearing borrowings	**Lease liabilities**	**Dividend payable**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	102,243	19,372	–	121,615
Changes from financing cash flows:				
Proceeds from bank loans	355,467	–	–	355,467
Repayment of bank loans	(435,744)	–	–	(435,744)
Capital element of lease rentals paid	–	(13,216)	–	(13,216)
Interest element of lease rentals paid	–	(1,062)	–	(1,062)
Dividends paid to equity shareholders of the Company *(Note 31(b))*	–	–	(80,851)	(80,851)
Total changes from financing cash flows	(80,277)	(14,278)	(80,851)	(175,406)
Other changes:				
Increase in lease liabilities from entering into new leases during the period	–	16,025	–	16,025
Interest expenses *(Note 6(a))*	6,392	1,062	–	7,454
Dividend declared *(Note 31(b))*	–	–	80,851	80,851
Total other changes	6,392	17,087	80,851	104,330
At December 31, 2022	28,358	22,181	–	50,539

	Interest-bearing borrowings	Lease liabilities	Dividend payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	28,358	22,181	–	50,539
Changes from financing cash flows:				
Proceeds from bank loans	744,100	–	–	744,100
Repayment of bank loans	(183,157)	–	–	(183,157)
Capital element of lease rentals paid	–	(14,834)	–	(14,834)
Interest element of lease rentals paid	–	(999)	–	(999)
Dividends paid to equity shareholders of the Company *(Note 31(b))*	–	–	(80,851)	(80,851)
Total changes from financing cash flows	560,943	(15,833)	(80,851)	464,259
Exchange adjustments	(163)	–	–	(163)
Other changes:				
Increase in lease liabilities from entering into new leases during the period	–	24,727	–	24,727
Disposal of lease liabilities	–	(10,401)	–	(10,401)
Interest expenses *(Note 6(a))*	5,384	999	–	6,383
Dividend declared *(Note 31(b))*	–	–	80,851	80,851
Total other changes	5,384	15,325	80,851	101,560
At December 31, 2023	594,522	21,673	–	616,195

	Interest-bearing borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2024	594,522	21,673	616,195
Changes from financing cash flows:			
Proceeds from bank loans	495,430	–	495,430
Repayment of bank loans	(279,863)	–	(279,863)
Capital element of lease rentals paid	–	(17,009)	(17,009)
Interest element of lease rentals paid	–	(847)	(847)
Total changes from financing cash flows	215,567	(17,856)	197,711
Other changes:			
Increase in lease liabilities from entering into new leases during the period	–	11,000	11,000
Acquisition of subsidiaries *(Note 30(a))*	28,126	908	29,034
Disposal of lease liabilities	–	(2,316)	(2,316)
Interest expenses *(Note 6(a))*	15,588	847	16,435
Total other changes	43,714	10,439	54,153
At December 31, 2024	853,803	14,256	868,059

Note: Bank loans and other borrowings consist of bank loans as disclosed in Note 24.

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within operating cash flows	2,320	6,929	10,054
Within financing cash flows	14,278	15,833	17,856
	16,598	22,762	27,910

(e) Restricted bank deposits

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Restricted bank deposits	568	–	20,835

The restricted bank deposits of RMB568,000, nil and RMB20,835,000 represented deposits placed with banks, which were mainly used as the guarantee for starting a subsidiary or the equipment procurement contracts.

The Group performed impairment assessment on restricted bank deposits and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

23 TRADE AND OTHER PAYABLES

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	143,592	150,648	271,997
Accrual payroll	109,153	103,115	191,372
Other taxes and surcharges payables	11,493	28,766	32,971
Other payables	1,911	4,530	25,562
Payable for acquisition of subsidiaries	–	–	105,976
	266,149	287,059	627,878

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	185,667	137,040	285,059
Accrual payroll	27,112	75,369	120,297
Other taxes and surcharges payables	3,320	26,728	22,064
Other payables	1,299	1,434	9,595
Payable for acquisition of subsidiaries	–	–	68,052
	217,398	240,571	505,067

All trade and other payables (including amounts due to related parties) are expected to be settled within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables) is as follows:

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	139,172	149,448	268,297
Over 1 year but less than 2 years	4,417	1,130	2,797
Over 2 years but less than 3 years	3	67	655
Over 3 years	–	3	248
	143,592	150,648	271,997

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	181,359	136,116	284,326
Over 1 year but less than 2 years	4,305	854	704
Over 2 years but less than 3 years	3	67	10
Over 3 years	–	3	19
	185,667	137,040	285,059

24 INTEREST-BEARING BORROWINGS

(a) The analysis of the carrying amount of interest-bearing borrowings is as follows:

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans			
– secured (i)	–	351,334	353,172
– pledged (ii)	–	–	472,346
– unsecured	28,358	243,188	–
	28,358	594,522	825,518
Other borrowings *(Note 30(a))*	–	–	28,285
	28,358	594,522	853,803
Less: amount included under "current liabilities"	(21,350)	(264,100)	(62,382)
	7,008	330,422	791,421

Notes:

(i) As at December 31, 2022, 2023 and 2024, the Group's property, plant and equipment with aggregate carrying amounts of nil, RMB466,976,000 and RMB545,121,000, respectively, were secured for bank loans granted to the Group (Note 11).

(ii) As at December 31, 2024, the Group pledged the equity interests in MagnTek Group as collateral to trust financing companies. The necessary procedures for the pledge of those equity interests have not been completed as at December 31, 2024.

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans			
– pledged (i)	–	–	472,346
– unsecured	28,358	243,188	–
	28,358	243,188	472,346
Less: amount included under "current liabilities"	(21,350)	(243,188)	(40,029)
	7,008	–	432,317

Note:

(i) As at December 31, 2022, 2023 and 2024, the Company pledged the equity interests in MagnTek Group as collateral to trust financing companies. As at December 31, 2024, the necessary procedures for the pledge of those equity interests have not been completed.

All of the above interest-bearing borrowings are carried at amortized cost.

(b) The analysis of the repayment schedule of interest-bearing borrowings is as follows:

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	21,350	264,100	62,382
After 1 years but within 2 years	2,008	21,119	101,181
After 2 years but within 5 years	5,000	163,011	487,830
After 5 years	–	146,292	202,410
	7,008	330,422	791,421
	28,358	594,522	853,803

The Company

	As at December 31, 2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	21,350	243,188	40,029
After 1 years but within 2 years	7,008	–	50,317
After 2 years but within 5 years	–	–	222,000
After 5 years	–	–	160,000
	7,008	–	432,317
	28,358	243,188	472,346

25 LEASE LIABILITIES

At December 31, 2022, 2023 and 2024, the lease liabilities were repayable as follows:

	As at December 31, 2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	16,438	15,554	7,822
After 1 year but within 2 years	5,743	4,605	6,434
After 2 years but within 5 years	–	1,514	–
	5,743	6,119	6,434
	22,181	21,673	14,256

26 DEFERRED INCOME

	As at December 31, 2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Government grants	12,514	16,425	31,244

Government grants are related to assets which were obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets in relation to research and development projects.

27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Restricted Share Incentive Plans

The Company had 3,248,000 restricted shares outstanding as at January 1, 2022.

On June 21, 2022, the Company granted 2,742,728 restricted shares to the qualified employees and the granted price was RMB96 per share. The vesting periods for restricted shares granted are 1 year, 2 years, 3 years, and 4 years from the grant date. According to the Group's performance appraisal and individual performance appraisal, 25%, 25%, 25% and 25% of the restricted shares will be vested respectively.

On October 25, 2022, the Company granted 257,272 restricted shares to qualified employees and the granted price was RMB96 per share. The vesting periods for restricted shares granted are 1 year, 2 years, 3 years, and 4 years from the grant date. According to the Group's performance appraisal and individual performance appraisal, 25%, 25%, 25% and 25% of the restricted shares will be vested respectively.

On September 27, 2022, the Company regranted 270,000 restricted shares to the qualified employees due to resignation of one employee and the granted price was RMB2.19 per share. The vesting period for restricted shares granted is 4 years from the grant date, and 100% of the restricted shares will be vested.

On September 18, 2023, the Company granted 3,800,000 restricted shares to the qualified employees and the granted price was RMB49.00 per share. The vesting periods for restricted shares granted are 1 year, 2 years and 3 years from the grant date. Subject to the Group's performance appraisal and individual performance appraisal, 40%, 30% and 30% of the restricted shares will be vested respectively.

(i) The number of restricted shares to the Group's incentive employees is summarized as follows:

	As at December 31,		
	2022	**2023**	**2024**
	'000	*'000*	*'000*
Outstanding as at the beginning of the year	3,248	5,080	7,693
Effect of capital reserve converted into share capital *(Note 31(c))*	–	2,032	–
Granted	3,270	3,800	–
Vested	(1,168)	(2,069)	(2,885)
Lapsed	(270)	(1,150)	(2,274)
Outstanding as at the end of the year	5,080	7,693	2,534

(ii) Fair value of restricted shares:

The fair value of services received in return for restricted shares is measured by reference to the fair value of restricted shares granted. The estimate of the fair value of the newly granted restricted shares is measured based on an equity allocation model.

	Year ended December 31,	
Fair value of restricted shares	**2022**	**2023**
Fair value at grant date	RMB193.64 to RMB 301.81	RMB 74.35 to RMB77.43
Exercise price	RMB2.19 to RMB 96.00	RMB 49.00
Expected dividend yield	0% to 0.2768%	0.4438%

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

		As at December 31,	
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Balance at the beginning of the year	3,995	458	324
Provision for income tax for the year	26,805	1,793	4,124
Acquisition of subsidiaries *(Note 30(a))*	–	–	605
Income tax paid during the year	(30,342)	(1,927)	(1,387)
Balance at the end of the year	458	324	3,666

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the Track Record Period are as follows:

Deferred tax arising from:	Equity-settled share-base transactions	Lease liabilities	Write-down of inventories	Credit loss allowance	Provision for contract assets	Unrealized profits from internal transactions	Deductible losses	Deferred income	Refund liabilities from right of return	Right-of-use assets	Depreciation allowances in excess of the related depreciation	Changes in fair value of financial assets measured at FVPL	Estimated cost of goods return	Fair value adjustment in relation to acquisition of subsidiaries	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	–	1,678	591	914	–	182	–	1,086	–	(1,702)	–	–	–	(795)	1,954
Credited/(charged) to profit or loss	26,439	917	1,610	938	–	332	3,672	791	–	(824)	(8,135)	(2,039)	–	77	23,778
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	718	718
Credited to reserves	129	–	–	–	–	–	–	–	–	–	–	–	–	–	129
At December 31, 2022 and January 1, 2023	26,568	2,595	2,201	1,852	–	514	3,672	1,877	–	(2,526)	(8,135)	(2,039)	–	–	26,579
(Charged)/credited to profit or loss	(9,823)	1,145	2,426	(303)	–	547	(3,672)	587	1,843	(1,092)	1,506	1,493	(1,139)	–	(6,482)
Credited to reserves	3,480	–	–	–	–	–	–	–	–	–	–	–	–	–	3,480
At December 31, 2023 and January 1, 2024	20,225	3,740	4,627	1,549	–	1,061	–	2,464	1,843	(3,618)	(6,629)	(546)	(1,139)	–	23,577
Acquisition of subsidiaries	–	3	1,026	794	32	–	–	–	1,358	(3)	–	–	(720)	(50,716)	(48,226)
(Charged)/credited to profit or loss	(8,031)	(1,511)	3,703	2,002	–	188	–	2,156	3,363	1,460	1,295	744	(2,168)	2,200	5,401
Charged to reserves	(3,392)	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,392)
At December 31, 2024	8,802	2,232	9,356	4,345	32	1,249	–	4,620	6,564	(2,161)	(5,334)	198	(4,027)	(48,516)	(22,640)

(ii) Reconciliation to the consolidated statement of financial position

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax asset in the consolidated statement of financial position	26,579	23,577	25,876
Net deferred tax liability in the consolidated statement of financial position	–	–	(48,516)
	26,579	23,577	(22,640)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(r), as at December 31, 2022, 2023 and 2024, the Company and its subsidiaries have not recognised deferred tax assets in respect of cumulative tax losses of RMB42,115,000, RMB536,434,000 and RMB1,506,759,000 respectively as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses arising from operations in Mainland China can be carried forward to offset against taxable profits of subsequent years for up to five years for general enterprise and ten years for high-technology enterprise, from the year in which they arose.

As at December 31, 2022, 2023 and 2024, the Company and its subsidiaries have not recognised deferred tax assets in respect of their cumulative impairment losses of trade receivables and inventories of RMB19,077,000, RMB3,336,000 and RMB3,351,000 respectively.

29 REFUND LIABILITIES FROM RIGHT OF RETURN

	RMB'000
As at January 1, 2022 and December 31, 2022	–
Provision in the year	62,671
Utilization of provision	(50,382)
As at December 31, 2023 and January 1, 2024	12,289
Acquisition of subsidiaries *(Note 30(a))*	9,564
Provision in the year	35,747
Utilization of provision	(14,029)
Total	43,571
Less: amount included under "current liabilities"	(39,178)
As at December 31, 2024	4,393

30 ACQUISITION OF SUBSIDIARIES

Acquisition of the MagnTek Group

In October 2024, the Group completed the acquisition of 100% equity interest of the MagnTek Group.

(a) The major components of assets and liabilities arising from the acquisition of the MagnTek Group

The fair value of assets acquired and liabilities assumed at the acquisition date were as follows:

	Recognised values on acquisition *RMB'000*
Cash and cash equivalents (i)	64,414
Trade and other receivables (i)	139,065
Inventories	117,511
Contract assets	285
Property, plant and equipment	60,440
Right-of-use assets	828
Intangible assets (ii)	327,098
Deferred tax assets	2,490
Other non-current assets	2,713
Trade and other payables (i)	(124,401)
Interest-bearing borrowings	(28,126)
Payable for repayment of capital investment (iii)	(5,599)
Contract liabilities	(998)
Tax payables	(605)
Lease liabilities	(908)
Refund liabilities from right of return	(9,564)
Deferred tax liabilities	(50,716)
Fair value of net assets acquired	493,927

Notes:

(i) The balance of cash and cash equivalents, trade and other receivables and trade and other payables includes the amount of Shanghai Lairui and Shanghai Liuci.

(ii) Intangible assets arising from the acquisition mainly represent patents. The Group has engaged an external valuation firm to perform fair value assessments on these intangible assets in accordance with IAS 38 intangible Assets and IFRS 3 Business Combination. The valuation techniques used for measuring fair value is relief from royalty method. Relief from royalty method determines the value of a group of intangible assets as the present value of the cash flows attributable to the subject intangible assets after excluding the proportion of cash flows that are attributable to contributory assets.

(iii) Before the acquisition date, Shanghai Lairui, returned its capital of RMB5,599,000 to its shareholders. Amounts represented the payable upon the acquisition date which was subsequently settled in November 2024.

(iv) MagnTek was granted unsecured borrowings from the original shareholder, QST. As at the acquisition date and December 31, 2024, the balance of the borrowing was RMB28,126,000 and RMB28,285,000, respectively.

(b) Set forth below is the calculation of goodwill:

	Note	*RMB'000*
Consideration		
– cash paid in the current year		804,846
– cash will be paid in the future		161,013
– contingent consideration payable (Note)		32,210
Total consideration		998,069
Less: fair value of net identifiable net assets acquired	*30(a)*	(493,927)
Goodwill *(Note 14)*		504,142

Note: The contingent consideration payable is classified as a financial liability and its fair value is re-measured at the end of each reporting period. Any changes in fair value are recognised in profit or loss. The contingent consideration payable as at December 31, 2024 is as follows:

	As at December 31, 2024 *RMB'000*
Carrying amount of contingent consideration payable	32,210
Fair value change of contingent consideration payable	145
	32,355

(c) Net cash outflow arising on the acquisition:

	RMB'000
Consideration paid in cash during the year	804,846
Less: cash acquired	(64,414)
	740,432

(d) Impact of acquisition on the results of the Group

From the date of acquisition to December 31, 2024, the MagnTek Group contributed revenue of RMB73,187,000 and net profit of RMB3,979,000 (including amortisation of identified intangible assets and value-added amount of inventories sold).

The consolidated revenue and net loss of the Group for the year ended December 31, 2024 would have been RMB2,296,300,000 and RMB382,914,000 respectively had the acquisition been completed as at January 1, 2024.

31 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital *RMB'000*	Treasury shares *RMB'000*	Capital reserve *RMB'000*	PRC statutory reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
Balance at January 1, 2022		75,798	–	203,313	27,514	238,051	544,676
Changes in equity for 2022:							
Profit for the year		–	–	–	–	293,030	293,030
Total comprehensive income		–	–	–	–	293,030	293,030
Issue of ordinary shares by initial public offering on A Share Listing, net of transaction costs	*31(c)*	25,266	–	5,555,981	–	–	5,581,247
Equity-settled share-based transactions		–	–	196,706	–	–	196,706
Appropriation to statutory reserves		–	–	–	29,303	(29,303)	–
Dividends declared	*31(b)*	–	–	–	–	(80,851)	(80,851)
Tax benefit from equity-settled share-based transactions		–	–	127	–	–	127
Others		–	–	–	–	291	291
Balance at December 31, 2022		101,064	–	5,956,127	56,817	421,218	6,535,226

	Note	Share capital *RMB'000*	Treasury shares *RMB'000*	Capital reserve *RMB'000*	PRC statutory reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
Balance at January 1, 2023		101,064	–	5,956,127	56,817	421,218	6,535,226
Changes in equity for 2023:							
Loss for the year		–	–	–	–	(200,235)	(200,235)
Total comprehensive income		–	–	–	–	(200,235)	(200,235)
Issue of ordinary shares for equity-settled share-based transactions	*31(c)*	1,039	–	69,602	–	–	70,641
Purchase of own shares	*31(d)*	–	(200,106)	–	–	–	(200,106)
Equity-settled share-based transactions		–	–	221,074	–	–	221,074
Capital reserve converted into share capital	*31(c)*	40,426	–	(40,426)	–	–	–
Dividends declared in respect of the current year	*31(b)*	–	–	–	–	(80,851)	(80,851)
Tax benefit from equity-settled share-based transactions		–	–	3,480	–	–	3,480
Balance at December 31, 2023		142,529	(200,106)	6,209,857	56,817	140,132	6,349,229

	Note	**Share capital** *RMB'000*	**Treasury shares** *RMB'000*	**Capital reserve** *RMB'000*	**PRC statutory reserve** *RMB'000*	**Retained profits/ (accumulated losses)** *RMB'000*	**Total** *RMB'000*
Balance at January 1, 2024		142,529	(200,106)	6,209,857	56,817	140,132	6,349,229
Changes in equity for 2024:							
Loss for the year		–	–	–	–	(374,030)	(374,030)
Total comprehensive income		–	–	–	–	(374,030)	(374,030)
Settlement of equity-settled share-based transactions	*31(d)*	–	185,199	(113,233)	–	–	71,966
Equity-settled share-based transactions		–	–	70,895	–	–	70,895
Tax benefit from equity-settled share-based transactions		–	–	(3,392)	–	–	(3,392)
Balance at December 31, 2024		142,529	(14,907)	6,164,127	56,817	(233,898)	6,114,668

(b) Dividends

During the years ended December 31, 2022, 2023 and 2024, the Company declared dividends of RMB80,851,000, RMB80,851,000 and nil respectively to its shareholders.

(c) Issued Share capital

(i) Issued share capital

	2022		**2023**		**2024**	
	No. of shares '000	*RMB'000*	*No. of shares '000*	*RMB'000*	*No. of shares '000*	*RMB'000*
Ordinary shares, issued and fully paid:						
At January 1,	75,798	75,798	101,064	101,064	142,529	142,529
Issue of ordinary shares by initial public offering on A share Listing	25,266	25,266	–	–	–	–
Issue of ordinary share for settlement equity-settled share-based transactions	–	–	1,039	1,039	–	–
Converted from capital reserve	–	–	40,426	40,426	–	–
At December 31,	101,064	101,064	142,529	142,529	142,529	142,529

On April 22, 2022, the Company listed on the Shanghai Stock Exchange and issued 25,266,000 shares to the new shareholders of the Company. The share capital and share premium, which was deducted the capitalized listing expense, were RMB25,266,000 and RMB5,555,981,000.

Pursuant to the directors' resolution approved at 25th meeting of the Second Board of Director of the Company on April 20, 2023, and the shareholder resolution approved at the Annual General Shareholders' Meeting of 2022 on May 15, 2023, the capital reserve was converted into share capital on the basis of four new shares for every 10 shares. Consequently, the Company issued 40,426,000 new A shares.

Pursuant to the directors' resolution approved at 26th meeting of the Second Board of Director of the Company on June 21, 2023 and 17th meeting of the Second Board of Supervisor of the Company on the same date, the Company issued 959,254 shares to the qualified employees for the First Vesting Period under the restricted shares incentive scheme for 2022 granted on June 21, 2022. The share capital and share premium were RMB959,000 and RMB64,270,000.

Pursuant to the director's resolution approved at 6th meeting of the Third Board of Director of the Company on October 25, 2023 and 6th meeting of the Third Board of Supervisor of the Company on the same date, the Company issue 79,579 shares to the qualified employees for the First Vesting Period under the restricted share incentive scheme for 2022 granted on October 25, 2022. The share capital and share premium were RMB80,000 and RMB5,332,000.

(d) Treasury shares

During the year ended December 31, 2023, the Company repurchased its own ordinary shares on the Shanghai Stock Exchange as follow:

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		RMB	*RMB*	*RMB'000*
September 2023	1,111,956	129.68	116.83	137,166
October 2023	471,148	145.00	125.54	62,348
November 2023	3,800	156.00	154.86	592
Total	**1,586,904**			**200,106**

The treasury shares are used for restricted share incentive plans or equity excitation. In December 2024, 1,468,688 treasury shares was transferred to qualified employees, and aggregate exercise price of RMB71,966,000 received from the qualified employees under restricted share incentive plans. Accordingly, RMB185,199,000 was transferred out from treasury shares.

As at December 31, 2022, 2023 and 2024, the treasury shares held by the Company was nil, 1,586,904 shares and 118,216 shares, respectively.

(e) Nature and purpose of reserves

(i) Capital reserve

The capital reserve comprises the following:

– the portion of the grant date fair value of unvested restricted shares granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(q)(ii); and

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(u).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group's overall strategy remains unchanged throughout the years ended December 31, 2022, 2023 and 2024. The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, as at December 31, 2022, 2023 and 2024 was 5.1%, 13.3% and 22.5%, respectively.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to accounts receivable, contract assets or other financial assets including the risk that receivables will be collected late or not at all if a customer or another contractual party does not fulfill its contractual obligations. The Group's exposure to credit risk arising from cash and restricted bank deposits and bills receivable is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2022, 2023 and 2024, 19.92%, 27.33% and 9.05% of the total trade receivables was due from the Group's largest customer respectively, and 65.44%, 63.81% and 43.76% of the total trade receivables, respectively, was due from the Group's five largest customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

		2022	
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	5%	198,177	9,909
Over 1 years but less than 2 years	20%	246	49
		198,423	9,958

	2023		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	5%	188,312	9,416
Over 1 year but less than 2 years	20%	389	78
		188,701	9,494

	2024		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	5%	410,983	20,549
Over 1 year but less than 2 years	33%	3,153	1,033
Over 2 years but less than 3 years	95%	361	342
		414,497	21,924

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	RMB'000
Balance at January 1, 2022	5,602
Amounts written off	(43)
Impairment losses recognised	4,864
Disposal of subsidiaries	(465)
Balance at December 31, 2022 and January 1, 2023	9,958
Impairment losses reversed	(464)
Balance at December 31, 2023 and January 1, 2024	9,494
Acquisition of subsidiaries	3,183
Impairment losses recognised	9,247
Balance at December 31, 2024	21,924

Other receivables

Credit risk in respect of other receivables is limited since the balance mainly includes deposits, value-added-tax recoverable, and amounts due from related parties.

The Group has assessed that during the Track Record Periods, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The Group do not expect any losses from non-performance by the counterparties of other receivables and no loss allowance provision for other receivables was recognised.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group and can be required to pay:

	2022					
	Undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 Dec**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	22,114	2,177	5,236	–	29,527	28,358
Lease liabilities	17,095	5,897	–	–	22,992	22,181
Trade and other payables	266,149	–	–	–	266,149	266,149
	305,358	8,074	5,236	–	318,668	316,688

	2023					
	Undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 Dec**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	277,382	29,607	185,438	149,963	642,390	594,522
Lease liabilities	16,135	4,780	1,546	–	22,461	21,673
Trade and other payables	287,059	–	–	–	287,059	287,059
	580,576	34,387	186,984	149,963	951,910	903,254

	2024					
	Undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 Dec**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	84,512	92,204	556,441	206,392	939,549	853,803
Lease liabilities	8,297	6,661	–	–	14,958	14,256
Trade and other payables, exclude payable for acquisition of subsidiaries	521,902	–	–	–	521,902	521,902
Financial liability measured at FVPL	–	–	34,141	–	34,141	32,355
Payable for acquisition of subsidiaries	105,976	20,058	34,979	–	161,013	161,013
	720,687	118,923	625,561	206,392	1,671,563	1,583,329

(c) Interest rate risk

Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to fair value interest risk and cash flow interest rate risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure. The fair value interest rate risk and cash flow interest rate risk that the Group exposed to are not significant.

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings, lease liabilities, capacity deposit, cash and cash equivalents and restricted bank deposits as at the end of the reporting period:

	Notional amount					
	2022		2023		2024	
	Interest rate	*RMB'000*	*Interest rate*	*RMB'000*	*Interest rate*	*RMB'000*
Fixed rate borrowings:						
Lease liabilities	4.75%	22,181	4.35%~4.75%	21,673	4.35%~4.75%	14,256
Short-term loans and borrowings	2.1%~3.8%	21,350	2.1%~2.8%	264,100	2.69%	62,382
Long-term loans and borrowings	3.8%	7,008	2.68%	330,422	2.69%	791,421
Capacity deposit	1.92%-2.63%	261,777	1.92%-2.63%	187,601	1.92%-2.63%	113,732
		312,316		803,796		981,791
Variable rate borrowings:						
Cash and cash equivalents	0.0001%~0.25%	1,264,617	0.05%~1.3%	1,751,191	0.0001%~1.15%	1,053,079
Restricted bank deposits	1.05%	568	–	–	1.5%	20,835
		1,265,185		1,751,191		1,073,914
Net exposure		1,265,185		1,751,191		1,073,914

(ii) Sensitivity analysis

As at December 31, 2022, 2023 and 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variable held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB10,754,000, RMB14,885,000 and RMB9,128,000 in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualized impact on interest expense or income of such a change in interest rates.

(d) Currency risk

In respect of cash at bank and on hand, accounts receivable and payable, short-term loans and long-term loans denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates and doing hedging when necessary to address short-term imbalances.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date.

	Exposure to foreign currencies (expressed in RMB) 2022			
	United States Dollars	**Euros**	**Japanese Yen**	**Taiwan Dollars**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	33,315	1	49	62
Cash and cash equivalents	17,521	–	–	–
Interest-bearing borrowings	(20,349)	–	–	–
Trade and other payables	(16,290)	(3,561)	(10)	–
Net exposure arising from recognised assets and liabilities	14,197	(3,560)	39	62

	Exposure to foreign currencies (expressed in RMB) 2023			
	United States Dollars	**Euros**	**Japanese Yen**	**Korean Won**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	62,406	–	–	–
Cash and cash equivalents	46,348	3,552	2,594	2,276
Trade and other payables	(34,520)	(1,776)	(6)	(51)
Net exposure arising from recognised assets and liabilities	74,234	1,776	2,588	2,225

	Exposure to foreign currencies (expressed in RMB) 2024				
	United States Dollars	Euros	Japanese Yen	Korean Won	Pound
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	68,959	–	3,051	–	–
Cash and cash equivalents	79,071	7,788	9,489	5,695	–
Trade and other payables	(44,902)	(470)	(2)	(66)	(2)
Net exposure arising from recognised assets and liabilities	103,128	7,318	12,538	5,629	(2)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit/(loss) after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2022		2023		2024	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses
		RMB'000		*RMB'000*		*RMB'000*
United States Dollars	1%	121	1%	(631)	1%	(877)
	-1%	(121)	-1%	631	-1%	877
Euros	1%	(30)	-1%	15	1%	(62)
	-1%	30	1%	(15)	-1%	62
Japanese Yen	1%	–	1%	(22)	1%	(107)
	-1%	–	-1%	22	-1%	107
Taiwan Dollars	1%	1	–	–	–	–
	-1%	(1)	–	–	–	–
Korean Won	–	–	1%	(19)	1%	(48)
	–	–	-1%	19	-1%	48
Pound	–	–	–	–	1%	–
	–	–	–	–	-1%	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, and then translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	As at December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair value measured on a recurring basis				
Financial assets measured at FVPL *(Note 17)*				
– Wealth management products	–	3,463,590	–	3,463,590
– Unlisted units in investment funds	–	–	52,500	52,500
– Unlisted investment	–	–	–	–
Financial assets measured at FVOCI *(Note 21)*				
– Bills receivables	–	–	22,513	22,513
	–	3,463,590	75,013	3,538,603

	As at December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair value measured on a recurring basis				
Financial assets measured at FVPL *(Note 17)*				
– Wealth management products	–	2,249,639	–	2,249,639
– Unlisted units in investment funds	–	–	143,500	143,500
– Unlisted investment	–	–	12,043	12,043
Financial assets measured at FVOCI *(Note 21)*				
– Bills receivables	–	–	11,199	11,199
	–	2,249,639	166,742	2,416,381

	As at December 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair value measured on a recurring basis				
Financial assets measured at FVPL *(Note 17)*				
– Wealth management products	–	2,080,083	–	2,080,083
– Unlisted units in investment funds	–	–	266,836	266,836
– Unlisted investment	–	–	23,293	23,293
Financial assets measured at FVOCI *(Note 21)*				
– Bills receivables	–	–	22,727	22,727
	–	2,080,083	312,856	2,392,939
Financial liabilities measured at FVPL *(Note 30(b))*				
– Contingent consideration payable	–	–	32,355	32,355

During the years ended December 31, 2022, 2023 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**
Unlisted units in investment funds	Net asset value *(Note i)*	Net asset value of underlying investments
Unlisted investments	Comparable transactions adjusted approach *(Note ii)*	Changing trend of medium market multiples of comparable companies
Bills receivables	Discounted cash flow method *(Note iii)*	Expected discount rate
Contingent consideration payable	Discounted cash flow method *(Note iii)*	Expected discount rate

Notes:

(i) The fair value of unlisted units in investments funds is determined referencing net asset value of underlying investments. The fair value measurement is positively correlated to net asset value of underlying investments. As at December 31, 2022, 2023 and 2024, it is estimated that with all other variables held constant, an increase/decrease in net asset value of underlying investments by 5% would have increased/decreased the Group's profit or loss for the year by RMB4,150,000, RMB7,713,000 and RMB10,387,000.

(ii) The fair value of certain unlisted investments is determined using comparable transactions adjusted approach adjusted for changing trend of medium market multiple of comparable companies or medium market multiples of comparable companies. The fair value measurement is positively correlated to the changing trend of medium market multiple of comparable companies. As at December 31, 2022, 2023 and 2024, it is estimated that with all other available held constant, an increase/decrease in change of medium market multiple of comparable companies by 5% would have increased/decreased the Group's profit or loss for the year by nil, RMB452,000 and RMB986,000.

(iii) The bills receivables measured at FVOCI and contingent consideration payable measured at FVPL are calculated by discounting the expected future cash flows using market rates of return currently available for other financial instruments with similar credit risk and remaining maturities.

33 COMMITMENTS

Capital commitments outstanding at December 31, 2022, 2023 and 2024 not provided for in the financial statements were as follows:

		As at December 31,	
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for acquisition of property, plant and equipment	94,503	27,661	38,913

34 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	12,836	11,830	12,043
Post-employment benefits	548	630	681
Equity-settled share-based transactions	5,912	5,575	2,489
	19,296	18,035	15,213

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Names and relationships of the related parties that had material transactions with Group

Name of related parties	Relationships
Xiangyang Zhenxin	Associate of the Group
Ningbo Baoxinyuan	Associate of the Group
Shanghai Lanxin	Associate of the Group
Jiaxing Xinde	Joint Venture of the Group

(c) Material related parties transactions

The Group entered into the following material related party transactions for the years ended December 31, 2022, 2023 and 2024:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Purchase of goods			
– Associates	911	2,001	5,996
Sales of goods			
– An associate and a joint venture	–	–	5,461
Loans to an associate	500	–	–

(d) Balance with related parties

As at December 31, 2022, 2023 and 2024, the Group had the following balances with related parties:

	Note	As at December 31, 2022	As at December 31, 2023	As at December 31, 2024
		RMB'000	*RMB'000*	*RMB'000*
Trade related				
Trade receivables, gross amount	*i*	–	–	3,552
Trade payables	*i*	(243)	(150)	(550)

	Note	**As at December 31, 2022**
		RMB'000
Non-trade related		
Loan to an associate	*i*	500

Note:

(i) The outstanding balances with these related parties are balances included in "Trade and other receivables" (Note 21) and "Trade and other payables" (Note 23).

35 PRE-ACQUISITION FINANCIAL INFORMATION OF MAGNTEK

The following pre-acquisition financial information of MagnTek from the beginning of the Track Record Period to the date of acquisition ("**Pre-acquisition Period**") presented in accordance with Rule 4.05A of the Listing Rules is disclosed below. The accounting policies adopted in the preparation of the pre-acquisition financial information is consistent with those adopted in the preparation of the Historical Financial Information.

(A) Consolidated statements of profit or loss and other comprehensive income

*(Expressed in Renminbi ("**RMB**"))*

	Note	Years ended December 31,		Periods ended October 18,	
		2022	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*(1)*	268,559	289,931	229,584	335,937
Cost of sales		(126,782)	(151,554)	(118,912)	(169,553)
Gross profit		141,777	138,377	110,672	166,384
Other net income	*(2)*	5,923	12,463	5,480	3,898
Selling and marketing expenses		(14,354)	(18,218)	(14,868)	(20,211)
Administrative expenses		(39,986)	(46,710)	(40,991)	(46,796)
Research and development expenses		(59,001)	(69,755)	(55,177)	(58,369)
Impairment loss on trade and other receivables		(2,350)	(1,982)	(1,608)	(1,544)
Profit from operations		32,009	14,175	3,508	43,362
Finance costs	*(3)(a)*	(1,276)	(1,958)	(1,654)	(1,268)
Profit before taxation	*(3)*	30,733	12,217	1,854	42,094
Income tax	*(4)(a)*	(1,102)	1,287	1,064	(156)
Profit for the year/period		29,631	13,504	2,918	41,938
Other comprehensive income		–	–	–	–
Total comprehensive income for the year/period		29,631	13,504	2,918	41,938

(B) Consolidated statements of financial position
(Expressed in RMB)

	Note	As at December 31, 2022 RMB'000	As at December 31, 2023 RMB'000	As at October 18, 2024 RMB'000
Non-current assets				
Property, plant and equipment	(5)	17,820	32,888	60,440
Right-of-use assets	(6)	2,427	1,480	828
Intangible assets	(7)	2,228	3,331	4,828
Other non-current assets	(9)	11,792	12,248	2,713
Deferred tax assets	(16)(b)	1,090	1,878	2,490
		35,357	51,825	71,299
Current assets				
Inventories	(10)	79,581	83,158	101,676
Trade and other receivables	(11)	65,374	65,066	88,959
Financial assets measured at fair value through profit or loss ("**FVPL**")	(12)	12,552	55,040	–
Time deposits		–	–	10,000
Cash and cash equivalents		18,880	11,504	47,996
		176,387	214,768	248,631
Current liabilities				
Trade and other payables	(13)	45,698	55,970	73,424
Contract liabilities		637	2,483	998
Interest-bearing borrowings	(14)	11,400	–	–
Lease liabilities	(15)	939	1,091	395
Current taxation		2,188	–	605
Refund liabilities from right of return	(17)	–	10,896	9,564
		60,862	70,440	84,986
Net current assets		115,525	144,328	163,645
Total assets less current liabilities		150,882	196,153	234,944
Non-current liabilities				
Interest-bearing borrowings	(14)	36,149	50,685	28,126
Deferred income		–	–	800
Lease liabilities	(15)	1,473	541	513
		37,622	51,226	29,439
NET ASSETS		113,260	144,927	205,505
CAPITAL AND RESERVES				
Share capital		35,822	35,822	35,822
Reserves		77,438	109,105	169,683
TOTAL EQUITY		113,260	144,927	205,505

(C) Consolidated statements of changes in equity

(Expressed in RMB)

	Share capital *RMB'000*	Capital reserve *RMB'000*	PRC statutory reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
Balance at January 1, 2022	35,822	18,592	2,696	39,032	96,142
Changes in equity for 2022:					
Total comprehensive income and profit for the year	–	–	–	29,631	29,631
Dividends declared	–	–	–	(30,000)	(30,000)
Appropriation to statutory reserve	–	–	2,540	(2,540)	–
Equity-settled share-based transactions	–	17,487	–	–	17,487
Balance at December 31, 2022 and January 1, 2023	35,822	36,079	5,236	36,123	113,260

	Share capital *RMB'000*	Capital reserve *RMB'000*	PRC statutory reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
Balance at January 1, 2023	35,822	36,079	5,236	36,123	113,260
Changes in equity for 2023:					
Total comprehensive income and profit for the year	–	–	–	13,504	13,504
Appropriation to statutory reserve	–	–	767	(767)	–
Equity-settled share-based transactions	–	18,163	–	–	18,163
Balance at December 31, 2023 and January 1, 2024	35,822	54,242	6,003	48,860	144,927

	Share capital *RMB'000*	Capital reserve *RMB'000*	PRC statutory reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
Balance at January 1, 2023	35,822	54,242	6,003	48,860	144,927
Changes in equity for period ended October 18, 2024:					
Total comprehensive income and profit for the period	–	–	–	41,938	41,938
Equity-settled share-based transactions	–	18,640	–	–	18,640
Balance at October 18, 2024	35,822	72,882	6,003	90,798	205,505

(D) Consolidated cash flows statements

(Expressed in RMB)

	Years ended December 31,		Periods ended October 18,	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating activities				
Cash generated from operations	22,962	55,581	14,612	39,553
Income tax refunded / (paid)	1,086	(901)	(901)	449
Net cash generated from operating activities	24,048	54,680	13,711	40,002
Investing activities				
Payment for purchase of property, plant and equipment and intangible assets	(19,283)	(20,383)	(7,222)	(24,940)
Payment for the purchase of time deposit	–	–	–	(10,000)
Interest received	543	30	24	100
Proceeds from disposal of financial asset measured at FVPL	139,700	171,800	129,037	184,655
Payments for the purchase of financial asset measured at FVPL	(141,006)	(213,730)	(147,300)	(128,800)
Net cash (used in) / generated from investing activities	(20,046)	(62,283)	(25,461)	21,015
Financing activities				
Proceeds from interest-bearing borrowings	55,500	13,000	13,000	–
Repayments of interest-bearing borrowings and interest expenses	(20,859)	(11,731)	(11,710)	(23,784)
Capital element of lease rentals paid	(1,041)	(951)	(844)	(698)
Interest element of lease rentals paid	(48)	(91)	(79)	(43)
Dividends paid to the equity shareholder of MagnTek	(30,000)	–	–	–
Net cash generated from / (used in) financing activities	3,552	227	367	(24,525)
Net increase / (decrease) in cash and cash equivalents	7,554	(7,376)	(11,383)	36,492
Cash and cash equivalents at the beginning of the year/period	11,326	18,880	18,880	11,504
Cash and cash equivalents at the end of the year/period	18,880	11,504	7,497	47,996

(1) Revenue and segment reporting

(a) Revenue

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by service lines is as follows:

	Years ended December 31,		Periods ended October 18,	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Revenue from contracts with customers within the scope of IFRS 15				
Disaggregated by major products or service lines				
– Sensors	256,626	284,195	226,688	331,443
– Others	11,933	5,736	2,896	4,494
	268,559	289,931	229,584	335,937

Revenue is recognised at a point in time when the customer obtains control of products or services.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

MagnTek has also applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts for integrated circuit design sensor products that MagnTek will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of sensor products that had an original expected duration of one year or less.

(b) Segment reporting

IFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by MagnTek's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, MagnTek has determined that it only has one operating segment which is the sales of sensor products.

(i) Geographic information

The following table sets out information about the geographical location of MagnTek's revenue from external customers. All of its non-current assets and capital expenditure were located/incurred in Chinese Mainland. The geographical location of customers is based on the location at which the goods were sold or the services were provided.

	Years ended December 31,		Periods ended October 18,	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Chinese Mainland	241,145	266,456	206,464	320,110
Overseas	27,414	23,475	23,120	15,827
	268,559	289,931	229,584	335,937

(ii) Information about major customers

Revenue from each major customer which accounted for 10% or more of MagnTek's revenue during the Pre-acquisition Period is set out below:

	Years ended December 31,		Periods ended October 18,	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Customer A'	57,469	79,081	57,631	89,319

(2) Other net income

	Years ended December 31,		Periods ended October 18,	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Bank interest income	543	30	24	100
Changes in fair value of financial assets measured at FVPL	233	558	361	815
Government grants (Note)	2,401	8,335	5,802	1,404
Net foreign exchange gain/(loss)	2,077	(677)	(693)	(1,115)
Value-added tax deduction	–	4,164	–	3,871
Net losses on disposal of property, plant and equipment and right-of-use assets	–	(24)	(35)	(40)
Others	669	77	21	(1,137)
	5,923	12,463	5,480	3,898

Note: The government grants primarily comprise subsidies received from the government for the encouragement of research and development projects.

(3) Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs

	Years ended December 31,		Periods ended October 18,	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Finance costs:				
Interest on				
– interest-bearing borrowings	1,228	1,867	1,575	1,225
– lease liabilities	48	91	79	43
	1,276	1,958	1,654	1,268

(b) Staff costs

	Years ended December 31,		Periods ended October 18,	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Salaries, wages and other benefits	62,636	77,268	57,014	68,341
Contributions to defined contribution retirement plan	4,381	5,687	4,623	5,288
Equity-settled share-based transactions	17,487	18,163	15,136	18,640
	84,504	101,118	76,773	92,269

Employees of MagnTek are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. MagnTek contributes funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

MagnTek has no other material obligation for the payment of retirement benefits beyond the contributions described above.

(c) Other items

	Years ended December 31,		Periods ended October 18,	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Depreciation charge				
– owned property, plant and equipment *(Note 35(5))*	2,619	3,379	2,688	4,853
– right-of-use assets *(Note 35(6))*	367	1,118	912	586
	2,986	4,497	3,600	5,439
Amortisation of intangible assets *(Note 35(7))*	226	353	271	573
Cost of inventories *(Note)*	126,782	151,554	118,912	169,553

Note:

Cost of inventories includes amounts relating to staff costs, depreciation and amortization expenses and write-down/(reversal) of inventories, which are also included in the respective total amounts disclosed separately above or in Note 35(3)(b) for each of these types of expenses.

(4) Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	Years ended December 31,		Periods ended October 18	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax				
Provision for the year / period	1,975	–	–	590
(Over) / under-provision in previous years	–	(499)	(499)	178
Deferred tax				
Origination and reversal of temporary differences *(Note 35(16)(b))*	(873)	(788)	(565)	(612)
	1,102	(1,287)	(1,064)	156

Notes:

(i) According to the Corporate Income Tax Law of China (the "**Tax Law**"), MagnTek's subsidiaries in the PRC are subject to statutory income tax rate of 25%, except for those which are entitled to a preferential tax rate applicable to advanced and new technology enterprises of 15%. MagnTek's subsidiaries Shanghai MagnTek Microelectronics Inc. (上海麥歌恩微電子股份有限公司) obtained the certificate of high-technology enterprise in 2021 and renewed in 2024, and is subject to income tax rate at 15% for the years ended December 31, 2022 and 2023, and the periods ended October 18, 2023 and 2024. MagnTek's subsidiaries MagnTek Electronics (Shanghai) Co., Ltd. (麥歌恩電子（上海）有限公司), Shenzhen Magen Technology Co., Ltd. (深圳麥歌恩科技有限公司) and Chongqing QstMagnTek Microelectronics Co., Ltd. (重慶睿歌微電子有限公司) obtained the certificate of high-technology enterprise in 2022, and are subject to income tax rate at 15% for the years ended December 31, 2022 and 2023, and the periods ended October 18, 2023 and 2024.

(ii) Taxation of subsidiaries are charged at the prevailing rates of respectively in the relevant countries and are calculated on a stand-alone basis.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended December 31,		**Periods ended October 18**	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	30,733	12,217	1,854	42,094
Income tax expenses calculated at applicable tax rate	4,610	1,967	307	6,628
Effect of adjustment to income tax of prior periods	–	(499)	(499)	178
Effect of non-deductible expenses	4,924	3,407	2,804	2,444
Effect of deductible temporary difference or deductible losses unrecognized in the current period	178	2,468	3,422	1,050
Effect of using deductible losses for which deferred tax assets were previously not recognised	(1,320)	–	–	(2,686)
Effect of additional deduction on research and development expenses	(7,290)	(8,630)	(7,098)	(7,458)
Actual tax expense/(benefit)	1,102	(1,287)	(1,064)	156

(5) Property, plant and equipment

	General equipment *RMB'000*	Special equipment *RMB'000*	Construction in progress *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
Cost:					
At January 1, 2022	1,102	14,772	–	4,788	20,662
Additions	400	8,411	–	497	9,308
Disposals	(43)	(12)	–	(2,318)	(2,373)
At December 31, 2022 and January 1, 2023	1,459	23,171	–	2,967	27,597
Additions	134	18,082	–	293	18,509
Disposals	(185)	(1,188)	–	–	(1,373)
At December 31, 2023 and January 1, 2024	1,408	40,065	–	3,260	44,733
Additions	203	30,201	2,070	601	33,075
Disposals	(638)	(1,922)	–	(1,986)	(4,546)
At October 18, 2024	973	68,344	2,070	1,875	73,262
Accumulated depreciation:					
At January 1, 2022	(806)	(5,266)	–	(3,439)	(9,511)
Charge for the year	(162)	(1,611)	–	(846)	(2,619)
Written back on disposals	35	1	–	2,317	2,353
At December 31, 2022 and January 1, 2023	(933)	(6,876)	–	(1,968)	(9,777)
Charge for the year	(238)	(2,593)	–	(548)	(3,379)
Written back on disposals	183	1,128	–	–	1,311
At December 31, 2023 and January 1, 2024	(988)	(8,341)	–	(2,516)	(11,845)
Charge for the period ended October 18, 2024	(174)	(4,188)	–	(491)	(4,853)
Written back on disposals	555	1,717	–	1,604	3,876
At October 18, 2024	(607)	(10,812)	–	(1,403)	(12,822)
Net book value:					
At October 18, 2024	366	57,532	2,070	472	60,440
At December 31, 2023	420	31,724	–	744	32,888
At December 31, 2022	526	16,295	–	999	17,820

(6) Right-of-use assets

(a) The reconciliation of the carrying amounts of right-of-use assets by class of underlying asset is as follows:

	Buildings
	RMB'000
Cost:	
At January 1, 2022	1,741
Additions	2,965
Disposals	(1,927)
At December 31, 2022 and January 1, 2023	2,779
Additions	171
At December 31, 2023 and January 1, 2024	2,950
Additions	1,127
Disposals	(2,778)
At October 18, 2024	1,299
Accumulated depreciation:	
At January 1, 2022	(1,029)
Charge for the year	(367)
Disposals	1,044
At December 31, 2022 and January 1, 2023	(352)
Charge for the year	(1,118)
At December 31, 2023 and January 1, 2024	(1,470)
Charge for the period ended October 18, 2024	(586)
Disposals	1,585
At October 18, 2024	(471)
Net book value:	
At October 18, 2024	828
At December 31, 2023	1,480
At December 31, 2022	2,427

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	As at December 31,		As at October 18,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:			
Buildings	367	1,118	586
Interest on lease liabilities	48	91	43
Expense relating to short-term leases	1,356	929	361

Detail of maturity analysis of lease liabilities arising from leases that are not yet commenced is set out in Note 35(15).

MagnTek has obtained the right to use properties through tenancy agreements. The leases typically run for an initial period of 2 to 3 years.

(7) Intangible assets

	Software
	RMB'000
Cost:	
At January 1, 2022	1,301
Additions	1,418
At December 31, 2022 and January 1, 2023	2,719
Additions	1,456
At December 31, 2023 and January 1, 2024	4,175
Additions	2,070
At October 18, 2024	6,245
Accumulated amortization:	
At January 1, 2022	(265)
Charge for the year	(226)
At December 31, 2022 and January 1, 2023	(491)
Charge for the year	(353)
At December 31, 2023 and January 1, 2024	(844)
Charge for the period ended October 18, 2024	(573)
At October 18, 2024	(1,417)
Net book value:	
At October 18, 2024	4,828
At December 31, 2023	3,331
At December 31, 2022	2,228

(8) Investments in subsidiaries

As at October 18, 2024, MagnTek has direct interests in the following subsidiaries, all of which are private companies:

Name of Company	Place and date of establishment	Particulars of issued capital	Particulars of paid-up capital	Percentage of equity attributed to Magntek Direct	Principal activities
Magn Tek Electronics (Shanghai) Co., Ltd. 麥歌恩電子(上海)有限公司 *(Note)*	The PRC 26 August 2013	RMB 1,962,624	RMB 1,962,624	100%	Sales, R&D
Shenzhen Magen Technology Co., Ltd.深圳麥歌恩科技有限公司 *(Note)*	The PRC 12 April 2019	RMB 20,000,000	RMB 2,000,000	100%	Sales, R&D
Chongqing QstMagnTek Microelectronics Co., Ltd. 重慶睿歌微電子有限公司 *(Note)*	The PRC 28 May 2020	RMB 20,000,000	RMB 20,000,000	100%	Sales, R&D
Shenzhen Maige En Microelectronics Co., Ltd. 深圳麥歌恩微電子有限公司 *(Note)*	The PRC 2 August 2023	RMB 2,000,000	RMB 1,000,000	100%	Sales

Note: These entities are limited liability companies established in PRC. The official names of these entities are in Chinese. The English names are for identification purpose only.

All MagnTek's companies now have adopted December 31, as their financial year end date.

(9) Other non-current assets

	As at December 31,		As at October 18,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Capacity deposit	1,398	2,940	1,875
Prepayments for property, plant and equipment	10,394	9,308	838
	11,792	12,248	2,713

(10) Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	As at December 31,		As at October 18,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Sensor products			
– Raw materials	13,694	24,443	21,261
– Work in progress	40,633	24,643	40,417
– Finished goods	24,514	34,072	38,904
– Goods in transit	–	–	606
– Goods delivered to customers	740	–	488
	79,581	83,158	101,676

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	As at December 31,		As at October 18,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	124,719	151,629	166,055
Write-down/(reversal) of inventories	2,063	(75)	3,498
	126,782	151,554	169,553

Net realizable value of inventories is estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling production of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

(11) Trade and other receivables

	Notes	As at December 31, 2022	As at December 31, 2023	As at October 18, 2024
		RMB'000	*RMB'000*	*RMB'000*
Trade receivables		48,385	38,953	58,627
Bills receivables		3,268	7,594	9,258
Less: loss allowance		(2,020)	(1,950)	(3,183)
Trade and bills receivables		49,633	44,597	64,702
Bills receivables, measures at fair value through other comprehensive income ("**FVOCI**")	*i*	3,841	4,249	8,705
Amount due from the controlling shareholder of MagnTek	*ii*	7,466	7,466	7,177
Other receivables		1,393	6,766	6,882
Value-added tax recoverable		38	2,407	3,304
Prepayments		3,348	1,972	906
Less: loss allowance		(345)	(2,391)	(2,717)
Net prepayments and non-trade receivables		11,900	16,220	15,552
		65,374	65,066	88,959

Notes:

i The certain bills receivables held by MagnTek are achieved by both collecting contractual cash flows and selling financial assets, which are measured at fair value through other comprehensive income (recycling).

As at December 31, 2022 and 2023, and October 18, 2024, MagnTek endorsed undue bills receivables of RMB8,628,000, RMB13,793,000, and RMB15,029,000 respectively to its suppliers to settle trade payables of the same amount and derecognised these bills receivables and payables to suppliers in their entirely from balance sheet as MagnTek's management considered that the risk and rewards of ownership of these undue bills have been substantially transferred.

As at December 31, 2022 and 2023, and October 18, 2024, MagnTek had no undue bills receivables endorsed to banks.

As at December 31, 2022 and 2023, and October 18, 2024, the maximum exposure to loss from its continuous involvement represents the amount of bills receivables of RMB8,628,000, RMB13,793,000 and RMB15,029,000, which MagnTek endorsed to its suppliers. These undue bills receivables were due within 6 months from date of issuance.

ii Included in the amount due from the controlling shareholder of MagnTek is payment of project deposits. If the project completed, these deposits paid will be refunded to MagnTek.

All of the trade and other receivables are expected to be recovered within one year.

Ageing analysis

As of the year/period end of the Pre-acquisition Period, the ageing analysis of trade receivables and bills receivables measured at amortized cost, based on the due date and net of loss allowance, is as follows:

	As at December 31, 2022	2023	As at October 18, 2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	49,633	44,582	63,358
Over 1 year but less than 2 years	–	15	1,344
	49,633	44,597	64,702

(12) Financial assets measured as FVPL

	As at December 31, 2022	2023	As at October 18, 2024
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products	12,552	55,040	–

(13) Trade and other payables

	As at December 31, 2022	2023	As at October 18, 2024
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– due to the controlling shareholder of MagnTek	1,264	1,463	6,910
– due to third parties	10,309	20,351	34,859
	11,573	21,814	41,769
Amounts due to the controlling shareholder of MagnTek	6,616	7,324	7,295
Accrued payroll	20,345	22,128	21,600
Other taxes and surcharges payables	4,064	3,863	1,512
Other payables	3,100	841	1,248
	45,698	55,970	73,424

All trade and other payables are expected to be settled within one year or are repayable on demand.

As of the year/period end of the Pre-acquisition Period, the ageing analysis of trade payables (which are included in trade and other payables) is as follows:

	As at December 31, 2022	2023	As at October 18, 2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	11,573	21,814	41,128
Over 1 year but less than 2 years	–	–	641
	11,573	21,814	41,769

(14) Interest-bearing borrowings

(a) The analysis of the carrying amount of interest-bearing borrowings is as follows:

	As at December 31, 2022	2023	As at October 18, 2024
	RMB'000	*RMB'000*	*RMB'000*
Loans from the controlling shareholder of MagnTek	37,549	47,685	28,126
Secured bank loans	10,000	3,000	–
	47,549	50,685	28,126
Reconciliation to the consolidated statements of financial position:			
Current portion	11,400	–	–
Non-current portion	36,149	50,685	28,126
	47,549	50,685	28,126

All of the above interest-bearing borrowings are carried at amortized cost.

(b) The analysis of the repayment schedule of interest-bearing borrowings is as follows:

	As at December 31, 2022	2023	As at October 18, 2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	11,400	–	–
After 1 years but within 2 years	–	3,000	–
After 2 years but within 5 years	36,149	47,685	28,126
	36,149	50,685	28,126
	47,549	50,685	28,126

(c) Borrowings of MagnTek were secured by a related party:

	As at December 31, 2022	2023	As at October 18, 2024
	RMB'000	*RMB'000*	*RMB'000*
An executive director of MagnTek	10,000	3,000	–

(15) Lease liabilities

	As at December 31, 2022	2023	As at October 18, 2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	939	1,091	395
After 1 year but within 2 years	975	541	356
After 2 years but within 5 years	498	–	157
	1,473	541	513
	2,412	1,632	908

(16) Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statements of financial position represents:

	As at December 31, 2022	2023	As at October 18, 2024
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year/period	–	2,188	–
Provision/(reversal) for income tax for the year/period	1,102	(1,287)	156
Net income tax refunded/(paid) during the year/period	1,086	(901)	449
At the end of the year/period	2,188	–	605

(b) Deferred tax assets recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the Pre-acquisition Period are as follows:

Deferred tax arising from:	Lease liabilities	Write-down/ (reversal) of inventories	Credit loss allowance	Refund liabilities from right of return	Right-of-use assets	Estimated cost of goods return	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	101	203	20	–	(107)	–	217
Credited/(charged) to profit or loss	261	310	359	–	(57)	–	873
At December 31, 2022 and January 1, 2023	362	513	379	–	(164)	–	1,090
(Charged)/credit to profit or loss	(293)	(12)	295	1,162	102	(466)	788
At December 31, 2023 and January 1, 2024	69	501	674	1,162	(62)	(466)	1,878
(Charged)/credit to profit or loss	(66)	525	152	196	59	(254)	612
At October 18, 2024	3	1,026	826	1,358	(3)	(720)	2,490

(c) Deferred tax assets not recognised

As at December 31, 2022, 2023 and October 18, 2024, MagnTek has not recognised deferred tax assets in respect of cumulative tax losses of RMB36,173,000, RMB52,773,000 and RMB43,414,000 respectively as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses arising from operations in Mainland China can be carried forward to offset against taxable profits of subsequent years for up to five years for general enterprise and ten years for high-technology enterprise, from the year in which they arose.

(17) Refund liabilities from right of return

Refund liabilities for expectation of goods returned from customers.

	RMB'000
As at January 1, 2022 and December 31, 2022	–
Provision in the year	22,276
Utilization of provision	(11,380)
As at January 1, 2023 and December 31, 2023	10,896
Provision in the period	8,497
Utilization of provision	(9,829)
As at October 18, 2024	9,564

36 SUBSEQUENT EVENTS

There is no significant non-adjusting event after the Track Record Period.

37 ULTIMATE CONTROLLING PARTY

As at the date of this report, the Directors consider the ultimate controlling party of the Group to be Mr. Wang Shengyang, Mr. Sheng Yun and Mr. Wang Yifeng.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the Track Record Period and which have not been adopted in preparing the Historical Financial Information. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability*	January 1, 2025
Amendments to IFRS 9, *Financial instruments* and IFRS 7, *Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	January 1, 2026
Annual improvements to IFRS Accounting Standards – Volume 11	January 1, 2026
IFRS 18, *Presentation and disclosure in financial statements*	January 1, 2027
IFRS 19, *Subsidiaries without public accountability: disclosures*	January 1, 2027
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to December 31, 2024.

[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 investment in the H shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment 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, value-added tax, stamp duty and estate duty. Prospective investors 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 Ministry of Finance, 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 of the State Taxation Administration 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》), latest amended by the State Council on December 6, 2024 and became effective on January 20, 2025, 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 flat 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 Ministry of Finance and the State Taxation Administration 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 Ministry of Finance 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 of the Ministry of Finance and the State Taxation Administration on 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 Ministry of Finance and the STA on December 29, 2018, the Circular 61 will continue to be effective.

However, the Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), jointly issued by the Ministry of Finance, SAT and CSRC on December 31, 2009 and came into effect on January 1, 2010, states that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and of shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued and implemented by relevant departments on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

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 and the State Taxation Administration 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 HKSE 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-share 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 HKSE 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 THE 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 Ministry of Finance 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 EIT Law.

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 RMB1 million 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 of the PRC on Value-Added Tax (中華人民共和國增值稅暫行條例), which was promulgated by the State Council, and last revised and became effective on 19 November 2017, and the Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例實施細則), which was promulgated by the Ministry of Finance, and last revised on 28 October 2011 and effective on 1 November 2011, all entities and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC are taxpayers of value-added tax (the "**VAT**") and shall pay VAT. Unless stated otherwise, for payers who sell or import goods, and provide processing, repairs and replacement services in the PRC, the tax rate shall be 17%, and be, in certain specified circumstances, 11%, 6% and 0%.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (財政部、稅務總局關於調整增值稅稅率的通知) which was promulgated on 4 April 2018 and came into effect on 1 May 2018, the original rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Policies for Deepening the VAT Reform (關於深化增值稅改革有關政策的公告), which was promulgated by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, the original rates of 16% or 10% applicable to the general VAT payers' sales activities or imports goods that are subject to VAT are adjusted to 13% or 9%, respectively.

On 25 December 2024, the SCNPC promulgated the Value-added Tax Law of the PRC ("**VAT Law**"), which will come into effect on 1 January 2026, and the Provisional Regulations of the PRC on Value-Added Tax will be repealed concurrently. Pursuant to the VAT Law, entities and individuals (including individual industrial and commercial proprietors) selling goods, services, intangible assets, real estate and importing goods within the territory of the PRC are taxpayers of VAT and shall pay VAT in accordance with the provisions of the law. Unless stated otherwise, for payers who sell goods, and provide processing, repairs and replacement services and rental services of tangible movable assets as well as import goods, the tax rate shall be 13%, and be, in certain specified circumstances, 9%, 6% and 0%.

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. The integrated circuit design, equipment, materials, packaging and testing enterprises 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》) jointly promulgated by the Ministry of Finance, the STA, the NDRC and the MIIT, the 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 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 publicly disclosed documents such as the document or 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 the principal laws, regulations and policies of the People's Republic of China (PRC) which are relevant to our Company's current day-to-day business operations in the PRC. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III – Taxation and Foreign Exchange". The principal objective of this summary is to provide potential investors 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 potential investors. For a discussion of laws and regulations which are relevant to our Company's business, please refer to the section headed "Regulatory Overview" in this document.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the People's Republic of China (《中華人民共和國憲法》) amended and effective from March 11, 2018 (the "**Constitution**"), which 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 to which the Chinese government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they can serve as judicial reference and guidance.

According to the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》) last amended on March 13, 2023 and effective from March 15, 2023 (the "**Legislation Law**"), the National People's Congress (NPC) and the NPC Standing Committee are empowered to exercise the legislative power of the State. The NPC has the power to enact and amend basic laws governing State organs, civil, criminal and other matters. The NPC Standing Committee has the power to enact and amend 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 do not contravene the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to enact administrative regulations based on the Constitution and laws. The people's congresses of the provinces, autonomous regions and municipalities and their standing committees may enact 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 enact 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. Where laws provide otherwise for the enactment 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 do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of the relevant provinces or autonomous regions. The 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, the People's Bank of China (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 their respective scopes of authority in accordance with laws as well as the administrative regulations, decisions and orders of the State Council.

The NPC has the power to amend or repeal any inappropriate laws enacted by the NPC Standing Committee, and to repeal any autonomous regulations or separate regulations approved by the NPC Standing Committee that contravene the Constitution or the Legislation Law. The NPC Standing Committee has the power to repeal any administrative regulations that contravene the Constitution and laws, and to repeal any local regulations that contravene the Constitution, laws and 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 that contravene any provision of the Constitution or 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 enacted or approved by their respective standing committees. The standing committees of local people's congresses have the right to repeal any inappropriate rules formulated 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 formulated by the people's governments at lower levels.

Pursuant to the Resolution of the Standing Committee of the National People's Congress on Strengthening Legal Interpretation Work (《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, where the provisions of a law or decree require further clarification or additional provisions, the NPC Standing Committee shall provide interpretation or make stipulation by decree. Issues related to the application of laws in a court trial shall be interpreted by the Supreme People's Court. Issues related to the application of laws in a prosecution process of the procuratorate shall be interpreted by the Supreme People's Procuratorate. Issues related to the application of laws other than in a court trial or in a prosecution process of the procuratorate shall be interpreted by the State Council and the competent authorities. At the local level, the power to interpret local laws and regulations is vested in the local legislative and administrative authorities which promulgate such laws and regulations.

PRC JUDICIAL SYSTEM

According to the Constitution and the Law of Organization of the People's Court of the People's Republic of China (《中華人民共和國人民法院組織法》), as amended by the NPC Standing Committee on October 26, 2018 and effective from January 1, 2019, the people's courts of the PRC are divided into the Supreme People's Court, local people's courts at various levels and special people's courts. Local people's courts at various levels are divided into three levels, namely, basic people's courts, intermediate people's courts and higher people's courts. Basic people's courts may set up special civil tribunals based on region, population and case-related considerations. The Supreme People's Court serves as the highest judicial organ in the PRC. The Supreme People's Court exercises its supervisory authority over the trial practices of local people's courts at various levels and special people's courts, while higher people's courts exercise their supervisory authority over the trial practices of people's courts at lower levels.

The people's courts employ a two-tier trial system, i.e., judgments or rulings of the second instance at people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgment or ruling of the people's court shall be final. Judgments or rulings of the second instance of intermediate people's courts, higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court shall be final. However, if the Supreme People's Court finds any definite error in a legally effective final judgment or ruling of a people's court at any level, a higher people's court finds any definite error in a legally effective final judgment or ruling of a people's court at a lower level, or if the president of a people's court at any level finds any definite error 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 People's Republic of China (《中華人民共和國民事訴訟法》) last amended on September 1, 2023 and effective from January 1, 2024 (the "**Civil Procedure Law**") provides for the conditions for instituting a civil action, the jurisdiction of people's courts, 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 Civil Procedure Law of the People's Republic of China. 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 jurisdiction of a 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 or a venue which has actual connection with the dispute, provided that the selection does not violate the provisions of the Civil Procedure Law on hierarchical jurisdiction and exclusive jurisdiction.

A foreign individual, person without nationality, foreign enterprise or foreign organization shall have the same litigation rights and obligations as a Chinese citizen, legal person or other organization in initiating or defending against a litigation in a people's court. Where a foreign court restricts the litigation rights of a Chinese citizen or enterprise, the Chinese people's courts shall apply the principle of reciprocity to the civil litigation rights of the citizens and enterprises of that country. Where a foreign individual, person without nationality, foreign enterprise or foreign organization initiates or responds to a litigation in a people's court in the PRC and needs to engage a lawyer to represent he/she/it in the litigation, he/she/it must engage a Chinese lawyer. In accordance with the international treaties to which the PRC is a signatory or party, or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigations and collect evidence and conduct other actions on their behalf. A people's court shall not accede to any request made by a foreign court which results in the infringement of the 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 the enforcement of an effective judgment or ruling made by a people's court, but the opposite party or his/her/its property is not within the territory of the People's Republic of China, the party making the request may directly apply to the foreign court with jurisdiction for the 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 party, or according to the principle of reciprocity, request for the recognition and enforcement of the judgment or ruling 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, the party concerned 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 that country and the PRC are signatories or parties, or according to the principle of reciprocity, request for the recognition and enforcement by the people's court, unless the people's court considers that such judgment or ruling is contrary to the fundamental principles of the PRC laws or to the sovereignty or security of the PRC, or is not in the social and public interests of the PRC.

THE COMPANY LAW, TRIAL MEASURES AND ARTICLES OF ASSOCIATION GUIDELINES

A joint stock limited company established in the PRC seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations of the PRC.

The Company Law of the People's Republic of China (《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 has taken effect on July 1, 2024.

The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "**Trial Measures**") and supporting guidelines were released by the China Securities Regulatory Commission (CSRC) on February 17, 2023 and came into effect on March 31, 2023, and were applicable to both direct and indirect overseas offering and listing by domestic companies. The Trial Measures also set out the filing and administration methods and regulatory requirements for the overseas securities offering and listing by domestic companies.

On March 28, 2025, the CSRC released the latest revised Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the "**Articles of Association Guidelines**"), which came into effect on the same date. Pursuant to the provisions of the Trial Measures and its supporting guidelines, the Guidelines of Regulatory Rules Application – Overseas Offering and Listing No.1, domestic companies directly offering and listing overseas are required to 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 Articles of Association Guidelines which are applicable to our Company.

General Provisions

"A joint stock limited company" means a corporate legal person incorporated in the PRC 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 laws, 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 company 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 company 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 companies offering and listing overseas shall file with the CSRC in accordance with the Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. For a domestic company directly offering and listing overseas, the issuer shall file with the CSRC. For a domestic company indirectly offering and listing 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 relevant documents.

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 a 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 laws. 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 one 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 one 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 the Articles of Association Guidelines, the rights of a shareholder include:

(i) to receive dividends and other forms of distributions in proportion to their shareholdings;

(ii) to request, convene, preside over, attend or appoint a proxy to attend shareholders' general meetings and to exercise the corresponding voting rights in accordance with laws;

(iii) to supervise and manage a company's business operations, and to present proposals or to raise inquiries;

(iv) to transfer, gift or pledge the shares held by him/her in accordance with laws, administrative regulations and the provisions of the articles of association;

(v) to inspect and copy the company's articles of association, share register, minutes of shareholders' general meetings, resolutions of meetings of the board of directors, and financial and accounting reports; shareholders who meet the specified requirements may inspect the company's accounting books and accounting vouchers;

(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) for any shareholder who raises objections to the resolution of the shareholders' general meeting on the merger or split-up of the company, to request the company to purchase its shares;

(viii) other rights conferred by laws, administrative regulations, departmental rules or the articles of association.

The obligations of a shareholder include:

(i) to comply with laws, administrative regulations and the articles of association;

(ii) to pay subscription money according to the number of shares subscribed and the method of subscription;

(iii) not to withdraw his/her share capital except under the circumstances prescribed by laws or regulations;

(iv) not to abuse their shareholders' rights to damage the interests of the company or other shareholders; not to abuse the independent legal person status of the company and the limited liability of shareholders to damage the interests of the creditors of the company;

(v) 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 the company and shall exercise his/her 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 him/her/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 Articles of Association Guidelines, 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 chairperson and may have deputy chairperson(s). The chairperson and deputy chairperson(s) shall be elected by more than half of all the directors. The chairperson 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 chairperson(s) shall assist the chairperson in the performance of his/her duties. If the chairperson is unable or fails to perform his/her duties, the deputy chairperson(s) shall perform such duties. If the deputy chairperson(s) is/are unable or fail(s) to perform his/her/their 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 a 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, articles 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 three 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 chairperson and may have deputy chairperson(s). The chairperson and deputy chairperson(s) of the board of supervisors shall be elected by more than half of all the supervisors. The chairperson of the board of supervisors shall convene and preside over the meetings of the board of supervisors. If the chairperson of the board of supervisors is unable or fails to perform his/her duties, the deputy chairperson(s) of the board of supervisors shall convene and preside over the meeting. If the deputy chairperson(s) is/are unable or fail(s) to perform his/her/their 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 limited company may, instead of setting up a board of supervisors, in accordance with the provisions of its articles of association, set up an audit committee consisting of directors in its board of directors to exercise the powers and functions of the board of supervisors.

On December 27, 2024, the CSRC issued the Transitional Arrangements for the Implementation of the Supporting Institutional Rules for 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), whereby listed companies shall, before January 1, 2026, in accordance with the provisions of the Company Law, the Provisions of the State Council on Implementing the Registration Management System for Registered Capital under the Company Law of the People's Republic of China (《國務院關於實施＜中華人民共和國公司法＞註冊資本登記管理制度的規定》) and the supporting institutional rules of the CSRC, provide in the articles of association for the establishment of an audit committee in the board of directors to exercise the powers and functions of a board of supervisors as stipulated in the Company Law without establishing a board of supervisors or appointing supervisors. Before a listed company adjusts the establishment of the company's internal supervisory body, its board of supervisors or supervisors shall continue to comply with the provisions of the original institutional 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 accountable to the board of directors and exercise his/her 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 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 the 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 close family members 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 close family members, 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 laws. The financial accounting report shall be prepared in accordance with 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, the 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 Articles of Association Guidelines provide that the engagement of an accounting firm by a company 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 be paid 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 split-up of the company;

(iv) suspension of the business license, being ordered to close down or being revoked in accordance with laws; or

(v) being dissolved by a people's court in accordance with the provisions of Article 231 of the Company Law.

If any of the causes for dissolution as mentioned in the preceding paragraph occurs, a company shall publicize the cause(s) for dissolution 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) taking inventory of the property of the company and preparing a balance sheet and an inventory of property, respectively;

(ii) notifying the company's creditors by mail or public announcement;

(iii) handling outstanding company business related to liquidation;

(iv) paying off the taxes overdue by the company and the taxes incurred in the process of liquidation;

(v) settling the company's creditor's rights 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 a newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their proof of claims 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 the 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 proof of claims, the liquidation group shall not pay off for any of the creditors.

The liquidation group shall, after taking inventory of 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.

The remaining property of the company after payment of liquidation expenses, wages of employees, social insurance premiums and statutory compensations, payment of outstanding taxes and settlement of the debts of the company shall, 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 is not sufficient for paying off the debts after taking inventory of 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, any initial public offering or listing overseas 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 the provision 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 Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》), apply to a people's court if his/her share certificate is either stolen, lost or destroyed, for a declaration that such certificate will no longer be valid. After the people's court declared that such certificate will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate.

Suspension and Termination of Listing

The Company Law has deleted provisions regarding suspension and termination of listing. The Securities Law of the People's Republic of China (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 a stock exchange, the stock exchange shall terminate its listing and trading in accordance with the its 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 the CSRC within 3 working days after the occurrence and public disclosure of the event.

Securities Laws 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 both at home and abroad, 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 on 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, regulates the application and approval procedures for the public issue of shares, the trading of shares, the acquisitions by listed companies, the deposit, settlement and transfer of listed shares, the disclosure of information by listed companies, the investigation and penalties, and the arbitration of disputes.

The Provisions of the State Council on Domestic Listing of Foreign Shares by Companies Limited by Shares (《國務院關於股份有限公司境內上市外資股的規定》), promulgated by the State Council and effective on December 25, 1995, mainly regulates the issue, subscription, trading and payment of dividends of domestic listing foreign shares and the disclosure of information of companies limited by shares with domestic listing foreign shares.

The Securities Law of the People's Republic of China (《中華人民共和國證券法》) latest amended by the NPC Standing Committee on December 28, 2019 and effective from March 1, 2020 (the "**PRC Securities Law**") provides a series of provisions regulating, among other things, the issue and trading of securities, the acquisitions 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

In accordance with the Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) amended by the NPC Standing Committee on September 1, 2017 and effective from January 1, 2018 (the "**Arbitration Law**"), the Arbitration Law is applicable to economic disputes involving foreign parties, where 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 China Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with relevant regulations under the Arbitration Law and the Civil Procedure Law of the People's Republic of China. When parties concerned have reached an agreement for arbitration but one party brings a suit in the people's court, the people's court shall not accept the case, except in the case that the agreement for arbitration is invalid.

In accordance with 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 Civil Procedure Law of the People's Republic of China. 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 laws 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

In accordance with 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 a 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 Judgments 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 came into effect on January 29, 2024, aiming to establish a mechanism with further clarification on and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between the Hong Kong Special Administrative Region and China.

This Appendix mainly provides investors 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 investors.

SHARES

Issuance of Shares

The Shares of the Company shall take the form of registered 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.

The Shares issued by the Company shall be denominated in RMB, with a par value of RMB1 per share. The Shares issued by the Company and listed on the Shanghai Stock Exchange are hereinafter referred to as "A Shares", and the Shares issued by the Company and listed on the Hong Kong Stock Exchange are hereinafter referred to as "H Shares".

The A Shares publicly issued by the Company shall be held in central custody at the Shanghai branch of China Securities Depository and Clearing Corporation Limited. The H Shares publicly issued by the Company shall primarily be placed in the custody of a company authorized by the Hong Kong Securities Clearing Company Limited, or may also be held by Shareholders in their own names in accordance with the laws, securities regulatory rules and securities registration and deposit practices of the place where such share are listed.

INCREASE, REDUCTION AND REPURCHASE 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 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, the Hong Kong Listing Rules and other relevant regulations, as well as the Articles.

Repurchase of Shares

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 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 acquire its own Shares through one of the following methods: an open and concentrated trading method; a tender offer; other methods recognized by the securities regulatory authority and stock exchange where the Company's Shares are listed. Any acquisition of the Company's Shares under the circumstances stipulated in items (iii), (v), and (vi) above shall be conducted through an open and concentrated trading method. Following the acquisition of the Company's Shares, the Company shall fulfill its information disclosure obligations in accordance with the Securities Law and the Hong Kong Listing Rules, as well as other applicable laws, regulations, and securities regulatory rules of the place where the Company's Shares are listed. Shares held in the Company's dedicated repurchase account shall carry no entitlement to voting at general meetings, profit distribution, capitalization of capital reserves, subscription of new Shares, subscription of convertible corporate bonds and other rights.

In the event of acquisition of the Company's Shares under the circumstances stipulated in items (i) and (ii) above, such acquisition shall be subject to a resolution of the general meeting. For an acquisition of the Company's Shares due to the reasons specified in items (iii), (v), and (vi) above, provided that it complies with the securities regulatory rules of the place where the Company's Shares are listed, the acquisition may be decided by a Board meeting attended by more than two-thirds of the Directors, either in accordance with the provisions of the Articles or under an authorization granted by the general meeting.

After the Company acquires its own Shares in accordance with the aforementioned provisions, in the case of item (i), the acquired Shares shall be canceled within 10 days from the date of acquisition; in the case of items (ii) and (iv), the acquired Shares shall be transferred or canceled within 6 months; in the case of items (iii), (v), and (vi), the total number of Shares held by the Company shall not exceed 10% of the total issued Shares of the Company, and shall be transferred or canceled within 3 years.

Notwithstanding the foregoing provisions, if applicable laws, regulations, other provisions of the Articles, or the laws or requirements of securities regulatory authorities at the place where the Company's Shares are listed provide otherwise in respect of the repurchase of the Company's Shares mentioned above, such provisions shall prevail. Any repurchase of the Company's H Shares shall comply with the Hong Kong Listing Rules and other relevant laws, regulations, and regulatory requirements applicable at the place where the Company's H Shares are listed.

Transfer of Shares

The Shares of the Company may be transferred in accordance with laws. All transfers of H Shares shall be effected by transfer instrument in writing in a general or common form or in any other form acceptable to the Board, including the standard transfer form or form of transfer specified by the Hong Kong Stock Exchange from time to time. The transfer instrument may be signed by hand or stamped with the Company's valid seal (where the transferor or transferee is a corporation) only. If the transferor or transferee is a recognized clearing house as defined by the relevant provisions that come into effect from time to time according to the laws of Hong Kong or its nominee, the transfer instrument may be signed by hand or in printed form. All the transfer instruments shall be kept at the legal address of the Company or an address designated by the Board from time to time.

The Company shall not accept its own Shares as the subject of pledge.

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. Shares already issued by the Company before the initial 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 management 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 securities regulatory rules of the places where the Company's Shares are listed provide otherwise in respect of the restrictions on transfer of Shares, such rules shall prevail.

Where the Company's Directors, Supervisors, senior management 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 the Company shall recover the proceeds. However, other circumstances shall be excluded where a securities company holds 5% or more of the Shares due to its purchase of any remaining Shares under best efforts underwriting or where the provisions of the securities regulatory authority at the place where the Company's Shares are listed apply.

Shares or other securities with the nature of equity held by Directors, Supervisors, senior management 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 the Company fails to comply with the provisions of paragraph 1 of this Article, the Shareholders are entitled to request the Board to do so within 30 days. If the Board 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.

If the Board fails to implement the provisions of paragraph 1 of this Article, the responsible Directors shall bear joint and several liability in accordance with law.

SHAREHOLDERS AND 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 listed 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.

When the Company intends to convene a general meeting, distribute dividends, enter into liquidation and engage in other activities that require determination of the identity of Shareholders, the Board or the convenor of a general meeting shall determine a specific date as equity determination date. The registered Shareholders after the market close of the equity determination date shall be the Shareholders entitled to the relevant rights and interests.

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 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;

(v) the right to inspect the Articles, register of shareholders, corporate bond stubs, minutes of the general meetings, resolutions of the Board, 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 of the Company made by the 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.

When a Shareholder requests to have access to or obtain the information mentioned above in the previous article, he/she shall provide the Company with a written document proving the class and number of shares he/she holds in the Company. The Company shall comply with the Shareholder's request after verifying the Shareholder's identity.

A resolution of the general meeting or the Board of the Company 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 general meeting or the Board contravenes the laws, administrative regulations or the Articles, or if the contents of the resolutions of such meetings contravene the Articles, the Shareholders have the right to request the people's court to revoke the resolution within 60 days from the date of the resolution.

In the event of any loss caused to the Company as a result of violation of laws, administrative regulations or the Articles by the Directors or senior management when performing their duties, any of the Shareholders who holds 1% or more of the Shares individually or jointly for no less than 180 consecutive days shall have the right to request the Board of Supervisors in writing to initiate litigation before the people's court. In the event of any loss caused to the Company as a result of violation of laws, administrative regulations or the Articles by the Board of Supervisors when performing its duties, any of the Shareholders may request the Board in writing to initiate litigation before the people's court. In the event that the Board of Supervisors or the Board refuses to institute litigation upon the receipt of the written request of any of the Shareholders as specified in the preceding paragraph, or withholds from instituting litigation within 30 days of the receipt of the request, or that the failure to institute litigation immediately may otherwise cause irreparable damage to the interest of the Company in an urgent circumstance, such Shareholder(s) as mentioned in the preceding paragraph shall have the right to initiate litigation before the people's court in the name(s) of such Shareholder(s) in the interest of the Company. If any other person infringes on the Company's legitimate rights and interests and therefore has caused loss to the Company, the Shareholders specified in the first paragraph of this Article may initiate litigation before the people's court pursuant to the provisions stated in the two preceding paragraphs. In the event that any Director or senior management violates laws, administrative regulations or the Articles to the detriment of the interest of the Shareholders, the Shareholders may initiate litigation before the people's court.

The Shareholders of the Company shall assume the following obligations:

(i) to comply with laws, administrative regulations and the Articles;

(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; 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;

(v) other obligations imposed by laws, administrative regulations and the Articles.

The controlling Shareholder or the de facto controller of the Company shall not use their connected relationship to prejudice the interests of the Company. In violation of such provisions, he/she shall be liable to compensate the Company for the losses thereof. The controlling Shareholder and the de facto controller of the Company bear fiduciary duties towards the Company and the public Shareholders of the Company. The controlling Shareholder shall exercise his/her rights as a capital contributor strictly in accordance with the laws. The controlling Shareholder shall not make use of methods such as the distribution of profits, restructuring of assets, external investment, misappropriation of assets, borrowing, or providing guarantee, to damage the legitimate rights and interests of the Company and its public Shareholders. Nor shall he/she take the advantage of its controlling position to the detriment of the Company and public Shareholders.

General Requirements of General Meeting

The 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;

(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;

(iv) to consider and approve the reports of the Board of Supervisors;

(v) to consider and approve the annual financial budget plan and final account plan 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;

(xi) to adopt resolutions on the Company's appointments and dismissals of accounting firms and their audit fees;

(xii) to consider and approve the guarantees provided in Article 41;

(xiii) to consider the purchase or sale of major assets in excess of 30% of the Company's latest audited total assets within one year;

(xiv) to consider on transactions that meet one of the following criteria or should be submitted to the general meeting for consideration in accordance with the Hong Kong Listing Rules:

1. The total assets in respect of the transaction (the higher of the carrying amount and the appraisal value) account for more than 50% of the audited total assets of the Company in its latest accounting year;

2. The transaction amount accounts for more than 50% of the market value of the Company;

3. The net assets of the transaction target (such as equities) for the latest accounting year account for more than 50% of the market value of the Company;

4. The revenue related to the transaction target (such as equities) for the latest accounting year accounts for more than 50% of the latest audited revenue of the Company in its latest accounting year and exceeds RMB50 million;

5. The profits generated from the transaction account for more than 50% of the audited net profits of the Company in its latest accounting year and exceed RMB5 million;

6. The net profits related to the transaction target (such as equities) for the latest accounting year account for more than 50% of the audited net profits of the Company in its latest accounting year and exceed RMB5 million.

Transactions from which the Company unilaterally benefits, including receipt of cash assets, debt relief, acceptance of guarantees and financial assistance, etc., may be exempt from the aforementioned general meeting consideration procedures.

(xv) to consider transactions between the Company and the related parties with the transaction amount (excluding the provision of guarantee) accounting for more than 1% of the latest audited total assets or market value of the Company, and the related party transactions exceeding RMB30 million;

(xvi) to consider and approve changes in the use of proceeds;

(xvii) to consider the equity incentive plans and employee shareholding schemes;

(xviii) to consider other matters on which decisions shall be made by the 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.

The following guarantee matters incurred by the Company shall be submitted to the general meeting for deliberation after the Board has approved it:

(i) The amount of a single guarantee exceeds 10% of the latest audited net assets of the Company;

(ii) 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 of the Company;

(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 of the Company;

(v) The amount of guarantee provided by the Company within one year exceeds 30% of the latest audited total assets of the Company;

(vi) Guarantees provided to Shareholders, de facto controllers and their related parties;

(vii) Other external guarantees that shall be approved by the general meeting as required by the stock exchange or the Articles and the securities regulatory rules of the place where the Shares of the Company are listed.

The general meetings are classified into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year and be held within 6 months after the end of the previous accounting year.

In any of the following circumstances, the Company shall convene an extraordinary 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;

(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 make a written request;

(iv) When the Board deems necessary;

(v) When proposed by the Board of Supervisors;

(vi) When it is proposed by more than 1/2 of the independent Directors and approved by the Board;

(vii) 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.

Convening of General meeting

With the consent of more than half of all independent Directors, independent Directors shall be entitled to submit a proposal to the Board on holding an extraordinary general meeting. For such a proposal, the Board shall give a written reply as to whether it agrees or disagrees to hold an extraordinary general meeting within 10 days upon receipt of the proposal in accordance with laws, administrative regulations, and the Articles. Where the Board agrees to hold an extraordinary general meeting, a notice of the general meeting shall be given within 5 days after the resolution of the Board is made. Where the Board does not agree to hold such a meeting, the specific circumstances and reasons shall be disclosed.

The Board of Supervisors shall be entitled to submit a proposal in writing to the Board on holding an extraordinary general meeting. The Board shall give a written reply as to whether it agrees or disagrees to hold an extraordinary general meeting within 10 days upon receipt of the proposal in accordance with laws, administrative regulations, and the Articles. Where the Board agrees to hold an extraordinary general meeting, a notice of general meeting shall be given within 5 days after the resolution of the Board 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 does not agree to hold an extraordinary general meeting or fails to give a written reply within 10 days upon receipt of the proposal, it shall be deemed that the Board is unable or fails to perform its duty of convening a 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 to convene an extraordinary general meeting and such request shall be made to the Board in writing. The Board shall give a written reply as to whether it agrees or disagrees to hold an extraordinary general meeting within 10 days upon receipt of the request in accordance with laws, administrative regulations, and the Articles. Where the Board agrees to hold an extraordinary general meeting, it shall issue a notice of the general meeting within 5 days after the resolution of the Board is made. Any change to the original request in the notice shall be subject to the approval from the relevant Shareholders. Where the Board does not agree to hold an extraordinary 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 extraordinary general meeting and such request shall be made to the Board of Supervisors in writing. Where the Board of Supervisors agrees to hold an extraordinary general meeting, it shall issue a notice of general meeting within 5 days after receiving the request. Any changes to the original proposal in the notice shall be approved by the relevant Shareholders. Where the Board of Supervisors fails to give the notice of the 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. When Shareholders convene a general meeting on their own, they shall notify the Company's Board in writing before issuing the notice of the general meeting and submit relevant documents to the Shanghai Stock Exchange for filing. Before announcing the resolution of the general meeting, the proportion of Shares held by the convening Shareholders shall not be less than 10% of the Company's total Shares. The convening Shareholders shall apply to lock up the Company's Shares held by them during the aforementioned period before issuing the notice of the general meeting. If any emergency occurs during the general meeting that prevents the meeting from being held normally, the Company shall immediately report to the Shanghai Stock Exchange, setting out the reasons therefor and disclosing the relevant particulars together with a special legal opinion issued by its counsel.

In the event that the Board of Supervisors or the Shareholder(s) decide to convene the general meeting on their own, the Board of Supervisors or the Shareholder(s) shall notify the Board in writing and file with the Shanghai Stock Exchange. The shareholding in the Company of the Shareholder(s) who convene(s) the general meeting shall not be less than 10% prior to the disclosure of resolutions of the general meeting. The announcement shall be made by the convening Shareholder(s) not later than the issue of notice of general meeting, and the convening Shareholder(s) shall warrant that from the date of proposal to hold the general meeting to the date of holding the meeting, its (their) shareholding shall not be less than 10% of the Company's total share capital. The Board of Supervisors or the Shareholder(s) who convene(s) the general meeting shall submit relevant supporting documents to the Shanghai Stock Exchange upon the issuance of notice of the general meeting and announcement of resolutions of the general meeting.

For the general meetings convened by the Board of Supervisors or Shareholders, the Board and the secretary of the Board shall cooperate. The Board shall provide the register of Shareholders as at the date of record. The register of Shareholders obtained by the convener shall not be used for any purpose other than convening a general meeting.

Proposals and Notices of General meeting

The contents of a proposal of the general meeting shall be within the scope of the duties and powers of the 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.

When the Company convenes a general meeting, the Board, 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 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 announce the content of such proposal. If the general meeting needs to be postponed due to the issuance of a supplemental notice of the general meeting according to the securities regulatory rules of the place where the Company's Shares are listed, the convening of the 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 by announcement 21 days prior to an annual general meeting and shall notify each Shareholder by announcement 15 days prior to an extraordinary general meeting. For the purpose of calculating the starting date, the day on which the meeting is held shall be excluded.

Notice of 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 general meeting, and to appoint proxy(ies) in writing 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 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.

The notice and the supplementary notice of the 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 general meeting or its supplementary notice is issued.

Holding of General meeting

All Shareholders (or their proxies) who are 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 general meeting and exercise voting rights in accordance with relevant laws, regulations, and the Articles (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) as well as speak at the general meeting.

Shareholders may attend the general meeting in person or appoint proxies to attend and vote on their behalf. Each Shareholder, including a recognized clearing house (or its nominee) as defined in the relevant ordinance made in Hong Kong from time to time, may authorize its company representative or one or more persons it deems appropriate to act as its proxy at any general meeting and vote thereat, and the attendance of such proxy at any general meeting shall be deemed the personal attendance of the Shareholder. Each Shareholder has the right to appoint one proxy, but such proxy is not required to be a Shareholder of the Company; if the Shareholder is a company, it may appoint a representative to attend any general meeting of the Company and vote thereat, and if the company has appointed a representative to attend any meeting, it shall be deemed as a personal attendance. The Company may sign the form for appointing a proxy through its formally authorized personnel.

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 (except in case of a recognized clearing house e (or its nominee) as defined in the relevant ordinances made in Hong Kong from time to time).

Where a Shareholder is an unincorporated organization, the person in charge of the organization or a proxy authorized by the person in charge shall attend the meeting. Such person in charge of the organization attending the meeting shall present his/her personal identity card and valid document that can prove his/her identity as the person in charge. Such proxy authorized to attend the meeting shall present his/her personal identity card and the written authorization letter legally issued by the person in charge of the organization.

If the Shareholder is a recognized clearing house (or its nominee) as defined in the relevant rules or regulations of the place where the Shares are listed, such Shareholder may authorize one 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 general meetings and creditors' meetings); however, if more than one 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 authorised may attend the meeting on behalf of the recognized clearing house (or its nominee) (without production of evidence of shareholding, duly authorised by a notarially certified copy of the authorisation and/or further evidence that it is duly authorised) and shall have the same legal rights as other Shareholders, including the right to speak at the meeting and to exercise the same rights as if the person were 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 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 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 corporate seal 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. The Shareholder's proxy, pursuant to the Shareholder's entrustment, may exercise (including but not limited to) the following rights: (i) the right to speak at the general meeting; (ii) the right to demand a poll either individually or jointly with others; (iii) the right to exercise voting rights by a poll, provided that if more than one proxy is appointed by the Shareholder, such proxies may only exercise voting rights by a poll.

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, its legal representative or the person authorized by the resolutions of its Board or other decision-making body shall be entitled to attend the general meeting of the Company as a representative of the principal.

A registration record for attendees at the meeting shall be compiled by the Company. The registration record shall contain items including but not limited to the names of the attendees (or names of organizations), identity card numbers, residential addresses, the number of Shares held or voting rights represented and names of the proxies(or name of organizations).

When the general meeting is held, all Directors, Supervisors and secretary to the Board of the Company shall attend the meeting, and the general manager and other senior management 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 general meeting shall be presided over by the chairman of the Board. Where the chairman of the Board 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 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 fails to perform his/her duty, a Supervisor elected by more than half of all Supervisors shall preside over the meeting. The general meeting convened by Shareholder(s) itself/themselves shall be presided over by a representative elected by the convener. In a 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 general meeting may nominate one person to serve as the chairman and continue with the meeting.

The general meeting shall have minutes prepared by the secretary to the Board. The minutes shall state the following contents:

(i) time, venue and agenda of the meeting and names of the convener;

(ii) the name of the chairman of the meeting and the names of the Directors, Supervisors, general manager, and other senior management attending or present at the meeting;

(iii) the numbers of Shareholders and proxies attending the meeting, number of voting Shares held by them and their respective proportions in the total number of Shares of the Company;

(iv) the process of review and discussion, summary of any speech and voting results of each proposal;

(v) shareholders' inquiries, opinions or suggestions and corresponding answers or explanations;

(vi) names of lawyer, vote counters and scrutinizer of the voting;

(vii) other contents to be included in the minutes as specified in the Articles.

Voting and Resolutions at General Meetings

The resolutions of the general meeting shall be divided into ordinary resolutions and special resolutions. An ordinary resolution of the general meeting shall be adopted by more than half of the votes held by the Shareholders (including proxies of Shareholders) attending the general meeting. A special resolution of the general meeting shall be adopted by two-thirds or more of the votes held by the Shareholders (including proxies of Shareholders) attending the general meeting.

The following matters shall be approved by the general meeting through ordinary resolutions:

(i) work report of the Board and the Board of Supervisors;

(ii) the profit distribution plans and loss recovery plans drafted by the Board;

(iii) appointment or dismissal of the members of the Board 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) the decision for the appointment or replacement of the accounting firms which provide audit services to the Company, as well as its audit fees;

(vii) 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 or the Articles.

The following matters shall be approved by special resolution at the general meeting:

(i) the increase or reduction of the registered capital of the Company;

(ii) the division, spin-off, merger, dissolution and liquidation of the Company;

(iii) amendment to the Articles;

(iv) the purchases or sales of material assets by the Company within a year or the guarantee amount exceeding 30% of the latest audited total assets of the Company;

(v) the share incentive scheme;

(vi) to consider the acquisition of Shares by the Company under the circumstances provided for in the Articles of Association;

(vii) other matters stipulated by laws, administrative regulations, securities regulatory rules of the place where the Company's Shares are listed, or the Articles, as well as other matters that the 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. On a poll, the securities registration and clearing institution acting as the nominee holder of Shares under the Mainland-Hong Kong Stock Connect, or any Shareholder that is a recognised clearing house (or its nominee) as defined in the relevant Hong Kong regulations from time to time, being entitled to two or more votes, shall not be obliged to cast all such votes in the same manner.

When material issues affecting the interests of minority shareholders are considered at a 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 general meeting.

According to applicable laws and regulations and the Hong Kong 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.

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 general meeting.

The Board, independent Directors, Shareholders of the Company holding 1% or more of the voting Shares 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 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 general meeting shall fully disclose the voting of non-related Shareholders.

The abstaining and voting procedures for related Shareholders in considering related party transactions at the general meeting are as follows:

(i) Where a Shareholder is interested in a matter to be considered at a general meeting, such Shareholder shall disclose his related relationship to the Board before the holding of the general meeting;

(ii) In considering related transactions at a general meeting, the chairman of the meeting shall announce the name(s) of interested Shareholder(s) and explain the related relationships of the interested Shareholder(s) in the related transactions;

(iii) The chairman of the meeting shall announce that the interested Shareholder(s) shall abstain from voting and that the non-interested Shareholder(s) shall consider and vote on the related transactions;

(iv) A resolution on related transactions shall be passed by more than half of the voting Shares of non-interested Shareholders present at the meeting. Where the transaction falls within the scope of special resolution, it shall be passed by more than 2/3 of the voting Shares of non-interested Shareholders present at the meeting.

In the Articles of Association, the meaning of "related transactions" includes "connected transactions" as defined in the Hong Kong Listing Rules, "related parties" and "related persons" include "connected persons" as defined in the Hong Kong Listing Rules, and "related relationship" includes "connected relationship" as defined in the Hong Kong Listing Rules.

BOARD

Directors

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 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.

Any election, designation or appointment of a Director made in contravention of the foregoing provisions shall be null and void. Where a Director becomes subject to any of the circumstances specified in this Article during his or her tenure, the Company shall remove him or her from office. A candidate for Directorship shall, at the earliest practicable opportunity after becoming aware or reasonably ought to have become aware of his or her nomination, report to the Board whether any of the aforesaid circumstances applies to him or her.

Directors shall be elected or replaced by the Shareholders in general meeting and shall serve for a term of three years. Upon the expiry of their term of office, Directors shall be eligible for re-election. Unless otherwise provided by the laws, the Shareholders may, by ordinary resolution passed at a general meeting, remove any Director (including the managing Director or any other executive Director) before the expiration of his or her term of office; provided that such removal shall be without prejudice to any claim for damages that the Director may have under any contract.

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. A Director shall continue to perform his/her duties as a Director in accordance with laws, administrative regulations, departmental rules and the Articles 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.

Any person appointed by the Board as a Director to fill a casual vacancy on the Board or as an addition to the Board shall hold office only until the first annual general meeting following his/her appointment, and shall then be eligible for re-election.

The Board of the Company shall not, for the time being, include any Director who is an employee representative. A Director may concurrently serve as senior management, provided that the aggregate number of Directors concurrently holding senior management positions shall not exceed one-half of the total number of 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 when he/she resigns. The Board 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 the resignation of a Director results in the number of Directors being below the statutory minimum, or the resignation of an independent Director leads to the number of independent Directors being less than one third of the Board members, or the proportion of independent Directors in a special committee does not comply with the Articles and other relevant regulations, or there is no accountant professional among the independent Directors, then the resignation report shall only take effect after a new Director has been appointed to fill the vacancy caused by such resignation. The Company shall complete such by-election within 60 days from the date on which any of the foregoing circumstances occurs. Before the newly elected Director assumes office, the original Director shall still perform the duties of a Director in accordance with laws, administrative regulations, departmental rules, and the provisions of the Articles.

Independent Director(s) shall perform their duties in accordance with the relevant provisions of the laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the Company's Shares are listed.

Board

The Board consists of nine Directors, including four independent Directors, who are elected by the general meeting. The Board shall have one chairman.

The Board exercises the following functions and powers:

(i) to convene general meetings and report on its work to the general meeting;

(ii) to implement the resolutions of the 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 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 appoint or dismiss the general manager and secretary to the Board of the Company based on the nominations by the chairman; to appoint or dismiss senior management including deputy general manager and chief financial officer of the Company based on the nominations by general manager, and to determine their remuneration, rewards and punishments;

(xi) to formulate the Company's basic management system;

(xii) to formulate proposals for any amendment to the Articles;

(xiii) to manage the information disclosure matters of the Company;

(xiv) to propose to the 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 duties and powers stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Shares of the Company are listed, the Articles and the general meetings.

Matters exceeding the scope of authorization of the general meeting shall be submitted to the general meeting for consideration.

The chairman shall be elected by the Board with a majority vote of all Directors.

The chairman of the Board exercises the following powers:

(i) to preside over the general meetings, and convene and preside over Board meetings;

(ii) to supervise and inspect the implementation of Board resolutions;

(iii) to sign documents of the Board and other documents that should be signed by the legal representative;

(iv) in the event of force majeure emergencies such as severe natural disasters, to exercise special powers to handle Company affairs in compliance with legal provisions and the Company's interests, and report to the Company's Board and general meeting afterwards;

(v) to exercise the powers conferred by the Articles of Association during intervals between meetings of the Board;

(vi) any other authority delegated by the Board.

The Board shall hold not fewer than four regular meetings each year, which shall be convened by the chairman, and written notice of each such meeting shall be given to all Directors and Supervisors at least 14 days before the date of the meeting.

Shareholders representing more than 1/10 of the voting rights, more than 1/3 of the Directors or the Board of Supervisors may propose to convene an ad hoc meeting of the Board. The chairman of the Board shall convene and preside over a board meeting within 10 days after receiving the proposal.

A meeting of the Board 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 the Articles, resolutions of the Board must be passed by more than half of all Directors. When the Board considers the guarantee matters, such matters shall be passed by approval of more than two thirds of the Directors present at the meeting. Voting on Board 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, 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 meeting may be held with the attendance of over half of the Directors without related relationship. Resolutions made by Board shall be adopted by over half of the Directors without related relationship. If the number of non-related Directors present at the Board is less than 3, the matter shall be submitted to the 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 meeting, such provisions shall prevail, subject to compliance with on-shore regulatory requirements.

Special Committees of the Board

The Board of the Company has established special committees, namely the Strategy Committee, the Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee. Each special committee is accountable to the Board, shall perform its duties in accordance with the Articles and the authority delegated by the Board, and shall submit its proposals to the Board for consideration and decision. All members of the special committees shall be Directors, of whom independent Directors shall constitute the majority and act as the conveners of the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee, and the convener of the Audit Committee shall be an accounting professional. Members of the Audit Committee shall be Directors who do not hold senior management positions within the Company.

The principal duties of the Strategy and ESG Committee shall be:

(i) to study the Company's long-term development strategies and material investment decisions and make recommendations thereon;

(ii) to consider the Company's sustainability and environmental, social and governance ("**ESG**") strategic plans, and to supervise the implementation of the relevant initiatives;

(iii) to identify ESG-related risks and opportunities that may have a material impact on the Company's business and make corresponding recommendations;

(iv) to review the Company's annual ESG Report.

The Audit Committee is responsible for reviewing and disclosing the Company's financial information, and supervising and evaluating internal and external audit work and internal control. The following matters shall be submitted to the Board for deliberation after obtaining the consent of more than half of all members of the Audit Committee:

(i) disclosure of financial information in financial accounting reports and periodic reports, as well as internal control evaluation reports;

(ii) appointment or dismissal of the accounting firms undertaking audit services of the Company;

(iii) appointment or dismissal of the finance officer of the Company;

(iv) changes in accounting policies, accounting estimates or corrections of major accounting errors for reasons other than changes in accounting standards;

(v) other matters as stipulated by laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed, and the provisions of the Articles.

The Nomination Committee is responsible for formulating the criteria and procedures for selection of Directors and senior management, selecting and reviewing the candidates for Directors and senior management and their qualifications, and making recommendations to the Board on the following matters:

(i) Nomination, appointment or removal of Directors;

(ii) Appointment or removal of senior management;

(iii) Other matters as stipulated by laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed, and the provisions of the Articles.

The Board shall record the opinions of the Nomination Committee and the specific reasons for no adoption in the board resolutions, and disclose them if it does not adopt or fully adopt the opinions of the Nomination Committee.

The Remuneration and Appraisal Committee is responsible for formulating and evaluating the assessment standards of Directors and senior management, formulating and reviewing the remuneration policies and plans of Directors and senior management, and making recommendations to the Board on the following matters:

(i) Remuneration of the Directors and senior management;

(ii) Formulation or changes of stock incentive plans and employee stock ownership plans, and encouragement of objects to achieve the conditions for granting and exercising rights and interests;

(iii) Arrangement of shareholding plans of Directors and senior management in subsidiaries to be split;

(iv) Other matters as stipulated by laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed, and the provisions of the Articles.

The Board shall record the opinions of the Remuneration and Appraisal Committee and the specific reasons for no adoption in the board resolutions, and disclose them if it does not adopt or fully adopt the opinions of the Remuneration and Appraisal Committee.

GENERAL MANAGER AND OTHER SENIOR MANAGEMENT

The Company shall have one general manager, who shall be appointed or dismissed by the Board. The Company may appoint several deputy general managers, who shall be appointed or dismissed by the Board. The general manager, deputy general manager, chief financial officer, and secretary to the Board are senior management of the Company.

The circumstances in the Articles regarding disqualification from serving as a Director shall also apply to senior management.

The senior management of the Company shall serve a term of three years and may serve consecutive terms if re-employed.

The general manager shall be accountable to the Board 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, and report to the Board;

(ii) to organize the implementation of the Company's annual 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 the appointment or dismissal of the Company's deputy general manager and chief 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;

(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 propose the convening of extraordinary meetings of the Board;

(x) to implement the Company's annual budget as approved by the Board within the authorized limits; for expenditures beyond the budget, the general manager has the authority to approve such expenditures within the scope of the funds management approval rights;

(xi) other powers authorized by the Articles or the Board.

The general manager shall attend meetings of the Board in a non-voting capacity.

The general manager is not authorised to approve any external guarantee matters.

The Company shall have deputy general managers, who shall be nominated by the general manager and appointed or removed by the Board. Each deputy general manager shall be directly accountable to, and shall report to, the general manager, and shall perform the relevant functions in accordance with the Company's internal management structure.

The Company shall have a board secretary, who shall be responsible for the preparation of general meetings and meetings of the Board, the custody of documents, the administration of Shareholder information, and the handling of information-disclosure matters and other related affairs. The board secretary shall comply with the laws, administrative regulations, departmental rules and the provisions of the Articles.

BOARD OF SUPERVISORS

Supervisors

The provisions of the Articles regarding the circumstances under which a person may not serve as a Director shall also apply to Supervisors. Directors and senior management of the Company shall not act as Supervisors concurrently.

Supervisors shall comply with the laws, administrative regulations and the Articles, 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 3 years for each session. Upon expiry of the term, the Supervisor may be re-appointed upon re-election.

Supervisors may attend meetings of the Board in a non-voting capacity and may raise enquiries or make recommendations in respect of matters to be resolved by the Board.

Board of Supervisors

The Company shall establish a Board of Supervisors. The Board of Supervisors shall consist of 3 Supervisors, comprising 2 non-employee representatives and 1 employee representative. The employee representatives shall be elected and replaced by the employees of the Company through democratic elections, while the Shareholder representatives shall be elected and replaced by the general meeting. The Board of Supervisors 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/her 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 exercise the following functions and powers:

(i) to review the Company's regular reports prepared by the Board and provide written review opinions;

(ii) to examine the Company's financial affairs;

(iii) to supervise the conduct of Directors and senior management in performing their duties for the Company, and propose the dismissal of Directors and senior management who have violated laws, administrative regulations, the Articles, or resolutions of the general meetings;

(iv) to require Directors and senior management 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 general meeting when the Board fails to perform the duties of convening and presiding over the general meeting under the Company Law;

(vi) to submit proposals to the general meeting;

(vii) to file lawsuits against the Directors and senior management in accordance with Article 151 of 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.

The meetings of the Board of Supervisors shall be held at least once every six months. Supervisors may propose to convene interim meetings of the Board of Supervisors. The resolutions of the Board of Supervisors shall be passed by more than half of the Supervisors.

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.

Disclosure of periodic reports for A Shares: The Company shall report and disclose its annual report to the CSRC and the Shanghai Stock Exchange within 4 months from the ending date of each accounting year, and report and disclose its interim report to the delegated authority of the CSRC and the Shanghai Stock Exchange within 2 months from the end of the first half of each accounting year.

Disclosure of periodic reports for H Shares: The Company's periodic reports in respect of its H Shares comprise the annual report and the interim report. The Company shall publish a preliminary announcement of its annual results within 3 months after the end of each accounting year, and shall prepare and publish its annual report within 4 months after the end of each accounting year and at least 21 days prior to the holding of the annual general meeting.

The Company shall disclose a preliminary announcement of its interim results within two months from the end of the first six months of each accounting year, and complete and disclose its interim report within three months from the end of the first six months of each accounting year.

The above-mentioned annual results, annual reports, interim results and interim reports shall be prepared according to the relevant laws, administrative regulations, the provisions of the securities regulators and stock exchange where the Company's Shares are listed.

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 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. Profits distributed to Shareholders by a 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.

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. The officer in charge of audit shall be accountable to the Board 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 general meeting, and the Board shall not engage an accounting firm before any decision is made at the 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 general meeting.

A 10-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 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 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. The merger of two or more companies to form a new company shall be deemed a new establishment merger, with all merging parties being 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 in the newspapers or other legally published periodicals in the place where the Company's domicile is located, as stipulated in Article 176 of the Articles 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. If there are additional provisions in the securities regulatory rules of the place where the Company's Shares are listed, the relevant parties shall also comply with such provisions. 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 in the newspapers or media, or on the National Enterprise Credit Information System as stipulated in Article 176 of the Articles within 30 days as of the date of such resolution. If there are additional provisions in the securities regulatory rules of the place where the Company's Shares are listed, the relevant parties shall also comply with such provisions. 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 in the newspapers or media, or on the National Enterprise Credit Information System as stipulated in Article 176 of the Articles 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. If there are additional provisions in the securities regulatory rules of the place where the Company's Shares are listed, the relevant parties shall also comply with such provisions. The registered capital of the Company after the reduction shall not be less than the statutory minimum amount.

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 or other cause of dissolution as specified therein;

(ii) a resolution on dissolution is passed by the 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. 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 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 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 in the newspapers or media, or on the National Enterprise Credit Information System as stipulated in Article 176 of the Articles 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. If there are additional provisions in the securities regulatory rules of the place where the Company's Shares are listed, the relevant parties shall also comply with such provisions. 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 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 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.

AMENDMENTS TO THE ARTICLES

The Company shall amend the Articles 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 become inconsistent with the said amendments;

(ii) If certain changes of the Company occur resulting in inconsistency with terms specified in the Articles;

(iii) The general meeting has resolved to amend the Articles.

Where the amendments to the Articles passed by resolutions of the 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.

The Board shall amend the Articles in accordance with the resolutions passed by the general meeting to effect such amendments and pursuant to the approval opinions of relevant regulatory authorities.

Amendments to the Articles constitute information required to be disclosed pursuant to the laws and regulations and shall be announced in accordance with such requirements.

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 17, 2013, and was converted into a joint stock company with limited liability on April 13, 2016. 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 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong. Mr. Cheng Ching Kit 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 in "History – Major Shareholding Changes of Our Company – 4. Share Capital Changes Subsequent to Our A Share Listing," there has been no alteration in our total issued 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 subsidiary of our Company was incorporated within two years immediately preceding the date of this document:

Name of subsidiary	Place of incorporation	Date of incorporation	Capital contribution
Suzhou Xinji Management Consulting Partnership Enterprise (Limited Partnership) 蘇州芯吉管理諮詢合夥企業（有限合夥）	PRC	September 23, 2024	RMB22,500,000

The following sets out the changes in the share capital of our subsidiaries within the two years immediately preceding the date of this document:

Shanghai Naxi

- On December 14, 2023, the registered capital of Shanghai Naxi increased from RMB5,000,000 to RMB185,000,000.

Suzhou Naxing

- On October 18, 2023, the registered capital of Suzhou Naxing increased from RMB160,000,000 to RMB410,000,000.

- On January 7, 2025, the registered capital of Suzhou Naxing increased from RMB410,000,000 to RMB510,000,000.

Shanghai Lairui

- On September 28, 2023, the registered capital of Shanghai Lairui decreased from RMB19,182,142 to RMB18,905,988.

- On October 21, 2023, the registered capital of Shanghai Lairui decreased from RMB18,905,988 to RMB19,182,142.

- On December 2, 2024, the registered capital of Shanghai Lairui decreased from RMB19,182,142 to RMB13,065,935.

4. Resolutions of Our Shareholders

On April 11, 2025, resolutions of our Shareholders were passed pursuant to which, among other things:

(a) the Articles was approved and adopted;

(b) the **[REDACTED]** (including the **[REDACTED]**, **[REDACTED]** and **[REDACTED]**) and the **[REDACTED]** were approved and our Directors were authorized to **[REDACTED]** the **[REDACTED]** pursuant to the **[REDACTED]**; and

(c) the number of **[REDACTED]** 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]** shall be 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) a partnership interest transfer agreement (財產份額轉讓協議) dated June 21, 2024 entered into among our Company, Zhu Jianyu (朱劍宇), Jiang Jie (姜傑), Fang Jun (方駿) and Wei Shizhong (魏世忠), pursuant to which our Company agreed to acquire 13.51% partnership interest in Shanghai Lairui Enterprise Management Partnership (Limited Partnership) (上海萊睿企業管理合夥企業(有限合夥)) from Zhu Jianyu and Jiang Jie, and 43.82% partnership interest in Shanghai Liuzi Enterprise Management Partnership (Limited Partnership)(上海留詞企業管理合夥企業(有限合夥)) from Mr. Fang Jun and Mr. Wei Shizhong, at an aggregation consideration of RMB110,301,216.37;

(b) an equity transfer agreement (股份轉讓協議) dated June 21, 2024 entered into among our Company, QST Corporation Limited (上海矽睿科技股份有限公司) and Shanghai Lairui Enterprise Management Partnership (Limited Partnership) (上海萊睿企業管理合夥企業(有限合夥)), pursuant to which our Company agreed to acquire 62.68% equity interest in Shanghai MagnTek Microelectronics Inc. (上海麥歌恩微電子股份有限公司) from QST Corporation Limited (上海矽睿科技股份有限公司) and 5.60% equity interest in Shanghai MagnTek Microelectronics Inc. (上海麥歌恩微電子股份有限公司) from Shanghai Lairui Enterprise Management Partnership (Limited Partnership) (上海萊睿企業管理合夥企業(有限合夥)) at an aggregate consideration of RMB682,821,556.11;

(c) a supplemental agreement to the partnership interest transfer agreement (財產份額轉讓協議之補充協議) dated October 14, 2024 entered into among our Company, Suzhou Naxing Venture Capital Management Co., Ltd. (蘇州納星創業投資管理有限公司) and 28 individuals, pursuant to which our Company and Suzhou Naxing Venture Capital Management Co., Ltd. (蘇州納星創業投資管理有限公司) agreed to acquire all remaining partnership interests held by the sellers in Shanghai Lairui Enterprise Management Partnership (Limited Partnership) (上海萊睿企業管理合夥企業(有限合夥)) and Shanghai Lairui Enterprise Management Partnership (Limited Partnership) (上海萊睿企業管理合夥企業(有限合夥)) at an aggregate consideration of RMB317,178,443.89; and

(d) the **[REDACTED]**.

2. Our Intellectual Property Rights

(a) Trademarks

(i) Registered 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	Registered Owner	Jurisdiction of Registration	Registration Number	Expiry Date
1	纳芯微	9	Company	PRC	40687273	April 13, 2030
2	纳芯微	42	Company	PRC	40690853	April 13, 2030
3	NOVOSENSE 纳芯微电子	9	Company	PRC	54160316	October 27, 2032
4	NOVOSENSE	9	Company	PRC	18945348	May 20, 2027

No.	Trademark	Class	Registered Owner	Jurisdiction of Registration	Registration Number	Expiry Date
5	NOVOSENSE	9	Company	PRC	54468100	November 27, 2031
6	NOVOSENSE	42	Company	PRC	54471162	November 27, 2031
7	NOVOSENSE	9	Company	Hong Kong	305900995	March 8, 2032
8	NOVOSENSE	9	Company	Germany	1664176	March 8, 2032
9	MagnTek	9	Company	PRC	71257537	January 27, 2034
10	麦歌恩	9	Company	PRC	62432002	July 27, 2032

(ii) Trademarks Applications

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Class	Applicant	Jurisdiction of Registration	Application Number	Expiry Date
1	NOVOSENSE	9	Company	United States	98113313	N/A
2	NSSine	9	Company	PRC	81990771	N/A
3	NOVOSENSE	42	Company	Hong Kong	306841567	N/A
4	纳芯微	9	Company	Hong Kong	306841594	N/A
5		9	Company	Hong Kong	306841620	N/A
6	NOVOSENSE 纳芯微电子	9	Company	Hong Kong	306841558	N/A
7	NOVOSENSE 纳芯微电子	9	Company	Hong Kong	306841576	N/A

(b) Patents

(i) Registered Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be material to our business:

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Expiry Date
1	A CMOS temperature sensor	Invention	Company	PRC	201410108382.X	March 21, 2014	March 20, 2034
2	High-precision analog square circuit	Invention	Company	PRC	201410370419.6	July 30, 2014	July 29, 2034
3	Batch test board for testing signal conditioning chips	Utility Model	Company	PRC	201620658915.6	June 29, 2016	June 28, 2026
4	Pressure test fixture	Utility Model	Company	PRC	201620670782.4	June 30, 2016	June 29, 2026
5	A high-low voltage conversion integrated circuit	Invention	Company	PRC	201610784269.2	August 31, 2016	August 30, 2036
6	Communication system and method for transmitter conditioning chips	Invention	Company	PRC	201610780629.1	August 31, 2016	August 30, 2036
7	A high-low voltage conversion integrated circuit	Utility Model	Company	PRC	201621012300.2	August 31, 2016	August 30, 2026
8	Error diagnosis detection method for accelerometers	Invention	Company	PRC	201710169948.3	March 21, 2017	March 20, 2037
9	Integrated circuit and method for calibrating bandgap reference voltage temperature drift using self-heating	Invention	Company	PRC	201710762226.9	August 30, 2017	August 29, 2037
10	MEMS island-beam-membrane device	Utility Model	Company	PRC	201820605718.7	April 26, 2018	April 25, 2028
11	MEMS SOI wafer and MEMS sensor	Utility Model	Company	PRC	201820879783.9	June 7, 2018	June 6, 2028
12	Packaging structure for pressure sensors	Utility Model	Company	PRC	201821223270.9	July 31, 2018	July 30, 2028
13	Temperature value transmission device and method	Invention	Company	PRC	201910059532.5	January 22, 2019	January 21, 2039

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Expiry Date
14	Preamplifier	Invention	Company	PRC	202010947650.2	September 10, 2020	September 9, 2040
15	Data communication method, data communication system, and computer-readable storage medium	Invention	Company	PRC	202011159435.2	October 27, 2020	October 26, 2040
16	Switch control circuit and control method	Invention	MagnTek Electronics (Shanghai) Co., Ltd. (麥歌恩電子(上海)有限公司)	PRC	201910765359.0	August 19, 2019	August 10, 2039
17	Chip self-test circuit, detection circuit, chip and self-test method	Invention	Shenzhen MagnTek Technology Co., Ltd. (深圳麥歌恩科技有限公司)	PRC	202110643024.9	June 9, 2021	June 8, 2041
18	Interpolation system and method based on second-order tracking loop	Invention	Chongqing QstMagnTek Microelectronics Co., Ltd. (重慶睿歌微電子有限公司)	PRC	202011186449.3	October 30, 2020	October 29, 2040
19	Light-emitting element drive circuit, device, and electrical equipment	Invention	Company	PRC	202210418984.X	April 20, 2022	April 19, 2042
20	Common-mode transient immunity protection circuit for digital isolators	Invention	Company	PRC	202010431409.4	May 20, 2020	May 19, 2040
21	Differential signal amplification circuit, digital isolator, and digital receiver	Invention	Company	PRC	202010430520.1	May 20, 2020	May 19, 2040
22	Differential signal amplification circuit, digital isolator, and receiver	Invention	Company	Europe	21808054.7	November 17, 2022	February 7, 2041
23	Local Interconnect Network receiver circuit	Invention	Company	PRC	202211469619.8	November 22, 2022	November 21, 2042

(ii) Patents Applications

As of the Latest Practicable Date, we had applied for the registration of the following patents which we consider to be or may be material to our business:

No	Patent Name	Type	Applicant	Jurisdiction of Registration	Application Number	Date of Application	Expiry Date
1	Encoding method, decoding method, encoding circuit, and decoding circuit for single-channel communication	Invention	Company	Japan	2024-517070	March 15, 2024	N/A
2	Calibration device and magnetic field detection device	Invention	Company	PRC	202411587006.3	November 7, 2024	N/A
3	Magnetic field detection device	Invention	Company	PRC	202411585831.X	November 7, 2024	N/A
4	Magnetic field detection device	Invention	Shanghai Naxi, Company	PRC	202510015693.X	January 3, 2025	N/A
5	Magnetic field sensing device	Invention	Shanghai Naxi, Company	PRC	202510015655.4	January 3, 2025	N/A
6	Magnetic field sensing device	Utility Model	Shanghai Naxi, Company	PRC	202520021033.8	January 3, 2025	N/A
7	Light-emitting element driving circuit and driving chip	Invention	Company	Europe	23791274.6	October 18, 2024	N/A
8	Light-emitting element driving circuit and driving chip	Invention	Company	Japan	2024-543573	July 23, 2024	N/A
9	Light-emitting element driving circuit and light-emitting element driving chip	Invention	Company	United States	18/857,343	October 16, 2024	N/A
10	Protection circuit for common-mode transient immunity of digital isolator	Invention	Company	Europe	20937070.9	November 17, 2022	N/A
11	Common-mode transient suppression protection circuit for digital isolator	Invention	Company	United States	17/926,617	November 20, 2022	N/A

No	Patent Name	Type	Applicant	Jurisdiction of Registration	Application Number	Date of Application	Expiry Date
12	Differential signal amplification circuit, digital isolator, and digital receiver	Invention	Company	United States	17/926,616	November 20, 2022	N/A
13	CAN transceiver circuit	Invention	Company	PRC	202410895273.0	July 4, 2024	N/A

(c) Software Copyrights

As of the Latest Practicable Date, we had registered the following software copyrights which we consider to be material to our business:

No	Software Name	Registrant	Registration Number	Date of Registration
1	NOVOSENSE Pressure Sensor NSA2300 Calibration Software (Single-unit analog version) V1.0	Company	2015SR092386	May 28, 2015
2	NOVOSENSE Pressure Sensor NSA2300 Calibration Software (Single-unit digital version) V1.0	Company	2015SR092982	May 28, 2015
3	NOVOSENSE Pressure Sensor NSA2300 Calibration Software (Batch analog version) V1.0	Company	2015SR092492	May 28, 2015
4	NOVOSENSE Pressure Sensor NSA2300 Calibration Software (Batch digital version) V1.0	Company	2015SR092570	May 28, 2015
5	Integrated Circuit Performance Testing System V1.0	MagnTek Electronics (Shanghai) Co., Ltd	2018SR863152	October 29, 2018
6	Magnetic Angle Sensor Automated Testing Software V1.0	MagnTek	2024SR0234854	February 5, 2024

(d) 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	Registrant	Domain Name	Period of Validity
1	Company	novosns.com	May 27, 2013 to May 27, 2028

(e) Layout-Designs

As of the Latest Practicable Date, we had registered the following layout-designs which we consider to be material to our business:

No	Work Name	Registrant	Registration Number	Date of Application	Expiry Date
1	NSA2860	Company	BS.165516070	September 7, 2016	September 6, 2026
2	NSC6260	Company	BS.165516089	September 7, 2016	September 6, 2026
3	NSA3160	Company	BS.18555217X	April 12, 2018	April 11, 2028
4	NSI802X	Company	BS.19560797X	September 2, 2019	September 1, 2029
5	NSD2621_RX	Company	BS.225577399	July 18, 2022	July 17, 2032
6	MT63X3	MagnTek	BS.155009842	December 7, 2015	December 6, 2025

Save as aforesaid, as of the Latest Practicable Date, there were no other trademarks, patents or other intellectual 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 listed, 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]	Shareholding in total issued share capital upon completion of the [REDACTED]
Mr. Wang Shengyang (王升楊)[3][4][5]	Beneficial owner Interest in controlled corporation Interest held jointly with other persons	49,187,880 A Shares	**[REDACTED]**	**[REDACTED]**
Mr. Sheng Yun (盛雲)[5][6]	Beneficial owner Interest in controlled corporation Interest held jointly with other persons	49,187,880 A Shares	**[REDACTED]**	**[REDACTED]**
Mr. Wang Yifeng (王一峰)[5]	Beneficial owner Interest held jointly with other persons	49,187,880 A Shares	**[REDACTED]**	**[REDACTED]**
[Mr. Jiang Chaoshang (姜超尚)	Beneficial owner	9,800 A Shares[7]	**[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, Mr. Wang Shengyang directly held 15,487,920 A Shares.

(4) As of the Latest Practicable Date, Mr. Wang Shengyang was the general partner of Ruixi Information Consulting, Naxin No.1, Naxin No. 2 and Naxin No.3. By virtue of the SFO, Mr. Wang Shengyang is deemed to be interested in the total 13,852,440 A Shares held by Ruixi Information Consulting, Naxin No.1, Naxin No.2 and Naxin No.3.

(5) Mr. Wang Shengyang, Mr. Sheng Yun and Mr. Wang Yifeng have entered into the Acting-in-Concert Agreement. Please refer to "Relationship with Our Single Largest Shareholder Group - Overview" for more details. By virtue of the SFO, they are deemed to be interested in the Shares and underlying Shares held by each other.

(6) As of the Latest Practicable Date, Ruixi Information Consulting was owned by Mr. Sheng Yun as to 40%. By virtue of the SFO, Mr. Sheng Yun was deemed to be interested in the 6,526,800 A Shares held by Ruixi Information Consulting.

(7) The interest comprises 4,900 A Shares and 4,900 underlying A Shares in respect of the restricted Shares granted pursuant to the 2022 Restricted Share Incentive Plan.

(ii) Interest in our associated corporations

Save as disclosed above, 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, 2024, was RMB8.06 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 RMB7.9 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 2023 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 further improve the Group's long-term incentive mechanism, attract and retain outstanding talents, fully mobilize the enthusiasm of the Group's employees and enable all parties to jointly focus on the long-term development of the Group. 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 directors, senior management and core technical staff and key employees. The participants of our 2023 Restricted Share Incentive Plan include our core technical staff and key employees, excluding 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 to the grantee under our 2022 Restricted Share Incentive Plan. For our 2023 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. 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	4,200,000[(1)]
2023 Restricted Share Incentive Plan	3,800,000

Note:

(1) The maximum number of restricted Shares to be granted under the Plan was initially 3,000,000. Among the 3,000,000 restricted Shares, 229,272 restricted Shares (the "**2022 Retained Restricted Shares**") were retained with different terms from other restricted Shares under the 2022 Restricted Share Incentive Plan. In June 2023, pursuant to the 2022 profit distribution and capitalization of capital reserves plan, the maximum number of restricted Shares to be granted has been adjusted to 4,200,000. Among the 4,200,000 restricted Shares, the number of 2022 Retained Restricted Shares has been adjusted to 320,981.

(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 and shall be a trading day. Under our Restricted Share Incentive Plans, the grant of restricted Shares, excluding the 2022 Retained Restricted Shares, shall be completed and announced within 60 days after the approval of such plans by the Shareholders' meeting.

The 2022 Restricted Share Incentive Plan shall be effective from the date of the initial grant of restricted Shares under such plan 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 plan shall not exceed 72 months.

The 2023 Restricted Share Incentive Plan shall be effective from the date of the grant of restricted Shares under such plan 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 plan shall not exceed 48 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, and no Share held by such Director or senior management can be transferred within six months after the termination of his or her employment with our Company;

(ii) income gained through (i) sale of Shares within six months of purchase of Shares; or (ii) purchase of Shares within six months of sale of Shares, shall belong to our Company and will be forfeited by the Board;

(iii) the grantee is also subject to the lock-up requirements under applicable laws and regulations; and

(iv) if there is any change in the applicable laws and regulations on the 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 shall be granted to selected participants subject to the fulfillment of the following conditions:

(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 shall 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 Plans are achieved.

The restricted Shares (other than the 2022 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, the vesting schedule for the restricted Shares is (i) 25% to be vested between the first year and the second year from the date of the initial grant; (ii) 25% to be vested between the second year and the third year from the date of the initial grant; (iii) 25% to be vested between the third year and the fourth year from the date of the initial grant; and (iv) 25% to be vested between the fourth year and the fifth year from the date of the initial grant; and

(ii) under the 2023 Restricted Share Incentive Plan, the vesting schedule for the restricted Shares is (i) 40% to be vested between the first year and the second year from the date of grant; (ii) 30% to be vested between the second year and the third year from the date of grant; and (iii) 30% to be vested between the third year and the fourth year from the date of grant.

The vesting schedule for the 2022 Retained Restricted Shares is (i) 25% to be vested between the first year and the second year from the date of the initial grant; (ii) 25% to be vested between the second year and the third year from the date of the initial grant; (iii) 25% to be vested between the third year and the fourth year from the date of the initial grant; and (iv) 25% to be vested between the fourth year and the fifth year from the date of the initial 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 2,009,285, 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 by issue of A Shares, instead of repurchase of A Shares from the secondary market, and the **[REDACTED]** is not exercised, the shareholding of our Shareholders immediately following completion of the **[REDACTED]** will be diluted by approximately **[REDACTED]**, and such issue of A Shares will have **[REDACTED]** on the earning per Share.

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]
Director and Senior Management							
Mr. Jiang Chaoshang	Executive Director and secretary to the Board	2022 Restricted Share Incentive Plan	June 21, 2022	Note 2	RMB68	4,900	**[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) The vesting schedule for the restricted Shares under the 2022 Restricted Share Incentive Plan is (i) 25% to be vested between the first year and the second year from the date of the initial grant; (ii) 25% to be vested between the second year and the third year from the date of the initial grant; (iii) 25% to be vested between the third year and the fourth year from the date of the initial grant; and (iv) 25% to be vested between the fourth year and the fifth year from the date of the initial grant.

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]
2022 Restricted Share Incentive Plan	154	June 21, 2022	Note 2	RMB68	855,349	**[REDACTED]**
	27	October 25, 2022	Note 3	RMB68	91,185	**[REDACTED]**
2023 Restricted Share Incentive Plan	265	September 18, 2023	Note 4	RMB49	1,057,851	**[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 154 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. The vesting schedule for the restricted Shares under the 2022 Restricted Share Incentive Plan is (i) 25% to be vested between the first year and the second year from the date of the initial grant; (ii) 25% to be vested between the second year and the third year from the date of the initial grant; (iii) 25% to be vested between the third year and the fourth year from the date of the initial grant; and (iv) 25% to be vested between the fourth year and the fifth year from the date of the initial grant.

(3) Represent the outstanding 2022 Retained Restricted Shares granted to 27 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 October 25, 2022, after the release of our Company's 2022 third quarterly report, the vesting schedule for the 2022 Retained Restricted Shares is (i) 25% to be vested between the first year and the second year from the date of the initial grant; (ii) 25% to be vested between the second year and the third year from the date of the initial grant; (iii) 25% to be vested between the third year and the fourth year from the date of the initial grant; and (iv) 25% to be vested between the fourth year and the fifth year from the date of the initial grant.

(4) Represent the outstanding restricted Shares granted to 265 grantees who are not Directors or senior management of our Company under the 2023 Restricted Share Incentive Plan. The vesting schedule for the restricted Shares is (i) 40% to be vested between the first year and the second year from the date of grant; (ii) 30% to be vested between the second year and the third year from the date of grant; and (iii) 30% to be vested between the third year and the fourth year from the date of grant.

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. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the **[REDACTED]** of, and **[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 Joint Sponsors will receive an aggregate fee of **[REDACTED]** for acting as sponsors 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 December 31, 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
CITIC Securities (Hong Kong) Limited	A corporation licensed to carry on Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Name	Qualification
CCB International Capital Limited	A corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Jia Yuan Law Offices	Qualified PRC lawyers
KPMG	Certified public accountants and public interest entity auditor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

To the best knowledge of our Directors, 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 as of the time of our Company's conversion into a joint stock company on April 13, 2016, are as follows:

No.	Name
1.	Mr. Wang Shengyang
2.	Mr. Sheng Yun
3.	Mr. Wang Yifeng
4.	Naxin Information Consulting
5.	Suzhou Guorun Ruiqi Venture Capital Enterprise (Limited Partnership) (蘇州國潤瑞祺創業投資企業 (有限合夥))
6.	Shanghai Wulianwang Venture Capital Fund Partnership (Limited Partnership) (上海物聯網創業投資基金合夥企業 (有限合夥))
7.	Shenzhen Shangyun Sensing Investment Partnership Enterprise (Limited Partnership) (深圳市上雲傳感投資合夥企業 (有限合夥))

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 [REDACTED]

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.novosns.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 from KPMG, 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 from KPMG, the text of which is set out in Appendix II to this document;

(e) the legal opinions issued by Jia Yuan 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.